



DATE: January 10, 2019

TO: Council Airport Committee

FROM: Interim Director of Public Works

SUBJECT: Feasibility of U.S. Customs Office at Hayward Executive Airport - Update

RECOMMENDATION

That the Council Airport Committee (CAC) reviews the report and provides direction to staff for future action.

SUMMARY

Staff investigated the introduction of customs service at Hayward Executive Airport (HWD) at the request of the Committee and based tenants. One available option is the construction of a multi-million dollar U.S. Customs and Border Protection (CBP) facility at the airport's expense, but this is not financially feasible at this time. Tenants may also make use of CBP preclearance centers in foreign countries, but there are relatively few centers available. CBP has now introduced the Reimbursable Services Program (RSP), a third option that essentially provides on-call customs service for a nominal fee. The airport's two Fixed Based Operators (FBOs) are currently reviewing that option's requirements.

BACKGROUND

Staff addressed the feasibility of providing Customs services at the airport during the July 2018 CAC meeting.¹ Staff was unable to recommend the construction of a multi-million dollar CBP facility with airport funds at that time because, while there is some demand from turbine aircraft operators, there would be insufficient revenue to cover the cost of construction and operations. There also appeared to be an insufficient number of CBP preclearance facilities in foreign countries to be attractive to HWD tenants.

Staff became aware of a Delaware airport that introduced customs service in 2018 without the requirement to construct a CBP facility. Staff spoke with the airport manager and Fixed Base Operator (FBO) and was informed that local Delaware CBP agents were very supportive of a new RSP program. Staff obtained written guidelines about the RSP program and

¹ The report can be accessed via this link:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=3548350&GUID=9D54E03A-5266-48D3-95AD-5DF83877ED9E>.

subsequently briefed the general managers of HWD's two FBOs, APP Jet Center and Meridian Hayward. The FBOs have initially been receptive.

DISCUSSION

The *Cross-Border Trade Enhancement Act* was signed into law on December 16, 2016. It amended Title IV of the *Homeland Security Act of 2002* by adding Section 481 – Fee Agreements for Certain Services at Ports of Entry. Among other changes, it allows small airports with less than 100,000 international passengers per year to make use of CBP onsite services and to compensate CBP for the salaries and expenses of up to five officers.

The RSP provides an alternative source of funding for overtime and allows CBP to provide services upon the request of stakeholders. Signing a RSP does not obligate the CBP Port of Entry to provide services if they are periodically unable to do so. Similarly, signing an agreement does not obligate stakeholders to participate in the program if there is not adequate demand.

CBP accepts applications to participate in RSP at any time and evaluates them three times a year. The evaluation criteria include, but are not limited to:

- Impact on current CBP operations
- Funding reliability
- Community concerns
- Health and safety issues
- Community and economic benefits

If tentatively selected, applicants must meet the following program requirements:

- Complete a non-disclosure agreement
- Agree to offset CBP costs for services (overtime rate, benefits, and a 15% administrative fee)
- Remit payments to CBP within 15 days via the Department of Treasury's Pay.gov system
- Host a site visit by CBP
- Sign a binding standard fee services agreement
- Sign a local memorandum of understanding outlining the services, schedules, and other conditions

Applicants must separately arrange for the proper disposal of international garbage.

Requests from pilots for customs service must be received by CBP at least 72 hours in advance. A space on the FBO's aircraft parking apron must be dedicated for use by CBP to inspect aircraft upon arrival. The FBO is also responsible for the collection of user fees from arriving pilots.

It is not clear if current CBP area staffing and workload may affect local participation in a RSP, but staff supports the submission of applications by the two FBOs to open a dialogue.

ECONOMIC IMPACT

The implementation of RSP would, for the first time, allow HWD to become an initial arrival point for general aviation flights from other countries. This represents improved customer service and is anticipated to attract new customers that may purchase fuel, use local limousine and car rental companies, and patronize local restaurants and hotels. The economic impact will be commensurate with the volume of aircraft using the new customs services.

FISCAL IMPACT

There would be no impact to the General Fund. All costs associated with the RSP would be borne by the local FBOs and there would also be no fiscal impact on the Airport Operating Budget.

STRATEGIC INITIATIVES

This agenda item does not directly relate to one of the Council's Strategic Initiatives.

SUSTAINABILITY FEATURES

The action taken for this report will not result in physical development, purchase, or service, or a new policy of legislation.

PUBLIC CONTACT

This subject was initially discussed at the CAC meeting open to the public on July 12, 2018.

NEXT STEPS

If the CAC is interested in pursuing this option, staff will continue to support the process.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Alex Ameri, Interim Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'Kelly McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager