



City of Santa Barbara
Airport Department

Meeting: 4/17/24
Agenda Item No. 8

DATE: April 17, 2024
TO: Airport Commission
FROM: Chris Hastert, Airport Director *CH*
SUBJECT: Airline Rates & Charges for Fiscal Year 2025

RECOMMENDATION:

That Airport Commission approve airline rates and charges for FY 2025, including changes in annual Signatory Terminal building space square footage rate to \$121.65 and Signatory landing fees to \$3.35 per thousand pounds of maximum gross landing weight (MGLW), effective July 1, 2024 through June 30, 2025.

DISCUSSION:

Background

The airlines serving Santa Barbara operate under holdover operating permits, rather than lease agreements. The Operating Permit establishes rental rates for airline terminal space, landing fees, boarding bridge fees and addresses security and operational requirements. Airline rates and charges are adjusted annually based on Airport Commission approved rates and charges.

Air Service Summary

Santa Barbara Airport (SBA) proudly offers a diverse range of commercial air service options to accommodate the needs of travelers. Passengers can choose from 23 daily nonstop flights to 12 destinations operated by Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, and United, ensuring a broad selection of destinations and connections.

Specifically, Alaskan Airlines provides daily flights to Portland and Seattle, offering easy and convenient access to the Pacific Northwest. American Airlines ensures daily connectivity to Dallas Fort Worth and Phoenix, facilitating effortless travel to these key cities.

Southwest Airlines provides daily service to four destinations: Denver, Las Vegas, Oakland, and Sacramento, presenting a variety of choices for passengers at affordable rates. United Airlines connects travelers from Santa Barbara to three highly connective

destinations, Denver, Los Angeles (LAX), and San Francisco. This provides passengers with multiple options for both business and leisure travel.

Delta Air Lines has announced its return to SBA starting in June 2024. It will offer daily nonstop service to Atlanta and twice daily flights to Salt Lake City, further enhancing the Airport's connectivity throughout the world.

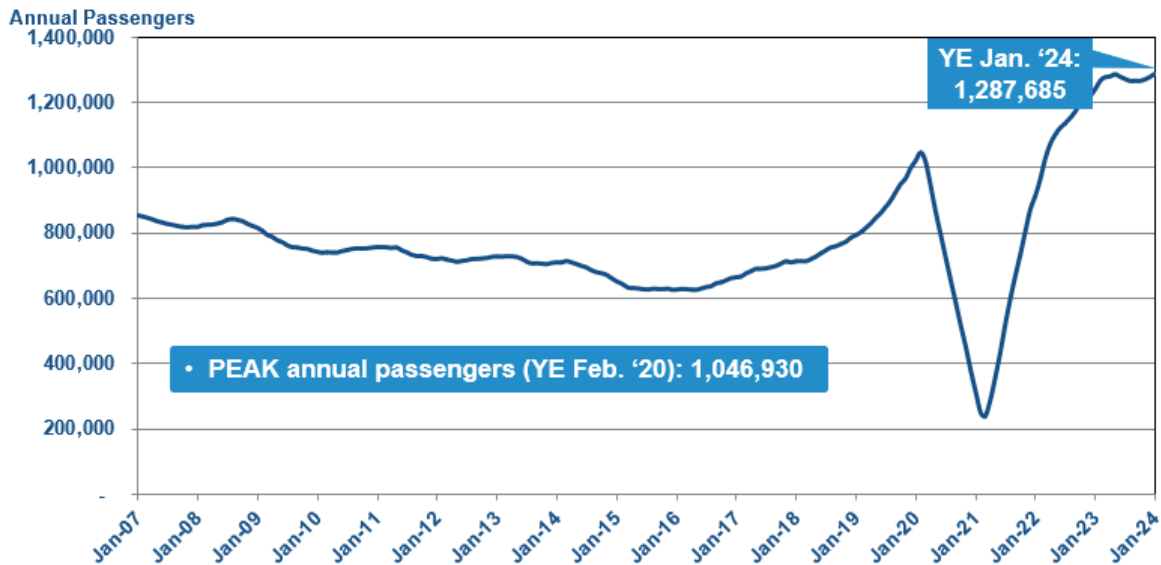
In terms of passenger growth, SBA witnessed a notable increase of 4.75% in passenger numbers for the calendar year ending 2023, compared to the previous year. This year set a new record, achieving the highest passenger count in the Airport's history, highlighted by a remarkable sequence of 10 consecutive months where passenger counts exceeded 100,000. This achievement underscores the Airport's role as a key facilitator of travel and economic activity in the region.

