

Legislation Text

File #: BILL NO. 19-60, **Version:** 1

An Ordinance repealing the Schedule of Fees and Charges for the City of Lee's Summit and establishing a new City of Lee's Summit Schedule of Fees and Charges to take effect July 1, 2019. (F&BC 3-13-19)

Issue/Request:

An Ordinance repealing the Schedule of Fees and Charges for the City of Lee's Summit and establishing a new City of Lee's Summit Schedule of Fees and Charges to take effect July 1, 2019.

Key Issues:

As part of the FY20 budget process, the City has reviewed the City's current schedule of fees and charges. The Airport, Animal Control, Fire Department, Maps and GIS, and Water Utilities have identified changes as part of their respective operations and processes. The proposed changes would take effect July 1, 2019. The proposed ordinance sets forth the updated Schedules of Fees and Charges in Exhibit A to ordinance.

Airport:

The Airport operates as an enterprise fund and is expected to cover operational expenses through hangar rental, fuel sales, and ground leases. Annually, the Airport reviews the fuel mark-up rates, fees, and discounts to ensure that the Airport generates enough revenue to cover operational expenses, remain competitive in the marketplace, and is able to plan for future equipment and facilities.

-Increase Hangar, Office and Tie-down Rates by 2.2% in accordance with the CPI-U Index: Hangar rates are reviewed annually to assess the current local market and cost of operations. As an Enterprise Fund, the Airport is expected to recuperate its operational expenses through fees and services. The Airport Business Plan completed by Clough Harbour & Associates, LLP states in the Rates and Charges section on page 72 that: "Hangar prices should be increased to reflect the Consumer Price Index (CPI) if within service area competitive market rates." The current projected CPI rate is felt to be within the competitive market rates of other surrounding airports. The Kansas City Downtown Airport increased their hangar rental rates 2.2% on January 1, 2019.

-Hangar Unit Rates for Displaced Hangar Tenants: Constructions of twenty-eight new enclosed T-hangars were completed in August 2018.

Occupancy of these units consisted of new and displaced customers as part of the construction project to relocate taxiway Alpha. There are three different rental rates for the customers who were displaced that will span a three-year period. These rates were developed based on the type of rental units the customers were in previously. For FY20, the new rates are as follows: \$192 for tenants who were in the Open-T hangars; \$302 for tenants who were previously in the S-hangar units; and \$357 for tenants who were previously in the L-hangar units. Any units that become vacant and are filled with tenants who were not impacted by the hangar removal will be rented at the full rate of \$403 per month.

-Hangar 1: Rates for single engine tenants located in Hangar 1 will increase from \$500/month to \$525/month. This fee is being increased to keep at least a \$100 margin between Hangar 1 and other enclosed hangars.

Overall, these increases for all enclosed hangars, Hangar 1, and office space will generate an additional \$1,660 in additional monthly rental revenues or \$19,920 annually. These figures are based on a 90% occupancy rate.

-Fuel Mark-Up: The Airport's FY20 proposed budget will reflect an increase in the markup on all fuels sold. The Jet-A markup will have the greatest impact of revenue for FY20. The average posted retail price of Jet-A fuel in the Kansas City area is \$6.14/gal. With the current markup structure, the Lee's Summit Airports retail price is on average \$4.63/gal for Jet-A. Staff believes that the Airport should maintain retail fuel prices within a window 5%-10%/gal below other Airports operating at least a 5500 ft. long runway and similar services levels. This flexibility allows the Airport to maintain retail prices that are competitive with other Airports operating at least a 5500 ft. long runway. The increases proposed will:

1. Improve the Airports ability to cover new operational expenses without lowering service levels.
2. Bring the Airports fuel prices more in line with airports who are operating at least a 5500 ft. long runway and offering similar services.
3. Allow the airport to plan for long-term for equipment, service, and facility improvements.

