Fees and Charges Report

Date: December 8, 2026

To: City Council

Through: Brent Stoddard, Assistant City Manager

From: Corinne Nystrom, A.A.E., Airport Director Sara Mercado, Fiscal Analyst

Subject: Falcon Field Airport Department Update to Schedule of Fees and Charges

Purpose and Recommendation

Falcon Field Airport (Airport) is one of the most vibrant and active general aviation airports in the United States and is a major economic hub for the City of Mesa. In addition to being home to 140 businesses that employ approximately 1,100 people, the City owns and rents 411 aircraft storage hangars, over 400 aircraft storage tiedowns, and over 70 aeronautical storage rooms. The City's goal is to ensure that the Airport continues to be a valuable, financially self-sustaining community asset.

For several years, the Airport has been able to have a balanced budget due to a one-time sale (in 2006) of Airport-owned land, located at Thomas and Recker Road, and by deferring maintenance and capital improvements. The sale of this Airport-owned land generated over $4.6 million in revenue that was applied towards the Airport's Enterprise Fund. For the past 20 years, the Airport has used the annual revenue generated and the proceeds from the land sale for capital and operating costs of the Airport, including to help maintain and improve the airport infrastructure and facilities. However, the one-time funds generated from the land sale will be exhausted within the next 1-2 years, and due to rising costs, additional airport revenue must be generated to ensure that the Airport can remain financially self-sustaining.

The last fees and charges adjustment for Falcon Field Airport became effective May 1, 2026. The Falcon Field Airport Department is proposing additional modifications to Falcon Field Airport's Schedule of Fees and Charges. City Council is scheduled to consider the proposed changes at the December 8, 2026 City Council Meeting.

Background

Although the Airport is eligible to receive federal and state grant funds for essential airfield capital improvements, the Airport has historically been required to rely on the revenues that are collected from airport tenants and users to pay for all ongoing maintenance, repair, and operations expenses, as well as its local share for grant-funded projects and all non-grant-funded airport capital improvement projects. In Fiscal Year 2024-25, the Airport generated $5.6 million in revenue. This includes operating revenue and federal and state grants for specific capital improvement projects. The Airport generates operating revenue from several sources. The two largest revenue sources are rents collected on long-term ground leases and rents collected on the City-owned aircraft storage hangars, tiedowns, and storage rooms. The ground lease rental rates include CPI-U adjustments, the formula for which is set forth in the Master Tenant Lease signed between the City and the tenant. The Airport also generates modest operating revenues from users of the airfield through fuel flowage fees collected on sales of aircraft fuel at the Airport. In Fiscal Year 2024-25, annual operating and capital improvement project costs were approximately $5.0 million. While $0.6 million in net revenue from all sources is positive, anticipated net revenue over the next several years is not sufficient to pay for deferred maintenance and essential capital improvements projects, while continuing to maintain a reasonable reserve. Moreover, the limited revenue obtained from users of the airfield is not sufficient to pay for the operating and capital costs attributable to the airfield.

Pursuant to federal statutes, regulations, and the City's Grant Assurances to the Federal Aviation Administration (FAA), the Airport is required to be as financially self-sustaining as possible, considering local circumstances. FAA regulations and guidance also specify that the Airport may recover its direct and indirect costs of providing airfield services and assets to aeronautical users, provided that fees charged to users are reasonable and not unjustly discriminatory.

To address the Airport's increasing revenue deficit, on March 23, 2026, City Council approved Resolution No. 12480 adopting fees and charges for services at Falcon Field Airport, which became effective May 1, 2026. These fees and charges included new landing fees to recover costs for use of the airfield. As authorized by Resolution No. 12480, the Airport Director delayed the implementation date of the landing fees until July 30, 2026, to enable the City to complete the procurement process to contract with a third-party vendor to track aircraft operations and bill for the landing fees. After the City adopted the landing fees, the FAA initiated an investigation of the fees and asked the City to delay implementation until the conclusion of FAA's investigation. The City was also named in a federal lawsuit challenging the landing fees. In response, the City retained a nationally recognized law firm, Anderson & Kreiger LLP, specializing in airport law and federal regulatory compliance to review the landing fees and represent the City in connection with FAA's investigation and the federal lawsuit. With the benefit of outside counsel's review, the following changes to the landing fees are being proposed.

