



City of Santa Barbara
Airport Department

Memorandum

DATE: March 16, 2011
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Fiscal Year 2012 Airport Department Operating Budget

RECOMMENDATION: That Airport Commission review and recommend approval of the Airport Department Fiscal Year 2012 Operating Budget.

Executive Summary

The primary focus of the Department's Operational Budget is to complete the final phase of the Airline Terminal Project and transition all operations to the buildings. The proposed budget includes expenditures for the new building which is scheduled for occupancy in June 2011 and the remaining phase of the project scheduled for completion in early 2012 with the restoration of the 1942 terminal and roadway and parking improvements. Repayment of the bond debt begins in FY 2012.

The Department has created a new expenditure item in the Capital Fund for FAA Design Development. The Federal Aviation Administration made changes in the Airport Improvement Program grant award procedures that now require completed environmental review before a project is eligible for grant funding and the grant request must be based on the project's actual bid amount.

Coordination with the City of Goleta remains positive and its Liaison to Airport Commission has improved communication with the Airport Commission as well as staff.

Narrative Analysis of Revenues:

As an Enterprise Fund, the Airport's budget has been prepared based on forecasted revenues from tenant rentals and user fees.

Revenue assumptions for FY 2011 projections and explanation of material budget variances:

- Total projected revenues for FY 2011 are on target and should meet or slightly exceed budget.
- Commercial and industrial revenue target was reduced in the FY 2011 budget due to the economic impact on small businesses especially construction businesses; however, leasing activity has been better than anticipated.
- Non-Commercial Aviation (general aviation) revenues have increased due to the implementation of the general aviation landing fee, adding \$187,000 to this category.

- Airline Terminal revenues were adjusted based on the anticipated occupancy of the new terminal building in April, however, that date has been pushed to June, so it is estimated that building rental from the airlines will be below target by approximately \$150,000.
- Commercial Aviation revenues will also be below target due to the terminal opening date and the loss of the SkyWest Airlines flight crew base which impacts revenue for employee parking. This loss in revenue will be offset by corresponding reduction in operational expenditures.

Revenue assumptions for FY 2012 reflect the occupancy of the new Airline Terminal building in June 2011 and the completion of the project in early 2012.

- Commercial and industrial revenues are projected to have slight growth in FY 2012.
- Non-Commercial Aviation revenue is projected to increase based on general aviation activity.
- Terminal revenues are budgeted to reflect a full year of occupancy of the new terminal; parking revenue to increase based on rate adjustment; and rental car revenues will remain the same based on a new competitive bid.
- Commercial Aviation revenues will increase based on the occupancy of the new Airline Terminal where airline building space will triple in square footage; however, landing fees are to remain flat.

Changes in fees with related revenue impacts:

A parking fee increase is proposed for Long Term parking at the Airline Terminal once construction is complete, estimated to be February 1, 2012.

New revenue line items

A new revenue line item is proposed for the use of the aircraft boarding bridges. Some airlines will not use the boarding bridge so a “per turn/use” fee has been developed.

Narrative Analysis of Expenditures

Expenditure assumptions for FY 2012 projections and explanation of material budget variances in FY 2011:

- Salaries and Benefits are projected to be below or at budget. The Security Program continues to have vacant positions and overtime has been used resulting in a substantial over expenditure in this line item.
- Total Materials & Supplies will be under budget due to the delay in occupying the new terminal building.
- Special Projects includes the parking shuttle operation and a project to survey the Airport premises. The parking shuttle operation will be slightly below budget; the survey project is underway, but may be completed in the next fiscal year requiring a carry forward.
- Beginning in June 2012, the Airport will begin payment of debt service for the new Airline Terminal project. The debt service is paid from increased operating revenues and Passenger Facility Charge revenues.
- Total Expense including Capital transfers for FY 2011 is projected to be 2-3% below budget.

Narrative Analysis of Programmatic Changes

Significant changes in P3 objectives by program. Please see the attached memo on P3's for FY 2012 which includes new objectives pertaining to the new Airline Terminal operation.

Special projects and/or new initiatives contained in budget – A marketing event for the community to present the completed Airline Terminal Project is contained in the Marketing budget.

Other Discussion Items:

All proposed staffing changes and how funded – no staffing changes are proposed.

Proposed capital projects contained in budget submittal total \$1,250,000 and will be funded from projected FY 2012 revenues and reserves above policy.

- The FY 2011 Capital Program (Fund 442) totals \$1,250,000 for:
 - Airport projects which are focused on routine maintenance and repair categories \$450,000;
 - \$300,000 to complete Building 255 remodel for the SOC; and
 - A New project “FAA Design Development” totaling \$500,000.

Supplemental Items:

of Staffing Hours for proposed Hourly Salaries:

- Security – 7431 - \$117,208
Ten Airport Traffic Aides – 956 each at \$12.25/hour

The cost for hourly employees will increase because of the need to staff the checkpoint exit lane in the new Airline Terminal building. The Airport is responsible for covering the doorway for exiting passengers which is located by the security screening area. This exit needs to be covered during the period that TSA is conducting passenger screening operations, approximately 16 hours per day.

Staff has looked at several options, including the use of technology, as an alternative to staffing the exit lane. However, the best way to avoid a security breach is to have a person at the exit lane to ensure that unauthorized persons do not enter the sterile area. Unauthorized entry into the sterile area (holding rooms) could result in the need to evacuate all passengers, search the sterile area for prohibited items, and re-screen all the evacuated passengers. Unless a technology solution is found, the need for these positions will be on going.

Budget Sub-committee

On February 25, 2011, the Airport Commission Budget Sub-Committee met and reviewed the FY 2012 operating budget in detail and recommend approval.