For FY20 the Airport is proposing that retail fuel prices are determined by cost plus up to \$4.00/gal. markup for Jet-A and up to \$2.00/gal. for 100LL and Unleaded fuel.

-Jet-A Sales

FY17: 58,713-gallons

FY18: 79,012-gallons

FY19: 93,000-gallons projection

The overall impact of an increase on all fuels if implemented will generate an estimated \$52,000 in Jet-A revenue and \$20,000 in Avgas revenue after discounts are applied.

-Ramp Service and Overnight Tie down Fees: Ramp service and overnight tie down fees cover labor; provide necessary equipment, and maintenance of FBO facilities associated with servicing aircraft and customers. For FY20, these fees are increasing to cover additional labor cost and bring us more in line with the local market. This fee can be waived with the purchase of fuel.

-Ramp Service Fees: For FY20, piston engine aircraft and helicopters are increasing from \$10 to \$15 and can be waived with any purchase of fuel. Jet/turboprop aircraft are increasing from \$58 to \$100 and can be waived with a purchase of 60 gallons of jet-A fuel. Other FBOs in the area are charging between \$242 and \$505. Although the Lee's Summit Airport is lower than other FBOs, the fee is appropriate for the amenities provided and hours of operations. This rate increase should generate an estimated \$2,184 in additional revenue in FY20

-Overnight Tie-Down Fees: This fee increased for FY20 to help cover additional labor costs and bring the Lee's Summit Airport's fees more in line with the local market. For FY20, single engine piston and single engine turbo-prop aircraft, and helicopters are increasing from \$15 to \$20. Jet and Multi-engine turboprop aircraft are increasing from \$75 to \$125. This fee can be waived with the purchase of 60 gallons of fuel. Other FBOs in the area are charging between \$81 and \$264 for similar aircraft. Although the Lee's Summit Airport is lower than other FBOs, the fee is appropriate for the amenities provided and hours of operations. Overall, the increased fees will generate approximately \$1,000 in additional revenue

-Lavatory and Ground Service: The Lavatory and GPU fees are increasing from \$45 to \$65. Staff recommends increasing this fee to cover additional labor costs and to bring the Lee's Summit Airport in line with other FBOs in the Kansas City area. Other FBOs are charging between \$50 and \$80 for the same service. Increasing this fee will generate approximately \$800 in additional revenue.

-After Hours Fee: Currently, an After Hours fee of \$85 is charged when customers request service that is not scheduled ahead of time. Employees who respond are paid a minimum of four hours at time and a half. The increase to \$115 is to cover additional labor employee costs to respond to after-hour call outs. This has been calculated assuming the 4 hours at the overtime rate of 1 line attendant. We estimate the fee will generate approximately \$600 of additional revenue.

-Re-Keying Charge: A fee for re-keying is charged to customers who, as part of their lease agreement, fail to return all keys at the end of the lease agreement or, at the request of the customer due to loss of a key. This fee will cover labor and expenses associated with re-keying a hangar door. The fee is being increased from \$100 to \$125.

New Fees

-Private Hangar Pad and Parking Lot Snow Removal: This fee is to cover the overhead, fuel, and maintenance costs of removing snow from private hangar pads and parking lots. The \$125 fee will be enough to cover four snow events annually. This fee will generate approximately \$250 annually. As new hangars are built in the future, revenue should increase.

-No Call - No Show for Special Snow Removal Request: A \$250 fee will be assessed to customers who request priority snow removal to gain access to the runway. In the event that they are a no-call, no-show 1 hour prior to the requested time access was requested, the fee will be assessed. Customers who notify the Airport that their flight will be delayed/cancelled 1 hour prior to the requested departure/arrival time will not be charged.

-Grounds Maintenance for Private Hangar's: Due to the increase in private hangars, the Airport is receiving request to assist in grounds maintenance. The grounds maintenance fee will cover the labor and equipment cost associated with cutting grass and weed eating around the hangars when requested by the customer. The Airport will charge a \$100/month fee for the service. Estimated revenue will be approximately \$1200 annually.

Animal Control:

A change was made to Animal Control's fees and charges to clear up confusion and provide greater transparency for the public.

-The microchipping fee was removed from the schedule of fees and charges because this is not a service where the general public can bring their dog or cat to the shelter to have them microchipped. Microchipping only occurs when a cat or dog is adopted.

-The total adoption fee amount was updated to include a cost breakdown of what is included with that fee, which includes the microchipping service.

Fire Department:

Changes were made to the categories of ambulance fees (Basic Life Support, Advanced Life Support 1, and Advanced Life Support 2) for residents and non-residents. The updates to the fees and charges move the Fire Department closer to the established goal of collecting 50% of the emergency services cost.

Maps and GIS:

Changes were made to the Map and GIS fees and charges to ensure that the necessary amount of revenue was being collected and to provide information about what is included in the fee and charge for standard and custom maps.

Water Utilities:

-Water Tap Fees:

The Water Utilities Advisory Board reviewed the statements related to water tap fee performance and the projections within the tap fee model on December 12, 2018. The Board unanimously recommended the following:

Update Water System Improvement Projects List

Add:	Colbern Road (FY2020).....	\$1,058,000
Reduce:	Upsizing (2017-40).....	(387,782)
Reduce:	System Improvements (2030-40).....	(60,000)

Water Tap Fee Project List updated total of \$78,386,867

Utilize 585 residential equivalent units for growth for (FY2019-20).

Increase Water Tap fee residential equivalent unit to \$3,477 effective July 1, 2019 for next fiscal year (FY2019-20).

-Water and Sewer Rates:

The Financial Model (Cost of Service Model) that is utilized to establish the 5 year rate schedule was updated and presented to the Water Utilities Advisory Board on December 12, 2018. The Board reviewed the financial plan and determined that the plan was consistent with the financial objectives identified in the Water Utilities Strategic Plan below:

- Revenue to Expense Ratio - equal to or greater than 1:1 to ensure that system revenues are recovering expenses. (Operating Revenues divided by Operating Expenses)
- Coverage Ratio - minimum of 1.50:1 to assure that adequate revenues are maintained to satisfy debt obligations. (Net Revenues Available for Debt Service divided by Annual Debt Service Payments)
- Working Capital - working capital equal to 90 days of annual operating expenses
- Plan effectively for rate and revenue stability.

- Incremental rate adjustments (annual review)
- Rates are cost-based, equitable, and understandable
- Promote water conservation
- Adequately fund reinvestment in water and sewer infrastructure

The Board unanimously recommended to the City Council that Water and Sewer rates to amend the adopted rate schedule for January 1, 2022 to increase the water and sewer rates from 2% to 3% and to append the rate schedule with a 4% increase to water and sewer rates effective January 1, 2023.

In addition to the above recommendations, Staff annually reviews Meter Setup Charges based on actual costs. Increases to the contract costs of meter supplies are responsible for increases to these charges. Contracts have been established for larger meters which can now be specified in the schedule rather than appear as requiring a quote.

Proposed City Council Motion:

FIRST MOTION: I move for second reading of An Ordinance repealing the Schedule of Fees and Charges for the City of Lee's Summit and establishing a new City of Lee's Summit Schedule of Fees and Charges to take effect July 1, 2019.

SECOND MOTION: I move for adoption of An Ordinance repealing the Schedule of Fees and Charges for the City of Lee's Summit and establishing a new City of Lee's Summit Schedule of Fees and Charges to take effect July 1, 2019.

Background:

N/A

Nick Edwards, Assistant City Manager

Recommendation: Staff recommends approval.

Committee Recommendation: Motion by Councilmember Lopez, second by Councilmember Edson, this Ordinance was recommended for approval to the City Council - Regular Session due back on 3/19/2019. The vote was unanimous.