




**City of Santa Barbara**  
Airport Department

**Memorandum**

**DATE:** April 20, 2022  
**TO:** Airport Commission  
**FROM:**  Brian D'Amour, Interim Airport Director  
**SUBJECT:** Proposed Operating and Capital Budget for FY 2023

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**RECOMMENDATION**

That the Airport Commission receive a staff presentation on and recommend approval of the proposed Fiscal Year 2023 Airport Operating and Capital Budget.

**DISCUSSION**

Significant Issues Affecting Development of the Budget

The COVID-19 pandemic caused significant impacts to the aviation industry. The industry originally anticipated full recovery to 2019 passenger levels would not be achieved until 2023. The recovery has generally occurred more quickly than anticipated with certain markets already seeing an increase in passenger counts to pre-pandemic levels. As a domestic leisure destination, Santa Barbara Airport (SBA) has seen a higher than average recovery, with traffic rebounding sharply in the beginning of FY22. SBA surpassed 2019 monthly passenger levels during the summer of 2021 with record monthly passenger counts exceeding 106,000 for the first time ever in July 2021.

In April 2021, Southwest Airlines came to SBA and immediately became our largest air carrier with daily service to Denver, Las Vegas and Oakland. Southwest brought in large (146-seat Boeing 737-700) aircraft with five daily departures. American Airlines increased service to Dallas and Phoenix; United introduced Chicago seasonal service in June 2021, and Alaska Airlines added service to San Diego. Positive local traveler response and the recovery of the local tourism industry is key to filling and maintaining this capacity. These changes have resulted in SBA leading the state of California in passenger level recovery.

The most critical issue facing the Airport in the coming fiscal year will be maintaining a high level of customer service while meeting strict FAA compliance. Increased Airline passenger levels require more effort by the Airport to maintain security and operating requirements, as well as more frequent repair and maintenance of our facilities and infrastructure. In addition, the pandemic added new health measures to ensure passenger safety as they transited through airports and aboard flights. These measures are anticipated to endure beyond the pandemic.

## Budget Balancing

About half of Airport revenues are tied to commercial aviation and air terminal activities. While a portion of this revenue is fixed, this is SBA's revenue stream most vulnerable to changes in demand for air travel. The General Aviation and Commercial/Industrial lease revenue performed well throughout the pandemic.

The Airport suffered significant decreases in terminal and commercial aviation lease revenues due to the steep decline in passengers from 82K/month in February 2020 to less than 3K in April 2020. In response to an uncertain future from the pandemic, the Airport cut its annual discretionary spending budget by about \$300,000 in FY21 and by another \$300,000 in FY22. Significant improvements did not begin until April 2021 with a quick recovery to levels above budget going into FY22.

Fortunately, Congress recognized early the devastating effects that the pandemic would have on most of the aviation industry. Without Federal assistance, the Airport would not have been able to meet its debt obligations and remain compliant with federal operations and security mandates. The funding also allows the Airport to continue plans to address a number of long-deferred maintenance needs while staying on course with addressing capital infrastructure improvements.

## Cautious Optimism for FY23

Santa Barbara is fundamentally a strong market for commercial air service, which is the primary driver of Airport revenues. While the market lost air service in 2020 with the suspended service of Contour Airlines, Delta Air Lines and Frontier Airlines, new service capacities were added at the end of FY21 and in FY22. The airlines have restored cuts and added capacity to meet the trends in demand. We are proposing to increase appropriations to maintain our high level of customer service, strict FAA compliance and security requirements, keep up with facility maintenance, cleanliness of our facilities and update capital programs to accommodate future capacity needs.

The following assumptions were used in preparing the FY23 budget:

- FY21 passenger levels fell to about half of FY19 levels, however, we're projecting FY22 will exceed FY19 levels.
- Commercial Aviation and Terminal Revenues for FY23 budget are based on forecasted passenger growth of 7% from projected FY22 year and 3% in the following years.
- Commercial Aviation revenues from Landing Fees, Boarding Bridge, Fuel and Remain Overnight Airline Parking (RON), is expected to grow 56% from projected FY22.
- Terminal revenues from Rental Cars, Parking, Concessions and Ground Transportation, is expected to increase 12% from projected FY22.

