



AGENDA REPORT

PROPOSED ACTION: Ordinance: Approve and Authorize the Proposed Fiscal Year 2027 Airline Landing Fee Rates, Terminal Space Rental Rates, and Other Fees Generating \$101.5 Million in Revenue at Oakland San Francisco Bay Airport and Amend Appendix C-1 of the Port of Oakland Administrative Code to Adjust the Proposed Fiscal Year 2027 Fees; and Find that the Proposed Action is Exempt Under the California Environmental Quality Act. **(Aviation)**

Submitted By: Craig Simon, Director of Aviation; Kristi McKenney, Executive Director

Parties Involved: Various Passenger and Cargo Airlines, and Other Commercial Tenants, Using the Airfield Ramps and Runways, and Occupying Space Within the South Field Terminal Complex at Oakland San Francisco Bay Airport

Amount: \$101.5 million estimated annual rates & charges revenue (\$43.7 million in airline landing fee revenues, \$57.8 million in airline terminal rentals and use fees) (Operating Revenues)

EXECUTIVE SUMMARY: Each Fiscal Year (FY), the Port of Oakland (Port) adjusts landing fee rates, terminal space rental rates, and other fees assessed to all scheduled, charter and itinerant passenger and cargo airlines, and charged to many other tenants occupying space within the terminal complex or utilizing the airfield at Oakland San Francisco Bay Airport (OAK or Airport). The proposed rates and charges, as set forth in the Port of Oakland Administrative Code (POAC), would increase the cost per enplaned passenger by \$2.38 from \$18.80 in FY 2026 to \$21.18 in FY 2027.

BACKGROUND & ANALYSIS

All scheduled, charter, and itinerant passenger and cargo airlines with operations at OAK are required to pay landing fees, terminal space rentals, and other fees and charges set forth in POAC Chapter 5.02 and Appendix C-1 (Rates & Charges). Most airlines operating at OAK have entered into an *Airline Operating Agreement*¹; a 25% surcharge, set forth in the POAC, applies to air carriers that are non-signatory, i.e., are not party to an *Airline Operating Agreement*.

The Port’s Board of Port Commissioners (Board) establishes Rates & Charges by ordinance on a fiscal year basis. The Rates & Charges proposed in this Agenda Report will be effective July 1, 2026, for Signatory Airlines and will be effective September 1, 2026, for non-signatory airlines and other non-airline tenants and users of the Airport.

¹ “Signatory” Airlines are those airlines who have executed the Port’s standard form *Airline Operating Agreement*. Signatory Airlines are members of the Airport Airline Affairs Committee (AAAC). The AAAC Member Airlines have agreed to accept a July 1st effective date for Rates & Charges even if such date would be retroactive to the adoption date of the applicable Rates and Charges ordinance.

For Rates & Charges purposes, the Airport is divided into several cost centers: the passenger terminal areas (Terminal); the airfield, runways and taxiway areas (Airfield); and contract fueling activities, are airline-supported cost centers based on the total airline requirement for each airline-supported cost center. The airlines have no financial responsibility for OAK's other cost centers, such as Ground Transportation & Access, Cargo, Leased Areas, and Rental Cars.

Rates & Charges for the Terminal and the Airfield cost centers are set annually by the Board at the beginning of each fiscal year based on budgeted expenses and anticipated revenues in the upcoming fiscal year, plus any adjustments from prior years' actual results; however, rates may be adjusted more frequently if Port Staff determines there will be either a significant revenue shortfall or revenue over-collection.

To determine Rates & Charges, Port Staff include the direct and indirect expenses allocable to each of the airline-supported cost centers for the upcoming fiscal year. The following are included in the calculation of each cost center requirement:

- **Operating and Maintenance Expenses:** Including surpluses and/or deficits from prior years (true-ups);
- **Allocated Capital Costs:** To the extent the proceeds of any Senior Lien Bonds, Intermediate Lien Bonds or Commercial Paper (CP) Notes were spent on such facilities, an allocated capital cost equal to 1.25 times debt service on the applicable Senior Lien Bonds and 1.10 times debt service on the applicable Intermediate Lien Bonds and CP Notes; and
- **Amortization Charge:** For the non-airline cost center capital invested in airline cost center capital projects with an interest component.

