

NAMPA AIRPORT COMMISSION
JUNE 24, 2020 -Video Conference Special Meeting

The meeting was called to order at 5:30 pm by Chairman David Beverly

- Members Present: Dr. David Beverly, Aaron Bear, Aubree Miller, Mark Miller, Wayne Thiel
- Members Absent: None
- Ex-Officio Members Present: Monte Hasl, Airport Superintendent; Jeff Barnes, Deputy Public Works Director; Douglas Waterman, City Attorney

1-Airport Business

Item 1-1 Action Item: Airport 2020 Cost of Service (COS) and Equity Study: Provide Commission Recommendations to City Council.

Jeff Barnes, Deputy Public Works Director (DPWD), presented the COS discussion to the Commission. The DPWD provided the recommendations for Council that he put together from comments provided from the Commission.

The COS is intended to be a guide or living document. When it goes before City Council this will be identified. The intent is not to adopt the document, but for the document to become a reference for current and future decision making.

DPWD Barnes addressed property taxes generated on the Airport. The Airport is generating close to \$265,000 in personal property taxes. Of this total, Nampa's portion is 40% or approximately \$107,000. Property taxes cannot be counted as Airport Revenue. The recommendation would be to request City Council to annually allocate the city portion of the property taxes generated on the Airport to the Airport budget each year.

Commissioner M. Miller indicated he has no issue with this recommendation. He would like the COS document to address the property taxes. He feels by not addressing them in the document City Council does not have all of the information needed to make a decision.

DPWD Barnes indicated staff will be adding verbiage to the COS based on tonight's discussion.

DPWD Barnes noted the COS does show an annual shortfall of \$170,000 for the Airport budget. City Council has been annually allocating \$113,000 to the Airport budget. This leaves about \$57,000 still needed, which is close to the amount the below fair market leases are short. He recommends asking City Council to fund the \$57,000 discrepancy in addition to the \$113,000 they already fund.

The Commission asked if the Airport is showing a \$57,000 discrepancy, are they running a deficit each year. DPWD Barnes indicated for a number of years the Airport Superintendent has been able to save funds and build the Airport Fund (savings account). It has only been the last couple of years where fund balance has been used. He also advised the Commission the airport assets, buildings, hangars, non-FAA pavement, etc are aging. As these assets age the maintenance is becoming increasingly more expensive.

Jake Allen, Public Works Business Manager (PWBM), noted in 2018 with airport revenue and property taxes the Airport Budget was quite close to being balanced.

NAMPA AIRPORT COMMISSION
JUNE 24, 2020 -Video Conference Special Meeting

Commissioner A. Miller asked if the goal is for the Airport to generate all of their operations funding and therefore to not rely on general funds for operations. The PWBN indicated this is the goal, for the Airport to be able to generate all of their operations expenses and then the general fund tax revenue could go towards capital projects.

Commissioner A. Miller indicated there should be some way to “credit” the rate groups that are paying property taxes in the COS. She feels if you do not credit those paying taxes and you raise the lease rates to be equitable you are now “double dipping”.

Commissioner M. Miller asked for clarification, does the COS want the revenue generated from land lease and city rentals to cover operations and property taxes to cover capital expenses? This will mean hangar owners will then be paying thousands each month.

DPWD Barnes advised the intent is for the Airport to be sustainable as possible. Many other airports fund their operations with airport revenue and then the Sponsor funds the capital expenditures for the Airport.

The Commission indicated they would like the COS to reflect the property taxes paid by the land lease rate groups. Commissioner A. Miller feels the taxes should be accounted for in Table 5, Percent of Expense by Cost Classification. Or even in Table 4, Data Elements for Rate Class Groupings. Commissioner Bear noted he thinks the taxes could be accounted for in Table 8, Revenue Verses Expense by Rate Class. A column could easily be added to Table 8 for property tax.

The Commission noted they are aware property taxes cannot be counted on for ongoing revenue. They also noted the only rate groups that pay property taxes are the land lease rates groups. The goal would be to spread the taxes paid to those who are paying them.

Commissioner M. Miller also noted the air buildings rate group lumps all city owned structures together. By doing so Shade hangars are now being “charged” for hangar repairs therefore driving up their rates. The PWBM noted this is the flaw in the study. The number of city owned hangars are skewed. The study could divvy the hangar expenses into the hangar classes. This will require more coding on expenses as they are paid. The working group made adjustments for this to the shade hangars and tie downs. We decreased the number of spaces to adjust for expenses therefore shifting more expenses to other city hangars.

The Commission asked if part of the COS is to provide justification to the City for more funding. The PWBM advised the COS looked at rates and expenses for each user group. The COS then evaluated if the rates for all user groups were equal or if groups were subsidizing other rate groups. The COS presents equitable rates based off airport revenue. By identifying the equitable rate for all users the COS provides that no rate group is paying more than their fair share of operations expenses.

The Commission discussed the leases currently in effect that do not allow for adjustments outside of CPI increases. They are not sure adjusting rates now will make that much of a difference.

The PWBM asked for clarification, in the model he could factor in the dollar amount of taxes/square foot and subtract this from the proposed revenue equity required for land leases. However, by doing this the expenses will then be redistributed to other airport users increasing their revenue requirement.

NAMPA AIRPORT COMMISSION
JUNE 24, 2020 -Video Conference Special Meeting

The PWBM noted the COS can be modified with the changes the Commission has proposed. He does agree the taxes generated by the Airport should stay with the Airport. He also wanted to note currently, there are rental rates that are paying far more than their fair share of the operational expenses. Additionally, in the world of water/wastewater when they look at rates, they do look at industry verses residential and ensure all users are paying their fair share. Property tax revenue is a separate discussion from the water/wastewater rates and not factored in when setting the operation rates for water/wastewater.