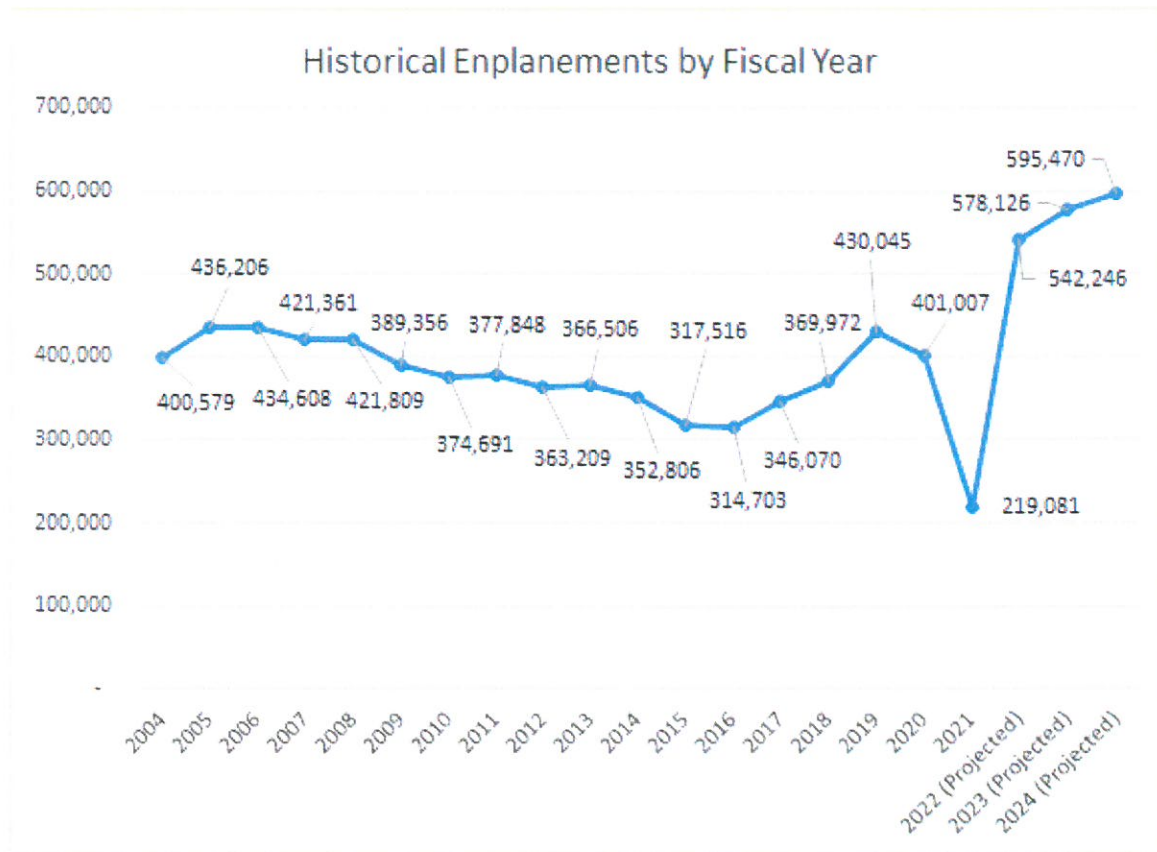


Chart 1. Passenger Enplanements

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

**FY 2022 - 2024 Projected Passengers**

|                                | Alaskan Airlines | American Airlines | Southwest | United Airlines | Total     |
|--------------------------------|------------------|-------------------|-----------|-----------------|-----------|
| <b>FY22 1st Half Actual</b>    | 82,734           | 140,714           | 161,204   | 200,791         | 585,443   |
| <b>FY22 2nd Half Projected</b> | 67,637           | 94,448            | 91,401    | 245,564         | 499,049   |
| <b>FY23 Projected</b>          | 156,709          | 248,370           | 265,074   | 482,758         | 1,152,911 |
| <b>FY24 Projected</b>          | 161,409          | 255,820           | 273,025   | 497,238         | 1,187,493 |