The Landing Fee Rates are derived after subtracting airfield revenues from estimated airfield expenses and dividing the resulting Airline Airfield Requirement by projected landed weight² for both cargo and passenger airlines.

The proposed Rates & Charges for FY 2027 are presented under each cost center section and summarized in Attachment A - Schedule of Landing Fee Rates and Terminal Space Rental Rates. These rates reflect Aviation's proposed FY 2027 budget. Each year, Port Staff meet with the Airport Airline Affairs Committee (AAAC) member airlines to discuss the proposed budget and resulting Rates & Charges, providing a dedicated forum to address questions and discuss financial projections. This year's meeting was held on May 19, 2026, with member airlines participating in-person and via teleconference. AAAC Member Airlines' concurrence on the FY 2027 budget and resultant rates was obtained

² Early in the annual budget-development cycle, Aviation Staff estimates future airline flight activity based on current activity, aircraft types, and projected air service into the new fiscal year. This activity is converted into aircraft "landed weights" and reviewed with the AAAC Member Airlines for confirmation or correction. All estimates are added together to equal the total "projected landed weight" for cargo and passenger airlines.

by presenting preliminary information at the May 19, 2026, meeting and distributing final rates and charges information on May 22, 2026.

The Port forecasts 8 million Annual Passengers (MAP), departing and arriving at OAK in FY 2027. This is decline in passenger traffic from FY 2026 and is primarily a result of reductions in scheduled flights and available seats to/from OAK as airline systemwide network schedules are adjusted to account for a slow return of the passenger traffic in the California Corridor, and potential impact of rising oil prices and inflation on consumer discretionary spending, including leisure travel.

Overall, both direct and allocated operating expenses at the Airport are budgeted to decrease in FY 2027 relative to FY 2026 Budget due to overall emphasis on cutting costs due to a reduction in Aviation revenues. The impact of these decreases varies by cost center. Capital expenses are expected to increase, driven by higher debt service payments and higher cost recovery associated with capital projects completed in FY 2026 and those anticipated to be completed in FY 2027. All or portions of these cost increases, as well as the allocable share of increases or decreases in Port-wide overhead costs are included and accounted for in the derivation of Rates & Charges for FY 2027.

The proposed FY 2027 Rates & Charges are based on:

- The Port's FY 2027 Budget for OAK's Airfield and Terminal cost centers; and,
- True-up adjustments based on FY 2025 actual results in the Airfield and Terminal cost centers.

Airfield Cost Center

FY 2027, total Airfield cost center expenses are estimated at \$51.7 million. The Airfield expenses are offset by estimated FY 2027 non-airline airfield revenues of \$6.0 million. Additionally, there is an additional true-up credit of \$2.1 million applied to the proposed FY 2027 Landing Fee Rate to the benefit of the airlines from an over-collection in FY 2025. This results in a net FY 2027 Airline Airfield Requirement of \$43.7 million, which is \$4.2 million or 8.8% less than budgeted in FY 2026.

The Landing Fee Rate is calculated by first subtracting airfield revenues from estimated airfield expenses and then dividing the resulting net Airline Airfield Requirement by the projected landed weight for both cargo and passenger airlines. Table 1 shows that the projected FY 2027 landed weight of 7.591 billion pounds is less than the FY 2026 budgeted landed weight of 8.675 billion pounds.

**Table 1
Calculation of Signatory Landing Fee Rate**

Total Airfield Cost Center Expenses	\$51,736,000
Less: Non-Airline Airfield Revenues	(\$5,965,000)
Add/(Subtract): Prior Year True-Up	(\$2,079,000)
Airline Airfield Requirement	\$43,692,000
Landed Weight (in 1,000 pounds)	7,591,000
Signatory Landing Fee Rate (per 1,000 pounds)	\$5.76

The FY 2027 Signatory Landing Fee Rate equals \$5.76 per thousand pounds of landed weight, a net 4.3% increase or \$0.24 per thousand pounds more than the FY 2026 budgeted rate of \$5.52 per thousand pounds of landed weight.

