

AGENDA REPORT

Ordinance: Approval of an *Airline Operating Agreement* with Redding Aero Enterprises, Inc. to Provide Air Cargo Feeder Service for United Parcel Service, Inc., with Anticipated Annual Landing Fee Revenues of \$21,000, Operating at Oakland International Airport. **(Aviation)**

MEETING DATE: 9/12/2019

AMOUNT: \$21,000 Annual Landing Fee Revenue

PARTIES INVOLVED: Redding Aero Enterprises, Inc., Redding, California
Douglas Coble, President
Victor Clark, Chief Executive Officer

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation

APPROVED BY: Danny Wan, Acting Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

This action would give first reading to an ordinance to (i) approve the terms and conditions of the Port's standardized *Airline Operating Agreement* with Redding Aero Enterprises, Inc., and (ii) authorize the Executive Director to execute the *Airline Operating Agreement*.

BACKGROUND

Most regularly scheduled passenger and cargo airlines operating at Oakland International Airport (the "Airport" or "OAK") have entered into an *Airline Operating Agreement* (the "AOA"); those airlines occupying exclusive terminal space at the Airport have also entered into an *Annex "A" Space/Use Permit* to the *Airline Operating Agreement* (the "SUP"). All airlines subject to these agreements are considered "signatory" and pay fees to the Airport pursuant to the Port's Ordinance No. 4430, which establishes annual Rates & Charges. The standard form AOA and the SUP have a term extending through September 30, 2021¹, subject to the right of either party to terminate upon thirty days' written notice.

Redding Aero Enterprises, Inc. ("Redding Aero") has executed the AOA and will not occupy terminal space, so it has not entered into an SUP.

¹ Pursuant to Ordinance No. 4391 adopted by the Board of Port Commissioners (the "Board") on September 22, 2016, the existing AOA (and if applicable, the SUP) with twenty-three airlines was amended, extended and updated to include a fixed expiration date of September 30, 2021. For consistency, all new airline entrants will enter into an AOA with a concurrent September 30, 2021 expiration date.

ANALYSIS

Redding Aero operates the Redding Jet Center, a full-service fixed base operator (FBO)² at Redding Municipal Airport (RDD) located in northern Sacramento Valley. In addition, Redding Jet Center's Air Cargo Division operates Cessna 402, Cessna 404, and Cessna 208 Caravan aircraft through its FAA Part 135 Air Carrier certification.

For the proposed operations at OAK, Redding Aero will fly its Cessna 208 Caravan as an all-cargo "feeder" for United Parcel Service, Inc. ("UPS"). Redding Aero will "feed" packages from smaller airports to UPS' sorting facility at OAK. Redding Aero will take over for Martinaire Aviation LLC on routes between OAK and:

- Ukiah Municipal Airport (UKI),
- Charles M. Schulz – Sonoma County Airport (STS), and
- Monterey Regional Airport (MRY).



Redding Aero Caravan at Redding Municipal Airport

Martinaire flew the same type of aircraft, but did not enter into an AOA, and was billed as a "non-signatory" airline subject to a 25% surcharge on landing fees.

Redding Aero will load and unload air cargo at the UPS facility on the South Field. Its aircraft will then taxi to the North Field and occupy ramp space as a subtenant of existing OAK FBO KaiserAir, Inc. No separate property occupancy agreement between the Port and Redding Aero is necessary.

The basic terms and conditions of the proposed AOA are:

Airline:	Redding Aero Enterprises, Inc., a California corporation
Premises:	None; will operate through existing OAK FBO KaiserAir, Inc.
Revenue:	\$21,000 in Landing Fees
Performance Deposit:	\$8,000 (more than 3x Monthly Billings)

BUDGET & STAFFING

As noted in the Analysis section, Redding Aero will replace Martinaire as an air-cargo package feeder for UPS; no additional flights are anticipated. Therefore, the landing fee revenue included in the FY2019-20 Operating Budget may be slightly less than anticipated because

² FBOs conduct a wide range of aeronautical support activities including, but not limited to fueling, maintenance and charter flights. In addition, FBOs located at OAK lease hangar, aircraft apron and support space from the Port, and then sublease some of that space to corporate clients.

Redding Aero will be charged the signatory landing fee vs. Martinaire which paid the 25% non-signatory surcharge.

The proposed action will not have any staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters contained in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

Goal: Grow Net Revenues

Goal: Improve Customer Service

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply to this agreement as Redding Aero does not employ 21 or more employees working on Port-related work. However, Redding Aero will be required to certify that should living wage obligations become applicable, the tenant shall comply with the Living Wage Regulations.

SUSTAINABILITY

Redding Aero occupies ramp space at the Airport strictly for aircraft parking as a subtenant of KaiserAir, Inc.; it does not propose any development. If Redding Aero decides to lease and develop space in the future, it must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA) and the Port CEQA Guidelines. In 1997, the Port proposed an Airport Development Program (ADP) to improve OAK facilities and to relieve existing and projected future congestion to accommodate forecasted passenger and air cargo activity. The Port prepared an Environmental Impact Report (EIR), pursuant to CEQA as part of the project development, approval, entitlement, and operations, for the ADP. The EIR was certified and adopted by the Board on December 16, 1997, through Board Resolution No. 97376. The Board later adopted a supplemental EIR (SEIR) in 1999 (Resolution No. 99623), and a second supplemental EIR in 2003 (Resolution No. 03345).

Redding Aero would operate out of facilities already constructed as part of the ADP, and no new facilities would be constructed. In terms of air cargo operations, the ADP accommodated an activity level forecast of 2.1 million annual tons (MAT). Airport operations activity for the

fiscal year ending June 2019 for air cargo activity was 0.6 MAT. The proposed operations for Redding Aero are consistent with the ADP. No further CEQA review per Section 15162 of the CEQA Guidelines is required.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

Approve entering into an *Airline Operating Agreement* with Redding Aero Enterprises, Inc., as outlined above. The Federal Aviation Administration's Grant Assurances, Section 22, Economic Discrimination, provide in part that "[each airport operator] will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport." Redding Aero is a FAA-certified air carrier and the proposed air cargo service to be offered can be accommodated at OAK.

Approval of this *Airline Operating Agreement* with Redding Aero is staff's recommended action.

RECOMMENDATION

It is recommended that the Board adopt an ordinance to:

- Approve the terms and conditions, of an *Airline Operating Agreement* between the Port and Redding Aero Enterprises, Inc., as outlined above; and,
- Authorize the Executive Director to execute the *Airline Operating Agreement* with Redding Aero Enterprises, Inc.

Subject to the Port Attorney's approval as to form and legality of the proposed *Airline Operating Agreement* between the Port and Redding Aero Enterprises, Inc.