

Legislation Text

File #: BILL NO. 18-06, **Version:** 1

AN ORDINANCE APPROVING THE SCHEDULE OF FUEL DISCOUNTS FOR FUEL SALES AT THE LEE'S SUMMIT MUNICIPAL AIRPORT. (F&BC 1-8-18)

Key Issues:

- Fuel pricing and volume discounts are a major consideration when choosing to use an Airport and are used to attract and retain customers.
- The current Fuel Discount Program was implemented in 2014 and was designed to meet the needs of based aircraft that were capable of using a 4,000ft long runway.
- The Airport estimates that due to more corporate aircraft using the longer runway, the average Jet-A transaction will increase from the current 128 to 300-499 gallons per transaction.
- The Airport's Fuel Discount Program needs to be updated to reflect the change in customers using the Airport.

Proposed Council Motion:

FIRST MOTION: I move for second reading of AN ORDINANCE APPROVING THE SCHEDULE OF FUEL DISCOUNTS FOR FUEL SALES AT THE LEE'S SUMMIT MUNICIPAL AIRPORT.

SECOND MOTION: I move for adoption of AN ORDINANCE APPROVING THE SCHEDULE OF FUEL DISCOUNTS FOR FUEL SALES AT THE LEE'S SUMMIT MUNICIPAL AIRPORT.

Background:

The Airport is anticipating growth in Business and General Aviation aircraft using the Airport with runway 18/36 lengthened to 5501ft. Fuel prices and available discounts are a consideration when choosing to use an airport. The current Fuel Discount Program was implemented in 2014 and was designed around customers who primarily purchased 100LL and Jet-A for aircraft capable of using a 4,000 ft. runway.

The purpose of this program is to provide customers with fuel discount incentives to purchase more gallons of fuel per transaction. Today the average Jet-A transaction is 128 gallons and staff expects the average Jet-A transaction to increase to 300-499 gallons per transaction. In some cases, the Airport will be servicing aircraft capable of purchasing over 1500 gal. per transaction. The current fuel discount program only offers discounts up to 550 gallons per transaction. Because the Airport will be servicing a wider variety of Business Aviation aircraft capable of using a 5,501ft runway, the Fuel Discount Program needs to be updated to meet the needs of these new customers.

Impact/Analysis:

Airport Fuel Discount programs are widely used in the Aviation industry as a marketing and customer

retention tool. Currently, the Airport discounts approximately 70% of all fuel sold, which is consistent across the industry. Staff expects our total percentage of fuel discounted to increase as Jet-A sales increase with new traffic. Jet-A sales represent 38% of the total fuel sold and staff anticipates this percentage to increase. Jet-A sales will eventually exceed Avgas 100LL sales.

Contract Fuel is a program used by jet aircraft operators and Fixed Based Operators (FBO's) to simplify the day-to-day purchasing of Jet-A fuel. Contract Fuel has several benefits for FBO's, pilots, and corporate flight departments. Because flight departments purchase thousands of gallons per year, a Contract Fuel program allows operators to negotiate rates with fuel suppliers such as Avfuel. In return, these flight departments use Avfuel branded FBO's (like the Lee's Summit Airport) across the country to purchase fuel. To attract these high volume customers, an FBO's Contract Fuel discounts are normally 10 to 15 cents greater than the normal discounted rates. The Lee's Summit Airport will be providing a 15 cent discount beyond the normal discount rate. This discount is consistent, and better in some cases, when compared to other Airports in the area. Another benefit to promoting the Contract Fuel program is that the Airport does not pay most of the normal credit card payment processing fees on Contract Fuel sales. On average, the Airport pays between 2-4% on credit card transactions. This year the Airport is projected to spend \$17,000 in credit card fees. Staff expects that if implemented the majority of discounts will be from transient per transaction and Contract Fuel in the 300-499 gallons per transaction range.

Between January 1 and October 15, 2017, the Airport sold 48,325 gallons of Jet-A. A total 29,675 gallons or 61% received discounts (see attached Exhibit B).

Presenter: Joel Arrington, Assistant Airport Manager

Recommendation:

Staff recommends approval of AN ORDINANCE APPROVING THE SCHEDULE OF FUEL DISCOUNTS FOR FUEL SALES AT THE LEE'S SUMMIMT MUNICIPAL AIRPORT

Committee Recommendation: BOAC was unable to take action on this item due to a lack of quorum at their December 11 meeting.

Finance and Budget Committee: ACTION: A motion was made by Vice Chair Edson, seconded by Alternate DeMoro that this Ordinance be recommended for approval to the City Council. Motion passed 3 "Aye" (Councilmembers Binney, Edson and DeMoro) and 2 "Absent" (Councilmembers Mosby and Faith.)