Discussion

In accordance with FAA regulations and guidance, the Airport has organized the costs and revenues of the Airport into function areas: the Airfield Cost Center (i.e. runway, taxiway areas), the Commercial Aeronautical Cost Center (i.e. City-owned hangars, tie-downs, and ground leases used for aeronautical purposes), and the Commercial Non-Aeronautical Cost Center (i.e. ground leases used for non-aeronautical purposes). The Airport then established the net costs associated with the Airfield Cost Center. Based on the budget and costs incurred to date for Fiscal Year 2026-2027, the Airfield Cost Center has estimated operating and capital charges of $3.1 million and estimated revenues of $0.4 million, resulting in Net Airfield Costs of $2.6 million for Fiscal Year 2026-2027. To calculate the landing fee, the Airport divided the Net Airfield Costs by the Maximum Landed Weight of estimated total Airport operations for Fiscal Year 2026-2027 (based on Fiscal Year 2025-2026 landed weight data, with 1% estimated annual growth). Maximum Landed Weight is a measure of aircraft weight as determined by aircraft manufacturers and certified by federal regulatory authorities, and FAA has historically approved the use of Maximum Landed Weight to calculate landing fees. This calculation results in a landing fee of $4.14 per 1,000-pound unit. For example, the per-landing fee for an aircraft with a Maximum Landed Weight of 2,500 pounds would be $10.35. Aircraft with a Maximum Landed Weight of less than 1,000 pounds will not be subject to the landing fee, because data on such operations is not available. The City will consider additional exemptions, which are set forth below. The calculation of the landing fee includes exempted operations; however, the City will not recover the costs of the exempted landings.

Pursuant to the recommendation of FAA, the City plans to consult with aeronautical users regarding the proposed changes to the landing fee before the City Council takes action. As part of that consultation, detailed data supporting the calculation of the landing fee will be available on the Airport's website[1].

The following recommended fee adjustments and additions are recommended:

Delete in its entirety Exhibit A – Landing Fee attached to Resolution 12480[2] and replace it with the following fee schedule that includes:

Fee Schedule - Landing Fee
All aircraft (including Fixed Wing, Rotorcraft, Drones, eVTOL): $4.14 per 1,000 lbs. Maximum Landed Weight ("MLW") per landing.

When City Council considers the Fee Schedule above, City Council will also consider

[1] This information is available at Fees & Charges | Falcon Field Airport
[2] Resolution 12480 with Exhibit A – Landing Fee is available at 26-0280 - Resolution

the following proposed exemptions to the landing fee:

1) Landing Fee Exemptions.

    a. Aircraft with a Maximum Landed Weight of less than 1,000 pounds.

    b. Emergency Landings.

    c. Police, Fire, and Other Public Safety Operations.

    d. Medical Operations.

    e. Federal and Military Operations.

2) The City may consider additional exemptions. Any exemptions proposed and ultimately approved by City Council will not increase the landing fee for any Airport user.

Alternative

The alternative would be to leave the current landing fees in place and make no adjustments. While the current landing fees are the result of the Airport's good faith and comprehensive efforts to implement reasonable and non-discriminatory landing fees to recover airfield costs, the preferred course is to adopt the revised landing fee to further ensure compliance with federal regulations.

Fiscal Impact

The estimated annual fiscal impact of these proposed fee adjustments is $2.5 million.

Coordinated With

The Airport worked with outside counsel Anderson & Kreiger LLP and rates and charges consultants engaged by Anderson & Kreiger to estimate the above revenues and costs and to calculate the landing fee. The Airport also worked with the Office of Management and Budget to gather underlying data.