



City of Santa Barbara
Airport Department

Memorandum

DATE: March 16, 2022
TO: Airport Commission
FROM: Brian D'Amour, Interim Airport Director
SUBJECT: **Fiscal Year 2022 Mid-Year Financial Report**

RECOMMENDATION:

That Commission receive a staff presentation regarding the Fiscal Year 2022 Mid-Year Financial and P3 report.

DISCUSSION:

Airport revenues are tracked in a number of categories:

- **Leases- Commercial/Industrial** include revenues from airport-owned land and buildings in the commercial/industrial area.
- **Leases-Terminal** include revenues from rental car companies, parking, and terminal concessions.
- **Leases- Non-Commercial Aviation** includes rental received from Fixed Base Operators, Ampersand, and other general aviation users.
- **Leases- Commercial Aviation** includes Airline Terminal building rental, fuel flowage, and landing fees for commercial airlines and airfreight.
- Investment Income.
- **Miscellaneous** revenue for items such as TSA Law Enforcement Officer (LEO) reimbursement and Airport badging.
- **Operating Transfers-In** to reimburse Operating Fund costs from prefunded FAA Grant Funds and transfer remaining Capital appropriations for maintenance of the Shared Use Processing system.

Airport expenditures are tracked in a number of categories:

- Salaries & Benefits.
- **Materials, Supplies & Services** includes supplies and services, Aircraft Rescue and Firefighting (ARFF), allocated costs, and Engineering reimbursement.
- **Special projects** for airport parking management, PFAS remediation and payment settlement to Goleta for settlement of the 6100 Hollister development.
- **Debt Service** for the Airline Terminal project.
- **Capital Outlay Transfers** to the Capital fund.
- Equipment.

The following chart summarizes Airport revenues and expenditures at the end of the second quarter for FY 2022 and projected revenues and expenditures at the end of FY 2022.

AIRPORT DEPARTMENT: SECOND QUARTER REVIEW - FISCAL YEAR 2022

March 16, 2022

Page 2

FY 2022 Budget Report Periods 1-6									FY 2022 YE Projections		
ACCOUNT DESCRIPTION	PY YTD	CY REVISED	CURRENT	CY	CY	CY %	PY TO CURR.	% PY TO	PROJECTED	YE	YE
	ACTUALS	BUDGET	YTD	ENCUMB	AVAILABLE	USED	YTD	CURRENT			
							ACTUALS	YTD	AT YE	PROJECTED	PROJECTED
							VAR.			VARIANCE	% REM
Leases - Commercial/Industrial	2,399,395	5,175,318	2,440,247	-	2,735,071	47.15%	40,853	1.70%	5,020,002	(155,316)	-3.00%
Leases - Terminal	1,601,170	5,596,759	4,597,712	-	999,047	82.15%	2,996,542	187.15%	8,513,681	2,916,922	52.12%
Leases - Non-Commercial Aviation	2,128,876	4,562,386	2,482,837	-	2,079,549	54.42%	353,961	16.63%	4,593,249	30,863	0.68%
Leases - Commercial Aviation	1,885,318	5,078,668	2,500,225	-	2,578,443	49.23%	614,906	32.62%	5,247,569	168,901	3.33%
Investment Income	73,377	109,045	70,594	-	38,451	64.74%	(2,783)	-3.79%	130,599	21,554	19.77%
Federal Relief Grant	5,003,428	6,344,534	-	-	6,344,534	0.00%	(5,003,428)	0.00%	6,344,534	-	0.00%
Miscellaneous	182,176	473,825	230,627	-	243,198	48.67%	48,451	26.60%	484,550	10,725	2.26%
Transfer In	1,125,428	125,117	125,117	-	-	100.00%	(1,000,311)	0.00%	125,117	-	0.00%
Revenue Total	14,399,169	27,465,652	12,447,360	-	15,018,292	45.32%	(1,951,809)	-13.56%	30,459,302	2,993,650	10.90%
Salaries & Benefits	3,838,905	9,136,921	4,357,947	-	4,778,975	47.70%	519,042	13.52%	8,855,051	(281,870)	-3.08%
Materials, Supplies & Services	4,102,846	11,506,016	4,914,905	2,172,007	4,419,104	42.72%	812,059	19.79%	11,528,506	22,490	0.20%
Special Projects	485	2,241,696	252,889	449,171	1,539,636	11.28%	252,404	52009.81%	1,621,835	(619,861)	-27.65%
Debt Service	776,500	1,555,750	777,875	-	777,875	50.00%	1,375	0.18%	1,555,750	-	0.00%
Capital Outlay Transfer	2,775,998	3,948,242	2,131,689	-	1,816,553	53.99%	(644,308)	-23.21%	3,948,242	-	0.00%
Equipment	67,990	227,860	66,692	42,541	118,627	29.27%	(1,298)	-1.91%	213,537	(14,323)	-6.29%
Appropriated Reserve	-	104,959	-	-	104,959	0.00%	-	0.00%	104,959	-	0.00%
Expense Total	11,562,724	28,721,445	12,501,998	2,663,720	13,555,728	43.53%	939,274	8.12%	27,827,880	(893,564)	-3.11%
Grand Total	2,836,445	(1,255,793)	(54,638)	(2,663,720)	1,462,564	4.35%	(2,891,083)	-101.93%	2,631,421	3,887,215	-309.54%

