



Legislation Text

File #: 07-1007, **Version:** 1

Recommendation to authorize City Manager to execute all necessary documents with the Federal Aviation Administration (FAA) to increase the existing Passenger Facility Charge (PFC) from \$3.00 to \$4.50 per enplaned passenger, and to accept, implement, administer, collect and expend the new PFC for the design of the terminal improvements with "impose and use authority" and for construction of the terminal improvements with "impose only authority"; and increase appropriation in the amount of \$3,900,000 in the Airport Enterprise Fund (EF320) and the Department of Public Works (PW). (District 5)

On January 7, 2003, the Department of Public Works submitted an application to the FAA for authority to implement a \$3.00 PFC as authorized by Title 14, Part 158, of the Code of Federal Regulations, adopted May 22, 1991. On May 20, 2003, City Council authorized the City Manager to administer and execute all the necessary documents to collect, accept and expend PFC revenue for City Council-approved Airport capital improvement projects. Current federal regulations allow local airport proprietors to charge a "per enplaned passenger" fee of up to \$4.50 for expenditure on eligible nonrevenue generating airport capital improvements. PFCs are in place at the majority of commercial service airports. Long Beach Airport requested and was authorized PFCs in the amount of \$3.00 per enplaned passenger, which is collected by the air carriers. Beginning in August 2003, the Airport PFC collection has resulted in average revenue of approximately \$4.1 million annually.

Since the program was implemented, PFC revenue has been used to fund portions of the Runway 12 -30 rehabilitation, security system upgrades, rehabilitation of several taxiways, airfield road improvements and the acquisition of an Aircraft Rescue and Fire Fighting vehicle (ARFF). FAA rules allow airports collecting PFCs to amend their program to reflect changing cost requirements and project needs.

On April 18, 2006, City Council authorized the City Manager to amend the PFC program. The amendment was due to accelerated deterioration of airfield pavement including critical taxiways resulting from heavy rains, dramatic increase in construction cost, and to recover the debt service for the projects that are constructed in advance of PFC collection. In addition, a new PFC application was submitted for additional airfield pavement and infrastructure, and to provide matching funds for the replacement of two remaining ARFF vehicles, replace security fencing and purchase passenger boarding ramps to ensure Americans with Disabilities Act (ADA) compliance.

On April 24, 2007, City Council authorized the City Manager to proceed with the preparation of final plans, specifications, cost estimates and financing plan for the construction of an Airport Terminal Improvement Project consistent with the projects identified as part of the Airport EIR certification. To fund these projects, the current PFC level of \$3.00 per enplaned passenger will be increased to \$4.50 per enplaned passenger. A new PFC application will be submitted for "impose and use authority" for the design of the terminal improvements and "impose only authority" for construction of the improvements. This limitation will ensure that the Council has further opportunity to approve the

subsequent PFC amendment that would allow the Airport to proceed with construction.

Should the Council decide not to approve construction of the Terminal Area Improvements, the PFC funds collected for construction would be used to fund required major renovation, rehabilitation and improvements of existing facilities, and the overall collection period shortened.

Participating air carriers are reimbursed for costs to administer PFC collections. The administrative cost for airlines is currently \$0.11 per PFC dollar collected.

Under federal law, PFCs can only be used for certain non-revenue producing airport capital projects. It is estimated that total PFC revenues of \$69.5 million under the existing approved applications will be collected by December 1, 2018. Under the new application, another \$69.1 million is estimated to be collected by July 30, 2025.

This matter was reviewed by Deputy City Attorney Lori A. Conway on August 16, 2007, and by Budget and Performance Management Bureau Manager David Wodynski on August 17, 2007.

City Council action on this item is requested on September 4, 2007, to avoid delays in the implementation of the increase of PFC collection from \$3.00 to \$4.50 per enplaned passenger, estimated to be effective March 2008.

Based on current passenger projections, it is estimated that approximately \$2.2 million additional revenue will be received annually. An appropriation increase of \$3,900,000 is required to cover the PFC portion of the Terminal Design cost. PFC revenue is restricted to pre-approved, non-revenue generating projects and will be deposited in the Airport Enterprise Fund (EF320) in the Department of Public Works (PW).

Approve recommendation.

CHRISTINE F. ANDERSEN
DIRECTOR OF PUBLIC WORKS

APPROVED:

ANTHONY W. BATTS
CITY MANAGER