



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: September 12, 2014
Board Meeting Date: November 18, 2014
Special Notice / Hearing: None
Vote Required: 4/5ths

To: Honorable Board of Supervisors

From: Freda Manuel, Real Property Services Manager

Subject: Amendment to Concession Agreement with Rabbit Aviation LLC to authorize the stocking and selling of unleaded fuel at the San Carlos Airport.

RECOMMENDATION:

Adopt a resolution authorizing an Amendment to the Concession Agreement dated January 23, 1996, with Rabbit Aviation LLC and all associated documents, authorizing the stocking and selling of unleaded aviation fuel at the San Carlos Airport.

BACKGROUND:

In 1996, the County entered into a Concession Agreement (Agreement) with Andrew Farrankop d.b.a. Rabbit Aviation to sell fuel to aircraft operators at the San Carlos Airport (Airport) and the non-exclusive use of Airport facilities. The Agreement was for a 10 year term with two options to renew for an additional five-years.

In 2004, the County consented to the assignment of interest to Rabbit Aviation LLC (Operator). The current Concession Agreement will expire in 2016.

Pursuant to direction by your Board on July 9, 2013, the County now requires fuel providers at the Airport to stock and sell an unleaded aviation fuel option. Operator is the only fuel provider at the Airport, has selected an unleaded aviation fuel product and purchased a truck for dispensing, and is ready to begin stocking and selling unleaded aviation fuel at the Airport. The additional fuel type requires an amendment to the Agreement before unleaded fuel sales can begin.

DISCUSSION:

The Amendment to the Concession Agreement will permit (i) the Operator to stock and sell unleaded aviation fuel and ii) abate the fuel flowage fee for the sale of unleaded fuel through the duration of the agreement's current term, which expires on January 23, 2016.

The Airport estimates that the initial demand for unleaded aviation fuel will be lower than 100 low lead type fuel (100LL), as the majority of piston engine aircraft based at the Airport are currently not certified to use unleaded aviation fuel. The Aircraft Owners and Pilot Association (Association) has estimated that while 70% of the piston engine fleet in the United States can run on unleaded fuel, the remaining 30% are high performance engines that cannot run on unleaded fuel. These users with high performance engines actually purchase 70% of the total 100LL sold annually in the United States.

On May 14, 2008, your Board approved a fuel flowage rate of \$0.10 per gallon sold. The Amendment permits an abatement of the flowage fee for the sale of unleaded fuel in an effort to spur consumption through reduced prices. It is estimated that the abatement will result in an \$8,700 reduction in revenue to the Airport Enterprise fund over the remainder of the Term of the Agreement. This is premised on the Association's estimates referenced above and that 30% of the existing aircraft at the Airport purchase unleaded fuel, which represents an 87,000 gallon reduction in the amount of 100LL fuel sold.

County Counsel has reviewed and approved the Amendment and Resolution as to form. The Airport Manager concurs in this recommendation.

Approval of this Amendment contributes to the Shared Vision 2025 outcome of a Collaborative Community as the San Carlos Airport will be the only airport in California to offer an unleaded fuel option.

PERFORMANCE MEASURE(S):

Measure	Target*
Total gallons of Unleaded-Aviation fuel sold per quarter	To be Determined
Total gallons of Unleaded Jet fuel sold per quarter	247,000
Total gallons of 100-Octane Low Lead fuel sold per quarter	292,000

* Performance measures are based on estimated targets, as the San Carlos Airport will be the only airport in CA selling these fuel options.

FISCAL IMPACT:

There is no impact to the General Fund.