At Second Quarter:

Revenues

At second quarter, \$12.4M in Actual Revenues were collected, or 45% of budget, mainly due to the following factor(s):

- \$6.3M in 2021 Covid Relief Grant funding (ARPA), budgeted in FY 2022 budget and received in January 2022. Revenues would have been 68% of budget at second quarter if the receipt of this grant were included in the figures.
- Record Commercial Airline Passenger activities exceeding 100K passengers per month, for the first time in SBA history, in July and August generated \$4.6M in Terminal lease revenues at 82.2% of budget from the following major revenue sources:
 - Parking revenues at \$2.5M, or 84% of budget at second quarter.
 - Rental Car Revenues at \$1.6M, or 93% of budget at second quarter.
 - Terminal Concessions at \$260K or 76% of budget at second quarter.
- The fiscal year started with record monthly high commercial airline activities at over 100K monthly passenger counts, for the first time in the airport's history, resulting from faster than anticipated air service recovery for new services starting in the spring of 2021.
- Commercial airline activities during the fourth quarter of FY 2021 spiked from 9 daily departures in March 2021 up to 22 daily departures by June 2021. As a result of this unexpected level of growth, revenues from Terminal leases were ahead of expectations with concessions at 76% of YTD budget, ground transportation at 68%, parking revenues at 84% and rental cars at 93% of YTD budget at second quarter.
- Commercial/Industrial leases ending right around budget at 48% and Non-Commercial Aviation leases at 54% of YTD budget.
- Commercial Aviation Landing Fee is behind budget at 41% at second quarter as Southwest Airlines, which represents over 25% of the commercial airline market share, ends their one-year landing fee abatement incentives this coming spring. Once they start paying landing fees, this category is expected to meet its budget by end of FY22.