FY 2025 True-Up Major Drivers:

- Total airfield costs were net \$1.6 million or 3% above FY 2025 Budget, due to higher capital costs, higher field operations and aviation overhead expenses, offset in part by lower facilities maintenance, utilities, and Port overhead expenses;
- Airfield revenue credits were net \$1.7 million higher due to higher cargo and ground handling revenues, higher in-flight catering revenues, higher general aviation landing fee revenues, higher truck fueling (retail) revenues;
- Landed weight was higher than the FY 2025 Budget forecast by 3%; and,
- Actual Landing Fee Rate for signatory airlines was \$4.85 per thousand pounds after rounding, compared to the \$5.00 rate billed in FY 2025.

FY 2027 Major Drivers:

- Landing Fee Rate of \$5.76 per thousand pounds, which is \$0.24 higher than FY 2026 Budget due to higher operating, capital expenses and prior year true-up;
- Total airfield capital and operating costs are projected at 2.5% or \$1.3 million higher than FY 2026 Budget before offsets (e.g. FY 2025 true-up credits and airfield non-airline revenue credits);
- True-Up credit of \$2.1 million to account for over-collection in FY 2025;
- Airfield non-airline revenue credits are projected to be net \$1.2 million higher due to higher cargo and ground handling revenues, higher general aviation landing fee revenues, higher utilities revenues, higher plane storage revenues, higher truck fueling (retail) revenues; and,
- Landed weight is projected to be 12.5% lower than FY 2026 Budget levels.

Terminal Cost Center

FY 2027 total Terminal cost center expenses are estimated at \$95.7 million. For the Terminal Cost Center, there is no revenue credit but there is a FY 2025 true-up charge for under collection that increases the Total Airline Terminal Requirement by approximately \$3.3 million, as detailed in Table 2.

Table 2
Calculation of Effective Average Terminal Rental Rate

Total Terminal Cost Center Expenses	\$95,699,000
Less: Loading Bridge Requirement	(\$4,109,000)
Adjusted Terminal Requirement	\$91,590,000
Leasable Terminal Space (Square Feet)	265,195
Effective Average Terminal Rental Rate [A]	\$345.37
Airline Leased Space (Square Feet) [B]	134,312
Airline Terminal Requirement [AxB] - Rounded	\$46,387,000
Add/(Subtract): Prior Year True-Up	\$3,262,000
Airline Rentals	\$49,649,000
Loading Bridge Charge	\$1,984,000
Total Airline Terminal Requirement	\$51,633,000

To establish the Effective Average Terminal Rental Rate, the Terminal Cost Center Expenses are further adjusted for passenger loading bridge, custodial and maintenance expenses, totaling \$4.1 million, which are charged to the airlines for their use of the passenger loading bridges, separate from the charges for terminal rents. The adjusted Terminal Requirement of \$91.6 million is then divided by the total Terminal leasable space of 265,195 square feet, resulting in FY 2027 Effective Average Terminal Rental Rate of \$345.37 per square foot. This \$345.37 per square foot Effective Average Terminal Rental Rate is 0.4% – or \$1.44 per square foot – greater than the FY 2026 rate of \$343.93 per square foot.

The Total Airline Terminal Requirement (i.e. Total Airline Payment) for leased space is calculated based on Airline leased space and the Effective Average Terminal Rental Rate, plus charges for the leased loading bridges, plus/minus any true-up adjustments, and totals \$51.6 million in FY 2027, which is \$508,000 or 1.0% more than budgeted in FY 2026.

In addition to the Total Airline Terminal Requirement noted above, the Airport imposes other terminal charges on airlines, including per turn fees for the use of common and secondary gates and customs facilities. These additional charges total \$6.2 million in FY 2027. Combined with the Total Airline Terminal Requirement above, the overall Terminal Rental Requirement to be paid by airlines totals \$57.8 million in FY 2027.

