

Legislation Text

File #: BILL NO. 20-16, **Version:** 1

An Ordinance authorizing the execution of a Corporate Aircraft Association preferred FBO agreement by and between the City of Lee's Summit, Missouri and the Corporate Aircraft Association to offer preferred pricing discounts on Jet-A fuel to CAA members. (BOAC 12/9/19 & F&BC 1/13/20)

Issues/Request:

An Ordinance authorizing the execution of a Corporate Aircraft Association preferred FBO agreement "Exhibit A" by and between the City of Lee's Summit, Missouri and the Corporate Aircraft Association to offer preferred pricing discounts "Exhibit B" on Jet-A fuel to CAA members.

Key Issues

- The Airport operates as an enterprise fund generating revenue through hangar rental, fuel sales, ground leases, and charges for services.
- Fuel pricing and discounts are a consideration by customers when choosing an airport.
- The agreement is for a period of three (3) years.
- This agreement only provides preferred pricing discounts for CAA members.
- The only cost associated with this agreement is the discount provided to CAA members on Jet-A sales.
- If the Airport determines that the agreement is not financially beneficial to the Airport, the Airport can cancel the agreement.

Proposed Council Motion:

FIRST READING: I move for second reading of an Ordinance authorizing the execution of a Corporate Aircraft Association preferred FBO agreement by and between the City of Lee's Summit, Missouri and the Corporate Aircraft Association to offer preferred pricing discounts on Jet-A fuel to CAA members.

SECOND READING: I move for adoption of an Ordinance authorizing the execution of a Corporate Aircraft Association preferred FBO agreement by and between the City of Lee's Summit, Missouri and the Corporate Aircraft Association to offer preferred pricing discounts on Jet-A fuel to CAA members.

Background:

The Airport operates as an enterprise fund and generates revenue through hangar rental, fuel sales and ground leases. The current fuel discounts structure was adopted in August 2019 in response to new buying patterns of customers and allowed the Airport more flexibility to adjust to changing market conditions. As part of the new discount structure adopted in August 2019, the Airport indicated that it would be participating in preferred pricing discount programs and would bring those discounts before City Council for approval.

A growing trend in the aviation industry today is the use of independent fuel discount programs such as the Corporate Aircraft Association (CAA) preferred fuel discount program. CAA is a discount program that offers fuel discounts to CAA members only, at select Fixed Based Operators (FBO's) across the country. In order for an FBO to be included in the CAA program, FBO's must submit the discounts they intend to offer CAA members in addition to any fees for services. CAA members then have the opportunity to review and vote to include FBO's in the CAA Network of preferred FBO's. During the voting process, CAA provides its membership a comparative analysis against other FBO's in the region to aid members in the voting and selection process. In October 2019 the Airport applied to become a Corporate Aircraft Association Preferred FBO and was ultimately voted in by the CAA membership on November 7th 2019.

The fuel discounts that the Lee's Summit Airport will offer are very competitive with surrounding airports in the Kansas City Area. We anticipate that becoming a CAA preferred FBO will result in increase fuel sales at the Airport.

Joel Arrington, Assistant Airport Manager

Recommendation: Staff recommends adoption of an Ordinance authorizing the execution of a Corporate Aircraft Association preferred FBO agreement by and between the City of Lee's Summit, Missouri and the Corporate Aircraft Association to offer preferred pricing discounts on Jet-A fuel to CAA members.

Board Recommendation:

The Board of Aeronautical Commissioners voted unanimously 7-0 to recommend to Finance and Budget Committee approval of an Ordinance authorizing the execution of a Corporate Aircraft Association preferred FBO agreement "Exhibit A" by and between the City of Lee's Summit, Missouri and the Corporate Aircraft Association to offer preferred pricing discounts "Exhibit B" on Jet-A fuel to CAA members. (BOAC 12/9/19).

Committee Recommendation:

Finance and Budget Committee (January 13, 2020) - A motion was made by Councilmember Carlyle, seconded by Vice Chair Lopez, that Bill No. 20-16 be recommended for approval. to the City Council. The motion passed unanimously.