AIRPORT DEPARTMENT: SECOND QUARTER REVIEW - FISCAL YEAR 2022

March 16, 2022

Page 3

Expenditures

- At mid-year FY 2022, Actual Expenditures are \$12.5M, or 43.5% of budget, excluding encumbrances.
 - Salaries & Benefits at 48% of budget are slightly less than budgeted at second quarter by \$211K due to unfilled vacancies offset by 4 over-hires and increased overtime to make up for the unfilled positions.
 - Overtime expenses at second quarter are 26% over budget due to backfilling of unfilled vacancies to meet the needs of record level Airline Terminal activities.
 - An unprecedentedly difficult labor market, due to the sudden economic reopening coming out of last winter's pandemic shutdowns, made it extraordinarily difficult to fill vacancies.
 - We have added several over-hire positions to backfill planned retirements and to help deal with the difficult employment market in filling vacancies.
 - The Maintenance and Certifications & Operations Divisions, which have the most unfilled vacancies, are running behind budgeted expenses at 48% and 45% of YTD budget respectively.
 - Supplies and Services expenses are less than budget at 41.3% at second quarter.
 - Operating expenses are expected to come in closer to budgeted levels later in the fiscal year as staffing levels improve to authorized levels.

Summary At Year-End:

Santa Barbara Airport remained open and operating 24/7 throughout the pandemic, although with significantly reduced activity at times. The Airport experienced a significant reduction in air service levels from the start of the COVID-19 pandemic in March 2020 through March 2021. The Airport's second quarter FY 2022 results reflected a better than anticipated recovery of service. During fourth quarter FY21, monthly passenger counts grew from 32K in March 2021 to a record monthly high of 106K in July 2021. Monthly passenger counts have decreased slightly to 97K in September 2021 as the summer travel months waned.

SBA's recovery, which is attributed to a strong leisure market, is leading a better than anticipated recovery not experienced by all airports across the nation. In other lines of business, the Airport remained stable. None of SBA's commercial-industrial tenants have requested a deferral of rent, and private/corporate aviation remains consistently active. With the majority of the country's population now vaccinated against the Covid-19 virus, the Airport is optimistic that the worst impacts of the Covid-19 pandemic are behind us, although some uncertainty remains in the current Omicron strain surge.

Fortunately, Congress recognized early the devastating effects that the pandemic would have on most of the aviation industry. Santa Barbara Airport has been awarded \$19.3M in grant funding to support its revenue shortfalls, \$9.5 million was received in Congress' first CARES Act relief package, another \$3.5 million was approved on December 27, 2021 for the remainder of fiscal 2021 from the CRRSAA Act. Approximately \$6.3 million in ARPA grant funding was awarded to support the recovery in FY 2022 and is expected to be reflected in airport revenues in the next quarter.

P3 Program Summary:

The Airport is on target to meet 82% of its P3 Objectives at second quarter. 4 out of 57 objectives were achieved to date in the Business and Property Management division while maintaining 96% of Airport building space leased. Due to extraordinary high turnover in staffing, 4 out of 57 objectives were achieved at second quarter with 47 on target.

AIRPORT DEPARTMENT: SECOND QUARTER REVIEW - FISCAL YEAR 2022

March 16, 2022

Page 4

Major Accomplishments and milestones to date include:

- Administration
 - Business Administration: Completed replacement of all outdated computer workstations within the Airport Administration, Operations, Law Enforcement, and Maintenance divisions.
 - Marketing: Engaged in new and existing partnership development such as the Alpha Recourse Center/Alaska Airlines plane-pull event and other community engagement programs including the Southwest ticket giveaway via social media and participation in Chamber in-person events.
- Maintenance
 - Received the ACI Airport Health Accreditation (AHA) to ensure the health and safety of our guests and passengers during our path to recovery.
 - Completed construction of an airline support center to accommodate a central location for terminal employee locker rooms, meeting space, offices, and storage.
 - Completed remodel of various offices to accommodate new employees at the Airport Administration building.
- Operations & Law Enforcement
 - Completed recruitment for three new Operations Supervisors in the midst of an extraordinarily challenging workforce market.
 - Successfully promoted two existing Security Aides to Operations Specialist Positions.
- Capital Support
 - Completed the RFQ to select a consultant for the Terminal Expansion and Parking Lot Structure Project.
 - RFQ for the Master Plan Project has been issued and received Coastal Development Permit and Planning Approval for the Southfield Redevelopment Project.

PREPARED BY: Jonathan Abad, Airport Business Manager