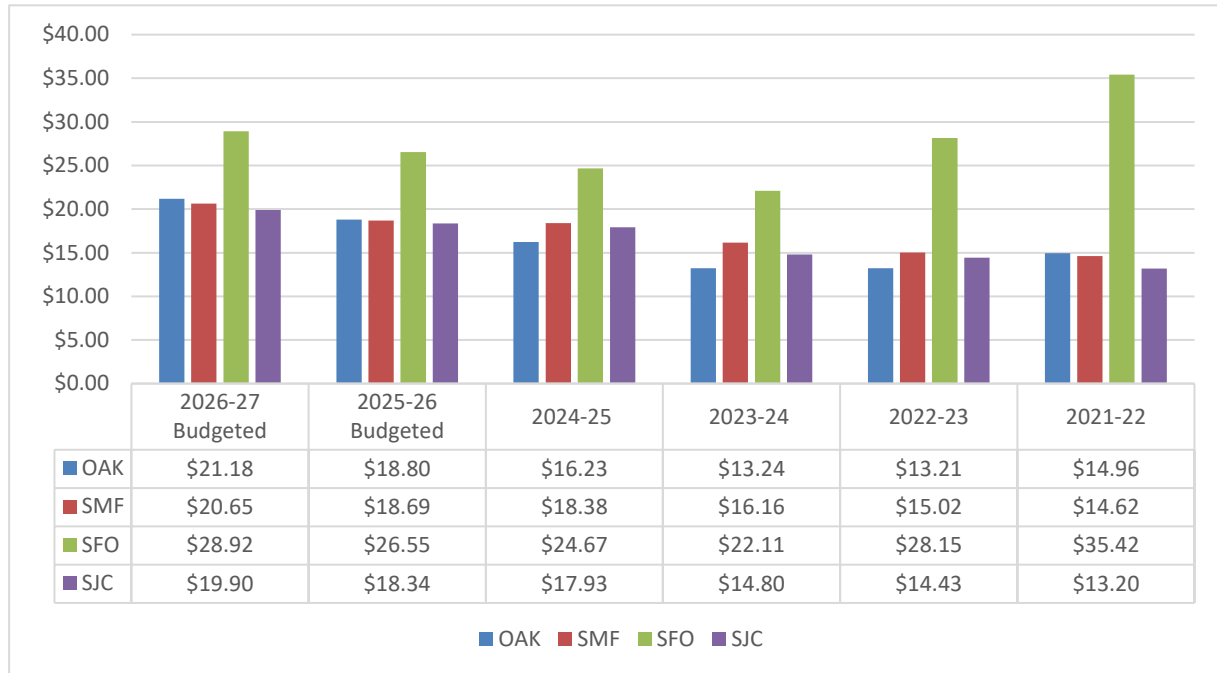
Impact of Proposed Rates & Charges

Cost Per Enplaned Passenger (CPE)³ is a metric based on average passenger airline payments per enplaned passengers. With the Rates & Charges proposed in this Agenda Report, budgeted FY 2027 average CPE for passenger airline service at OAK is anticipated to be \$21.18. Six years of CPE (actual or budgeted) data for OAK,

³ The cost to the passenger airlines for operating at OAK can be divided by the number of enplaned passengers to compute the average airline CPE. The CPE can be used by the Port to evaluate the financial impact on OAK's Airlines of increasing or decreasing airport operating and capital expenses.

Sacramento International Airport (SMF), San Francisco International Airport (SFO), and San José Mineta International Airport (SJC) are summarized in Exhibit 1.

Exhibit 1 CPE Comparison



Detailed Rates & Charges

The proposed Schedule of Landing Fee Rates and Terminal Space Rental Rates (including seven Categories of Terminal Space Rental Rates that make up the Effective Average Rental Rate) are shown on **Attachment A**. This Schedule provides a summary of the relevant changes. A redline of the proposed amendments to the Rates and Charges, as set forth in POAC Appendix C-1, is shown in **Attachment B**.

OTHER FINDINGS AND PROVISIONS

ENVIRONMENTAL REVIEW

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

- Categorically exempt under the following CEQA Guidelines Section:

Choose an item.

- "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).
 Other/Notes: Statutorily exempt under CEQA Guidelines Section 15273(a) Rates, Tolls, Fares and Charges.

BUDGET

- Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR
 Operating Non-Operating Capital

Analysis: Approval of the proposed FY 2027 Rates & Charges will generate sufficient revenues for the Port to recover eligible budgeted operating expenses, debt service payments and costs of completed capital improvements, funded with Port cash, in the Airfield (\$43.7 million) Terminal (\$57.8 million) cost centers for FY 2027. These revenues will be trued up against actual expenses, based on audited FY 2027 financials.

STAFFING

- No Anticipated Staffing Impact.
 Anticipated Change to Budgeted Headcount.
Reason:
 Other Anticipated Staffing Impact (e.g., Temp Help).
Reason:

MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):

Applies? No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port's Capital Improvement Program in Aviation or Maritime areas above the threshold cost.