Direct Flights



Historical Annual Passengers

- 4.75% increase from calendar year ending 2022 to calendar year ending 2023



Methodology for Calculating Airline Rates & Charges

- **Airport Department Budget**

The new rates have been developed by using the proposed FY 2025 operating and maintenance budget for the Airport Department, \$27,345,849. Airport expense is defined as all reasonable costs and expenses incidental to, necessary for, or arising out of maintaining and repairing the Airport. The calculation of airline rates, fees, and charges is based on recovering the following costs from the FY 2025 Department Budget:

- Direct and indirect operating expenses
- Debt service associated with capital improvements less any grants, passenger facility charge (PFC) revenues, or customer facility charge (CFC) revenues, and
- Annual deposits to the Mandatory Reserve Funds and the Capital Reserve Fund

These projected expenses are allocated to five cost centers as follows:

Airline Rates & Charges for Fiscal Year 2025

April 17, 2024

Page 4

1. Airfield – including runways, taxiways, ramp and grass areas totaling 30% of the budget;
2. Terminal building – the terminal buildings including the sidewalk and curb adjacent to the landside of the terminal and the various non-airline functions in the building totaling 45% of the budget;
3. Boarding bridges – at the request of the airlines a separate cost center was established for the bridges which channel passengers between the terminal and certain aircraft;
4. Commercial and Industrial – non-aviation resources including Airport property leased to private commercial and industrial tenants north and south of Hollister and comprise 10% of the budget; and
5. Other buildings and areas – including general aviation, cargo, automobile parking, landscaping, roadways, parking lots, etc. and comprise 15% of the budget.

The allocated costs are reduced by Airport revenues. The net amount for the Terminal buildings, boarding bridges, and airfield (landing fee) is recovered from the airlines in annual square foot building rates, boarding bridge fees, and landing fees.

- **Airline Negotiations**

Airport staff held a required Rates and Charges meeting with all SBA airlines on March 28, 2024 to discuss budget objectives and the ultimate impact of those objectives on their rates at SBA. The airlines agreed for the FY 2025 projected Rates and Charges to proceed for the Airport Commission to approve which included modest rate impacts over FY 2024 based upon projected passenger growth, bond costs, and increased Airport revenues and expenditures. The current FY 2024 and proposed rates for FY 2025 are shown below:

Description	FY 2024 Planned	FY 2025 Proposed
Terminal Building Rental (sq.ft./year)	\$113	\$121.65
Landing Fees (per 1000 lbs. MGLW)	\$3.19	\$3.35
Boarding Bridge Fixed Cost Center (per turn)	\$36	\$36
Remain Overnight (RON) Fee (per night)	\$36	\$36
Fuel Flowage (per gallon)		
Jet A	\$0.09	\$0.09
Air Carrier	\$0.05	\$0.05
Avgas	\$0.05	\$0.05
“Per Turn” Fee		
Per Enplaned Passenger	\$2.61	\$2.61
Per Deplaned Passenger	\$1.60	\$1.60

The “per turn” fee was instituted in FY 2019 to accommodate non-scheduled charter services for use of the gate, hold room, and bag claim areas and are based on the average number of seats per aircraft type. The “per turn” fee allows for the use of joint Airline Terminal space (baggage make-up area, baggage claim/inbound baggage, and gate/hold room space).

Cost per enplaned passenger

Airlines use “Cost per Enplaned Passenger” (CPE) as a key indicator for their decision about where to locate air service. The CPE is a ratio, not a specific charge. It represents the total costs of airport operations that are allocated to airlines and are charged to them in landing fees, rents or other specific charges, divided by the number of passengers boarding planes each year.

As enplanements increase, the Cost per Enplaned Passenger ratio will decrease, or as costs increase the ratio will increase. All things being equal, CPE will get lower as passenger activity increases. Airports use the CPE ratio as a guide for cost containment, and for comparison with competing and/or similar sized airports.

The actual CPE for FY 2023 year end was \$8.97, and the target rate for FY 2024 is \$10.10. The FY 2025 recommended airlines rates and charges results in a projected CPE of \$11.08.

PREPARED BY: Administration Division

ATTACHMENT: Calculation of Airline Rates and Charges

CALCULATION OF AIRLINE RATES AND CHARGES

The rates and charges to the commercial airline carriers are estimated billed-in-advance charges which are subsequently reconciled with actual costs as is consistent with Santa Barbara's residual airline agreement. At the end of any fiscal year, a shortfall by an individual airline will be billed, or an overpayment refunded by the Airport.