The Commission indicated they are not asking for the existing lease rates to be reduced, they are even ok with an increase. They are not okay with a huge increase. They want those who are making the decision on rates to know rentals and leases are not 1 to 1, but 1 to 2. They feel the COS as presented does not provide the full picture. They also noted by increasing the leases rate significantly and freezing the rental rates it becomes impossible for someone to build a hangar to rent while competing with the City rentals.

The PWBM noted rental rates will not be lowered to the equitable rate, they stay where they are at.

The Commission understands the need to keep up. They want the taxes to be included in the equitability of the study. They inquired how do the non-profits factor in this? Are the numbers in the COS accurate? The PWBM advised the numbers are accurate. They represent a three-year average. These numbers can and will flex based on unusual events such as extra snow removal for a bad snow year, etc.

Commissioner M. Miller noted he does not see how the City can expect the Airport to run for nothing. The Airport provides services and business to the community. Yet the City will pay \$400,000 for a single cross walk. He is also concerned that increasing rates as identified in the COS will run business off the airport and will create a bad image for this airport.

Commissioner Thiel would also like consideration for the \$106 million economic impact this airport generates for the local economy. He sees business aircraft here regularly. Chairman Beverly inquired if we should start charging landing fees. Commissioner M. Miller noted if Nampa charges landing fees those business jets will simply go to Boise or Caldwell.

DPWD Barnes noted the recommendation to Council should include the economic impact along with the request to fund the deficit at the Airport.

The Commission would like the COS to include language identifying it as a living/working process.

The Commission asked if the afore mentioned adjustments to City rentals are reflected in the rate structure. The PWBM indicated they are. The next step for rental rates is a market rate study. The market rate study could cause rental rates to go up.

The Commission asked for the number of leases that will be affected by a rate increase. Staff advised of the 106 leases only 45 leases may be adjusted over the CPI based on the 0/5 clause. The Commission noted the leases that are not able to be adjusted will eventually sell to a new owner and the lease rate could then be modified.

NAMPA AIRPORT COMMISSION
JUNE 24, 2020 -Video Conference Special Meeting

Chairman Beverly asked the Commission for a recommendation to move forward. Commissioner A. Miller recommends an adjustment to the COS to adjust for property taxes paid. Commissioner M. Miller would like language added to the COS regarding property taxes and which rate groups are paying them.

The Commission stated they want to see the updated COS before it goes to City Council.

DPWD Barnes reviewed the schedule for Council action on the COS and accompanying action items. For the public hearing for the rate structure to occur on 8/3, the request for the hearing must occur at the 7/6 council meeting. The COS, rate structure and lease could come back to the Commission at the 7/13 meeting.

Chairman Beverly noted we cannot raise the rate on most on the existing leases. Why not just increase the ones we can by just 5%? This would remove the need for a public hearing.

The PWBM advised the Commission could go ahead and ask for the Public Hearing now. The requested adjustments could be made to the COS and if the rates reduce the hearing could be canceled. DPWD Barnes advised the COS could come back to the Commission 7/13 and a public hearing could be requested 7/20, this will push the public hearing date back.

The Commission asked if the lease rates are increased, how much additional revenue will it generate? The PWBM advised at this time approximately \$13,000.

DPWD Barnes asked for direction, with the Commission recommending staff make the changes to the COS and come back to the Commission on 7/13, agenda items 1-2; 1-3; 1-4 are all tied to the COS, how shall staff proceed?

The Commission recommended delaying action on all items until the next Commission meeting.

The City Attorney clarified what the Commission is requesting: A- Staff to update the COS and to come back to the Commission for approval. Or B – Recommending to City Council they do not adopt the COS. He also noted if it is the Commissions desire to wait to act on the agenda items there is no issue with postponing action to align all of the recommendations to City Council.

MOVED by M. Miller and seconded by Beverly

The Commission presumes rates will not increase by more than 5% and the COS, rate structure and land lease update will be revisited at the next Commission meeting.

Chairman Beverly asked all in favor to say aye with all Commissioners present voting **AYE**.

MOTION CARRIED

Commissioner Bear clarified the Commission could still request rate increases at the next meeting if needed. The City Attorney indicated this is still an option.

Commissioner Bear also inquired if the recommendations at the end of the COS will become a separate document as discussed at the June 8 meeting. The DPWD advised the recommendations will become a separate document from the COS.

NAMPA AIRPORT COMMISSION
JUNE 24, 2020 -Video Conference Special Meeting

The Commission directed staff to update the numbers and language in the COS. The PWBM cautioned the Commission, that adding the property tax numbers to the lease groups will cause the rental rates to increase above their equitable rate. Additionally, by including the tax numbers in the model we lose some of the justification to keep the taxes. Also, if Council were to choose to not fund general fund taxes to the Airport and we have included them in the base operations equity model the airport will be in a deficit and will depend on fund balance for general operations.

Commissioner Bear would like the language in the COS to reflect the taxes are paid by the lease groups and they are not a guaranteed revenue source. In the event taxes are not allocated to the Airport, lease rates will need to be adjusted.

Chairman Beverly confirmed a motion has been made and passed directing staff to update the COS and the remaining action items are on hold.

MOVED by Thiel and seconded by Bear to **adjourn** the meeting.

Chairman Beverly asked all in favor to say aye with all Commissioners present voting **AYE**.

MOTION CARRIED

Chairman Beverly adjourned the meeting at 7:28 PM

Passed this 13th day of July 2020



AIRPORT SUPERINTENDENT, SECRETARY

COMMISSION CHAIRMAN