



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 18-278

Board Meeting Date: 4/10/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: John L. Maltbie, County Manager
Subject: Lease and Concession Agreement with Rabbit Aviation Services, Inc., for the Operation of an Aviation Fuel Facility at the San Carlos Airport (Lease No. 5395)

RECOMMENDATION:

Adopt a resolution authorizing:

- A) The execution of a Lease and Concession Agreement with Rabbit Aviation Services, Inc., to enable the operation of an approximately 9,000 square foot aviation fuel facility at the San Carlos Airport, for an initial term of seven years, and at an initial Monthly Base Rent of \$900 or a per month flowage fee of \$0.15 per gallon of aviation fuel sold, whichever is greater; and
- B) The County Manager, or his designee, to accept and execute on behalf of the County any and all notices, options, consents, approvals, terminations, and documents in connection with the Lease and Concession Agreement; and
- C) The waiver of the County's competitive solicitation process for the aviation fuel facility vendor.

BACKGROUND:

Rabbit Aviation Services, Inc. ("Rabbit") has been providing aviation fuel services at the San Carlos Airport ("Airport") since 1996. Currently, Rabbit is the sole provider of aviation fuel at the Airport. However, Rabbit's existing fuel tank is located within the Runway Object Free Area ("ROFA"), which the Federal Aviation Administration ("FAA") has identified as a safety hazard. In 2013, the FAA awarded the County a grant to construct a new aviation fuel facility, relocate Rabbit's fuel tank, and mitigate the hazard.

On July 9, 2013, pursuant to San Mateo County Resolution No. 072685, the County awarded a contract to Disney Construction for the construction and installation of a new aviation fuel facility and pump station at the Airport. The Resolution also authorized the acceptance of a \$2.28 million FAA Grant to fund the project.

Additionally, on July 23, 2013, the Board of Supervisors declared that all County Airport fuel providers will be required to stock and sell an unleaded fuel option once one has been certified by the FAA.

DISCUSSION:

Real Property Services and the Airport Section of the Public Works Department have negotiated a new Lease and Concession Agreement (“Agreement”) with Rabbit for the operation of the newly constructed aviation fuel facility at the Airport. The Agreement is for an initial term of seven years, with one five-year option to extend the term upon mutual written consent.

Rabbit’s Monthly Base Permit Fee will be based on the greater of either the total Flowage Fee accrued from its sale of aviation fuel or the minimum monthly base rent, which starts at \$900 and increases by three percent (3%) annually. Aviation fuel sold by Rabbit will incur a \$0.15 per gallon Flowage Fee, which is considered market rate for aviation fuel providers at comparable general aviation airports. A summary of Flowage Fees charged at comparable general aviation airports can be found on Exhibit A. Further, Rabbit will pay a monthly concession fee of \$500.00, which is subject to increases based on the Airport Fee schedule. In an effort to promote the use of unleaded aviation fuel, no Flowage Fee will be levied for its sale until such time as unleaded fuel comprises 50 percent (50%) or more of total fuel sold by Rabbit in any given month.

Rabbit’s existing fuel tank must be removed from the ROFA for safety reasons and to satisfy FAA grant obligations. The fuel tank relocation costs were initially included in the FAA grant; however, the fuel tank relocation funding was later removed from the grant by the FAA. A capital investment estimated at \$800,000 is needed to complete construction of the fuel facility project and purchase the equipment necessary to make the new fuel facility fully operational. As directed by this Board, the new fuel provider will be required to meet the County’s new standard of providing unleaded fuel to reduce carbon emissions. Based on staff research, there is currently only one fuel provider in the State of California that provides unleaded fuel at a general aviation (GA) airport--Rabbit Aviation. In discussions with Rabbit, it is financially able and willing to provide the capital investment necessary to complete this project in an expedited manner, has a history of providing unleaded aviation fuel successfully, and is a current vendor in good standing. For these reasons, staff is requesting that your Board waive the County’s Request for Proposal (RFP) process for a fuel vendor. The County has also received approval from the FAA to waive the federal RFP process because a portion of the aviation fuel facility was built for the explicit purpose of relocating Rabbit’s existing fuel tank.

Execution of this agreement highlights this Board’s continued commitment to reducing carbon emissions by having the only GA airport in the State of California that offers unleaded aviation fuel and incentivizes its sale.

County Counsel has reviewed and approved the agreement and resolution as to form. The Director of the Department of Public Works concurs in this recommendation. The Contract Compliance Committee has approved the term of the agreement.

Approval of this action contributes to the Shared Vision 2025 outcome of an Environmentally Conscious Community by reducing the carbon footprint of the San Carlos Airport.

FISCAL IMPACT:

Revenue from Rabbit will be deposited into the Airport Enterprise Fund and is estimated, at a minimum, at \$16,800 annually. There is no impact to the General Fund.

