



**City of Santa Barbara**  
Airport Department

**DATE:** March 14, 2018  
**TO:** Airport Commission Budget Subcommittee  
**FROM:** Hazel Johns, Airport Director  
**SUBJECT:** Airline Rates & Charges for Fiscal Year 2019

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**RECOMMENDATION:**

That the Budget Subcommittee recommend approval of airline rates and charges for FY 2019 to the Airport Commission, including annual Terminal building space square footage rate of \$107, landing fees of \$4.07 per thousand pounds of gross landed weight, boarding bridge fees of \$45 per turn, a remain overnight fee (RON) of \$45, and an "in to plane" fuel flowage fee for commercial airlines of \$.05 per gallon, effective July 1, 2018 through June 30, 2019.

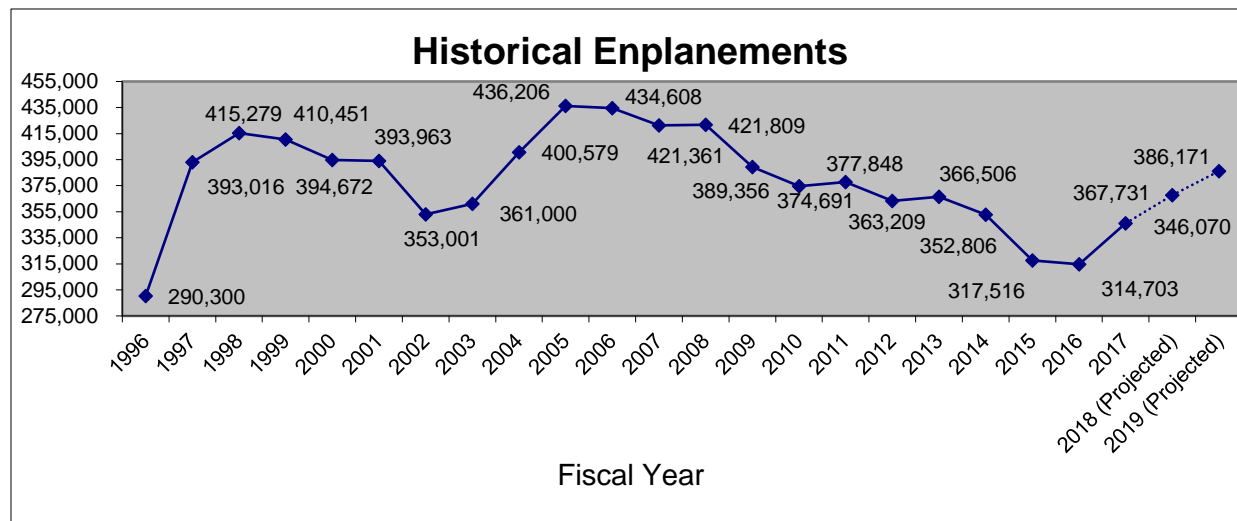
**DISCUSSION:**

Background

The airlines serving Santa Barbara operate under three-year 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 Changes

Based on currently published airline schedules and prior year load factors, FY 2018 and FY 2019 passengers are projected to increase by 6.3% and 5%, respectively, vs. the prior fiscal year. This continues a strong upward trend since FY 2017, which increased nearly 10% vs. the low point of FY 2016. During the development of the FY 2018 budget, the airlines notified the Airport of significant aircraft upgauging, which was reflected in an estimated passenger increase of 13.5% for FY 2018 vs. FY 2017. The projected lower than budget growth in FY 2018 is related to a combination of factors: aircraft downgauging, often on a seasonal basis in the winter months; and low load factors during the summer months, when large amounts of capacity were added.



The following chart shows projected passengers, broken down by airline to illustrate the air service changes described above.

#### FY 2018 - 2019 Projected Passengers

	United	Alaska	American	Totals
FY2018 1st Half Actual	196,382	56,001	126,018	378,401
FY2018 2nd Half Projected	191,123	60,982	104,955	357,061
<i>FY2018 YE Projected</i>	<i>387,505</i>	<i>116,983</i>	<i>230,973</i>	<i>735,462</i>
FY2019 Increased Capacity		5,879		5,879
<i>FY2019 Projected</i>	<i>399,398</i>	<i>132,967</i>	<i>239,976</i>	<i>772,341</i>

#### Methodology for Calculating Airline Rates & Charges

- **Airport Department Budget**

The new rates have been developed by using the proposed FY 2019 operating and maintenance budget for the Airport Department, \$17,549,000. 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 FY2019 Department Budget:

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

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

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**

An updated rate calculation spreadsheet was distributed to the airlines and reviewed with the Airline representatives on February 22, 2018. The current and proposed rates for FY 2019 are shown below:

<b>Description</b>	<b>FY 2018 Actual</b>	<b>FY 2019 Proposed</b>
Terminal Building Rental (sq.ft./year)	\$104	\$107
Landing Fees (per 1000 lbs.)	\$3.99	\$4.07
Boarding Bridge Fixed Cost Center (per turn)	\$46	\$45
Remain Overnight (RON) Fee (per night)	\$46	\$45
Fuel Flowage (per gallon)		
Jet A	\$.09	\$.09
Air Carrier	\$.05	\$.05
Avgas	\$.05	\$.05

After a thorough review of the budget data, the airlines agreed to accept the proposed rates for FY 2019.

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 decrease, the Cost per Enplaned Passenger ratio will increase, 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 FY2017 year end was \$13.46, and the target rate for FY2018 is \$13.90. The FY2019 recommended airlines rates and charges, which includes passenger traffic increases of 5%, resulted in a projected CPE for FY2019 of \$13.52.

**PREPARED BY:** Administration Division

**ATTACHMENT:** Calculation of Airline Rates and Charges