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Date: 4/8/14  
Submitted in 7<sup>ET</sup> Committee  
Council File No: 14-0369  
Item No.: 1  
Deputy: CAO

REPORT FROM

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

Date: April 1, 2014

CAO File No. 0150-10181-0000  
Council File No.  
Council District: 6

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Transmittal from the Department of Airports dated March 11, 2014; referred by the Mayor for report on March 11, 2014

Subject: **REQUEST TO APPROVE A BLANKET ORDER AUTHORIZING THE EXECUTIVE DIRECTOR TO ISSUE NEW OR SUCCESSOR FIVE-YEAR NON-EXCLUSIVE REVOCABLE FUEL DELIVERY PERMITS WITH MULTIPLE VENDORS SUPPLYING JET FUEL/AVIATION GAS AND TURBINE FUEL AT THE VAN NUYS AIRPORT**

**SUMMARY**

The Executive Director of the Los Angeles World Airports (LAWA; Department) requests blanket authorization to issue new and/or successor permits to multiple fuel suppliers for the delivery of aviation and turbine fuel to the Van Nuys Airport to (1) ensure compliance with the Department's operational requirements for airport security, self-sustaining operations, insurance, and payment of petroleum fees; and (2) avoid a disruption to the delivery of jet/aviation gas to the airport's customers. If granted, the Executive Director's blanket authorization will allow LAWA to implement or extend agreements with approximately 10 fuel vendors at Van Nuys Airport that will help the Department to retain approximately \$1.9 million in annual revenue from fuel delivery and administration fees while encouraging vendor compliance with applicable airport requirements. The current five-year Non-Exclusive Revocable Fuel Delivery Permits will expire on April 30, 2014.

In that the proposed permits are for a period longer than five years, the requested Blanket Order authorizing the LAWA Executive Director to extend existing or issue new Non-Exclusive Revocable Fuel Delivery Permits must be approved by the Council. Additionally, to become effective, the City Attorney must approve the new or extended fuel delivery permits as to form. The above-referenced aspects of the proposed permits and Blanket Order authorization, and this report, are based upon revised information received from the Department subsequent to the initial request submittal.

**Background**

The Van Nuys Airport, one of the world's busiest general aviation airports, serves private, corporate, charter, and public safety aviation, as well as certain military aircraft exclusively and functions as a reliever airport for Los Angeles International Airport. Both jet and propeller-driven

aircraft use the airport, and an uninterrupted fuel supply for the aircraft is essential to the airport's operations.

In March 2009, the Board of Airport Commissioners (Board) adopted a Resolution prescribing fuel delivery fees that differed from those prescribed in a similar Resolution and Board Order covering fees for other LAWA airports. At the same time, another Board Order was approved allowing for a blanket authorization enabling the LAWA Executive Director to issue new five-year permits to implement a \$0.11 per gallon increase in fuel delivery fees for Van Nuys Airport. Those permits, for the following 10 permittees, expire on April 30, 2014:

- Air Petro Corporation (subsidiary is World Fuel)
- Amber Resources, LLC (Sawyer Petro)
- AvFuel Corporation
- Epic Aviation, LLC dba Air BP Aviation Services
- Mercury Air Group, Inc.
- World Fuel Services
- KAG West
- Van Dyk Tank Lines, Inc. dba Cool Transports
- Fuel Controls, Inc.
- Tri-Pet Group, Inc. dba National Dist. Systems

The table below reflects the primary components of the proposed fuel delivery permits for the Van Nuys Airport:

| Van Nuys Airport Fuel Delivery Permits<br>Summary of Current and Proposed Terms |  |  |                 |
|---|--|--|-----------------|
| Description   | Current Terms  | Proposed Terms   | Changes         |
| Term  | 5/1/2009 - 4/30/2014   | 5/1/2014 - 4/30/2019   | 5-Year Increase |
| Delivery Fees: Jet Fuel/Aviation Gas  | \$0.11 Per Gallon  | \$0.11 Per Gallon  | None            |
| Delivery Fees: Lubricants   | Excluded from Fuel Delivery Permit Services  | Excluded from Fuel Delivery Permit Services  | None            |
| Administration Fee  | \$120 Annually   | \$120 Annually   | None            |
| Faithful Performance Guarantee  | Three times the highest monthly fuel delivery amount from the previous year multiplied by the applicable fee for the period or \$5,000, whichever is greater | Three times the highest monthly fuel delivery amount from the previous year multiplied by the applicable fee for the period or \$5,000, whichever is greater | None            |

