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**Memorandum**

**Date:** November 14, 2013  
**To:** Patrick H. West, City Manager   
**From:** Mario Rodriguez, Director, Long Beach Airport   
**For:** HONORABLE MAYOR AND CITY COUNCIL  
**Subject:** FEDERAL INSPECTION SERVICE FACILITY

As a follow up to the memo dated August 1, 2013, pertaining to the development of a U.S. Federal Inspection Service (FIS), Airport staff has worked within the bounds of the Noise Ordinance and developed a feasibility study that analyzes the benefits and disadvantages of this type of facility and evaluates whether or not it would enhance or reduce the value of the Airport to the City. The Airport's main focus is to retain the integrity of the Noise Ordinance, while developing a financially sustainable model that will not affect current or future financial forecasts.

It is staff's opinion that, since additional debt and operating expenses could negatively affect the financial solvency of the Airport and thus the ability to remain competitive, guarantees (e.g. partial airline funding or airport/airline residual agreements) should be obtained from the user airline(s) to mitigate the Airport's financial exposure. In other words, the facility will need to be sustainable by generating additional revenues within the bounds of the Noise Ordinance. Any and all deficits should be mitigated by the user airline(s), regardless of the airline's actual yield in the market.

It should be noted that your Airport is financially stable, allowing the enterprise to retain cash in an amount equivalent to a full year of total operation, in order to mitigate any future uncertainties. Future revenues from an FIS will only serve to mitigate the cost of the facility and will not further enhance the Airport's financial position. Any other benefit, such as marketability, is negated by the fact that all flight slots are currently assigned, though not all are currently being operated pursuant to the language in the Ordinance and Resolution.

Benefits from an FIS include enhancements to our route structure, allowing Long Beach passengers to access more non-stop destinations such as Cabo San Lucas, Mexico, a potential increase in economic impact from international travel/tourism accessing Southern California through Long Beach, and this amenity can be used by our Fixed Base Operators (FBOs) not only to clear their existing international customers but to increase their market share. Disincentives

HONORABLE MAYOR AND CITY COUNCIL

November 14, 2013

Page 2

include not only increasing the Airport's financial exposure but also increasing the exposure to international threats.

It should be noted that the process of developing an FIS is arduous, ordinarily taking more than three years to complete and usually beginning with a request to U.S. Customs and Border Protection (CBP) to establish the Airport as a "port of entry". Should a user airline submit a proposal to the City, staff will evaluate and return to the City Council with a recommendation.

Should you have any questions, please contact Mario Rodriguez, Airport Director, at extension 8-2605.

MR:CCL:KG:km  
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Attachment

cc: Suzanne Frick, Assistant City Manager  
Tom Modica, Deputy City Manager  
Jyl Marden, City Council Liaison