In fiscal year 2021, the dramatic reduction in airline operations and passengers would have resulted in significantly higher rates to offset Airport costs. However, allocation of federal CARES Act, CRSSA and ARPA funding were used to offset the shortfalls paid by the airlines to bring the reconciliation to net zero through the fiscal year 2023. The calculation methodology below represents the typical annual approach to the calculation of estimated rates for terminal square footage rental rates and boarding bridge fees.

Airline Terminal Rental Rate

The Airline Terminal building rental rate is calculated by adding the Terminal's allocation of the overall Airport maintenance and operating costs, City Council mandated reserves, terminal debt service, and the amortization amount for Airport cash-funded capital projects. The total estimated terminal cost for FY2025 is \$12,061,979.

The total terminal cost that must be recovered from airline rates and charges is calculated with a credit for revenues generated from non-aeronautical sources such as rental cars, news/gift sales and food & beverage sales. The estimated coverage requirement for FY 2025 is \$8,222,171.

The per square foot rental rate charged to the commercial airlines is calculated by dividing the coverage requirement by 67,586 square feet, which is the total terminal building square footage. In FY 2025, the square foot terminal rental rate will be held at \$121.65 a square foot. An airline that chooses to operate as a non-signatory will be charged an industry-standard 25% premium on signatory airline rates. Historically, most airlines choose to operate as signatory carriers under the terms of the Airport's airline operating permit.

Boarding Bridge Fee/Remain Over Night Fee (RON)

The boarding bridge fee is calculated by adding the allocation of boarding bridge maintenance and operating costs, City Council mandated reserves, and the allocated boarding bridge debt service amount to estimate the total boarding bridge coverage requirement. The estimated boarding bridge requirement is \$267,737.

Normally, the per-use fee charged to the airlines is calculated by dividing the coverage requirement by the estimated number scheduled turns by the airlines during the fiscal year. In fiscal year 2025, the per-use fee will remain at \$36 per turn.

Currently, the RON Fee is equivalent to the boarding bridge fee. This fee applies only to aircraft that remain overnight at a location on the ramp not adjacent to a boarding bridge. This fee also will remain \$36 per use in FY2025.

Landing Fee

The Airport's landing fee, which is assessed aircraft larger than 12,000 lbs. maximum gross landed weight (MGLW), is based on the total Airport costs for maintenance and operation, the net debt service requirement, City Council mandated reserves, and the amortization amount for Airport cash-funded capital projects. The estimated Airport cost base for recovery in FY2025 is \$31,072,291.

The cost base is then reduced by a portion of revenues from the Airport's commercial/industrial property leasing, all other non-airline revenues, the projected Airline Terminal square footage rental fees, commercial airline fuel flowage fees, RON fees, and boarding bridge fees. For FY2025, the estimated residual amount is \$3,308,652 to be recovered through airline landing fees.

Next the Projected Airline Landed Weight is estimated by using the airline schedules to project the number of landings and aircraft type and weight for the year. The weight used for each aircraft type is based on the published maximum gross landed weight. The landing fee requirement is divided by the estimated landed weight based on anticipated airline activity and aircraft type in the coming fiscal year. The estimated landing fee is \$3.35 per 1,000 lbs. of landed weight.

Per Turn Rate

This cost center only applies to non-signatory commercial carriers for the use of the joint use facilities, including ticketing counters, baggage make-up, gate and holding room areas, inbound baggage, and baggage claim. The per turn rate is calculated based on an industry-standard non-signatory 25% premium in relationship to signatory airline rates. In FY2024, the terminal square footage rate for non-signatory carriers is \$141 per square foot for use of joint use areas in the Airline Terminal.

- A non-signatory premium of 25% is added to the annual Terminal square footage rate of \$121.65, which equals \$152.07. The square footage (10,292) of the baggage make-up facilities, gates and hold room area are multiplied by the rental rate of \$152.07 divided by the estimated enplanements for the fiscal year. The calculated fee is charged per passenger enplaned at the Airline Terminal.
- For deplaning passengers, the square footage (6,139) of the inbound baggage and baggage claim facilities are multiplied by the rental rate of \$152.07 and divided by estimated deplanements to yield a per deplanement charge at the Airline Terminal.

Fuel Flowage Fee

The fuel flowage fee is a pass-through fee collected by the Airport's fuel providers, Signature Flight Support and Atlantic Aviation. In FY2025, the fuel flowage fee for commercial fuel sales will remain .05 per gallon.