## **Alternatives to Approving the Proposed Blanket Authorization to Issue Permits**

According to the Department, there are no viable alternatives to approving the Executive Director's blanket authorization to issue new and/or successor permits to multiple fuel suppliers for the delivery of aviation and turbine fuel to the Van Nuys Airport.

## **Compliance with City Administrative Requirements**

Since the proposed permits are for fuel suppliers delivering aviation and turbine fuel to a LAWA-owned and operated airport, the Department's request is not subject to the Charter Section 1022 provisions pertaining to the use of independent contractors.

With respect to the Department's compliance with CEQA (California Environmental Quality Act) guidelines, the issuance of permits, leases, agreements, renewals, amendments, or extensions thereof, or entitlements granting use of the existing facilities and land involving negligible or no expansion of use or alteration or modification of the facilities or its operations beyond that previously existing or permitted, is exempt from the requirements of the CEQA pursuant to Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines.

The fuel delivery permittees who will be contracting with the Department are required to comply with the provisions of the Living Wage Ordinance, Child Support Obligations Ordinance, and the Affirmative Action Program; they must also (1) submit the Bidder Contributions CEC (City Ethics Commission) Form 55 pertaining to campaign contributions and fundraising restrictions (Charter Section 470 {c}{12}) that became effective in April 2011; (2) be determined by the Department of Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the permits; and (3) have approved insurance documents, in the terms and amounts required by LAWA, on file with the Department prior to execution of the permits. The permittees are not subject to the provisions of the First Source Hiring Program, the Contractor Responsibility Program, and the Small Business Enterprise Program.

Pursuant to Charter Section 606, "Process for Granting Franchises, Permits, Licenses and Entering Into Leases," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a franchise, permit, license or lease that is longer than five years within 30 days after submission to Council, the permits shall be deemed approved. Additionally, the proposed permits, in that they are for a period longer than five years, must be approved by the Council. To become effective, the City Attorney must approve the permits as to form.

## **RECOMMENDATIONS**

That the Mayor:

1. Approve, subject to City Attorney approval as to form and a determination by the Department of Public Works, Office of Contract Compliance, that the fuel delivery permittees are in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the permits,

the proposed Blanket Order for Five-Year Non-Exclusive Fuel Delivery Permits at Van Nuys Airport authorizing the Executive Director of the Los Angeles World Airports to issue new and/or successor permits to multiple fuel suppliers for the delivery of aviation and turbine fuel to the Van Nuys Airport in order to (1) ensure compliance with the Department's operational requirements for airport security, self-sustaining operations, insurance, and payment of petroleum fees; and (2) avoid a disruption to the delivery of jet/aviation gas to the airport's clients.; and

2. Return the proposed Blanket Order for Five-Year Non-Exclusive Fuel Delivery Permits at Van Nuys Airport to the Department for further processing, including Council consideration.

### **FISCAL IMPACT STATEMENT**

Approval of the proposed Department Executive Officer blanket authorization to issue new and/or successor permits to multiple fuel suppliers for the delivery of aviation and turbine fuel to the Van Nuys Airport will generate approximately \$1.9 million in annual revenue, and \$9.5 million over the five-year term, to the Airport Revenue Fund. The proposed permits comply with the Department of Airports' adopted Financial Policies. Approval of the proposed permits with multiple fuel suppliers for the Van Nuys Airport will have no impact on the City's General Fund.

### **Time Limit for Council Action**

Pursuant to Charter Section 606 and the Los Angeles Administrative Code Section 10.5, unless the Council takes action disapproving a franchise, permit, license or lease that is longer than five years within 30 days after submission to Council, the lease shall be deemed approved.

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