- Additional Notes:

LIVING WAGE (City Charter § 728):

Applies?

No (No Covered Agreement) – proposed action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage requirements.

- Additional Notes:

SUSTAINABLE OPPORTUNITIES:

Applies? **Yes.**

GENERAL PLAN (City Charter § 727):

Conformity Determination:

<p><u>Reason:</u> The proposed action will generate revenue to help fund the costs of operation and capital expenses at OAK.</p>	<p>Not Required – conformity determination not required because proposed action does not change use of or make alterations to an existing facility or create a new facility.</p>
<p>STRATEGIC PLAN. The proposed action would help the Port achieve the following goal(s) in the Port’s Strategic Plan:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Capture Our Market and Grow the Economic Base <input type="checkbox"/> Modernize and Upgrade Infrastructure <input type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience <input type="checkbox"/> Maximize Land Use Value and Revenues <input type="checkbox"/> Workforce Training and Jobs Development <input type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development 	

**ATTACHMENT A
SUMMARY SCHEDULE OF LANDING FEE RATES AND TERMINAL SPACE
RENTAL RATES**

<u>Landing Fees</u>	<u>Current Charges (\$)</u>	<u>Proposed (\$) – FY2027</u>
<u>Signatory Airlines/Based Tenant Aircraft</u>		
<u>Engaged in Commercial Operations</u>		
Landing Fee per 1,000 pounds	5.52	5.76
Minimum Charge Per Landing	69.00	71.94
<u>All Other Aircraft</u>		
Landing Fee per 1,000 pounds	6.90	7.19
Minimum Charge Per Landing	86.25	89.93
<u>Terminal Space Rental Rates</u>	<u>Per Sq. Ft. Per Month</u>	<u>Per Sq. Ft. Per Month</u>
Category I: Ticketing Counter	31.961	36.385
Category II: Office Space	28.765	32.746
Category III: Baggage Claim	25.569	29.108
Category IV: Baggage Make-Up	22.373	25.469
Category V: Ticket Counter (Common Use)	15.981	18.192
Category VI: Office Space (Common Use)	14.383	16.373
Category VII: Baggage Make-Up (Common Use)	11.186	12.735
<u>Other Charges</u>		
Preferential Holdroom, Loading Bridge	75,730 Per Month	84,669 Per Month
Common Use – Signatory	936.00 Per Turn	1,171.00 Per Turn
Common Use – Non-Signatory	1,170.00 Per Turn	1,463.00 Per Turn
Secondary Use Fees:		
Aircraft with over 90 seats	706.00 Per Turn	853.00 Per Turn
Aircraft with 31 to 89 seats	353.00 Per Turn	426.00 Per Turn
Aircraft with 30 seats and fewer	177.00 Per Turn	213.00 Per Turn

Baggage Claim Area, Non-Based Airline	5.84 Per Deplaning Passenger	4.57 Per Deplaning Passenger
International Passenger FIS Facilities	12.00 Per Arriving Passenger	12.00 Per Arriving Passenger
Baggage Conveyor Facility Fee Terminal 1 (Shared by all Terminal 1 Airlines, allocated by % deplaning passengers in Terminal 1)	392,856.00 Per Month	298,150.00 Per Month
Baggage Conveyor Facility Fee Terminal 2 (Shared by all Terminal 2 Airlines, allocated by % deplaning passengers in Terminal 2)	397,906.00 Per Month	452,973.00 Per Month
Airline Self-Service Kiosk	50.00 Per Unit Per Month	50.00 Per Unit Per Month
Concession Office/Storage Space	5.593 Per Sq. Ft. Per Month	6.367 Per Sq. Ft. Per Month

Airline Services Providers

All Airline Services Providers (except construction contractors) pay a Concession Fee of Ten Percent (10%) of Gross Revenue Subject to a Minimum Monthly Fee:

	Monthly Minimum Fee	Monthly Minimum Fee
<input type="checkbox"/> Operating at the South Field	250.00	250.00
<input type="checkbox"/> In-Flight Catering Services Providers	500.00	500.00
<input type="checkbox"/> Operating at the North Field	500.00	500.00
	Fixed Annual Fee	Fixed Annual Fee
<input type="checkbox"/> Construction Contractors	500.00	500.00