Table 1. Passengers by Airlines



## Narrative Analysis of Revenues:

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

|                                      | Actual            | Actual            | Actual            | Projected         | Status Quo        | Dept. Recomd.     | Amount Change    | Pct. Change | Pct. Change |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------|-------------|
|                                      | 2019              | 2020              | 2021              | 2022              | 2023              | 2023              | 2023             | 22-23       | fr. SQ      |
| <b>Operating Revenue</b>             |                   |                   |                   |                   |                   |                   |                  |             |             |
| Leases                               |                   |                   |                   |                   |                   |                   |                  |             |             |
| Commercial & Industrial              | 4,548,016         | 4,714,876         | 5,100,127         | 5,367,404         | 6,129,091         | 6,129,091         | -                | 14%         | 0%          |
| Non-Commercial Aviation              | 4,144,563         | 4,326,237         | 4,404,611         | 4,593,249         | 4,979,681         | 5,041,392         | 61,711           | 10%         | 1%          |
| Terminal                             |                   |                   |                   |                   |                   |                   |                  |             |             |
| Rental Cars                          | 2,152,077         | 2,073,768         | 1,705,062         | 2,777,586         | 2,585,247         | 2,787,110         | 201,863          | 0%          | 8%          |
| Parking                              | 3,476,081         | 3,206,170         | 2,087,254         | 4,726,671         | 4,478,907         | 5,463,290         | 984,383          | 16%         | 22%         |
| Concessions                          | 356,069           | 371,299           | 101,166           | 388,045           | 490,465           | 490,465           | -                | 26%         | 0%          |
| Ground Transportation                | 16,050            | 118,349           | 105,274           | 313,729           | 497,218           | 497,218           | -                | 58%         | 0%          |
| TSA Building rent                    | 105,914           | 105,914           | 105,914           | 107,651           | 112,410           | 112,410           | -                | 4%          | 0%          |
| <b>Terminal sub-total</b>            | <b>6,106,191</b>  | <b>5,875,501</b>  | <b>4,104,670</b>  | <b>8,313,681</b>  | <b>8,164,247</b>  | <b>9,350,492</b>  | <b>1,186,245</b> | <b>12%</b>  | <b>15%</b>  |
| Commercial Aviation                  |                   |                   |                   |                   |                   |                   |                  |             |             |
| Building                             | 2,814,608         | 2,913,224         | 2,827,505         | 2,910,004         | 3,313,603         | 3,007,117         | (306,486)        | 3%          | -9%         |
| Landing Fees (Airlines)              | 2,086,431         | 2,193,165         | 877,406           | 1,449,925         | 2,773,276         | 2,573,276         | (200,000)        | 77%         | -7%         |
| Landing Fees (Freight/Charter)       | 59,705            | 59,387            | 68,193            | 83,831            | 94,748            | 94,748            | -                | 13%         | 0%          |
| Landing Bridge Fees                  | 200,215           | 151,530           | 110,751           | 229,770           | 261,424           | 261,424           | -                | 14%         | 0%          |
| Fuel Flow age Fees                   | 204,505           | 249,892           | 114,613           | 282,185           | 268,669           | 300,000           | 31,331           | 6%          | 12%         |
| RON Fees                             | 52,663            | 78,708            | 53,751            | 79,987            | 83,458            | 83,458            | -                | 4%          | 0%          |
| <b>Commercial aviation sub-total</b> | <b>5,418,126</b>  | <b>5,645,907</b>  | <b>4,052,218</b>  | <b>5,035,701</b>  | <b>6,795,178</b>  | <b>6,320,023</b>  | <b>(475,155)</b> | <b>26%</b>  | <b>-7%</b>  |
| <b>Total Leases</b>                  | <b>20,216,896</b> | <b>20,562,521</b> | <b>17,661,626</b> | <b>23,310,036</b> | <b>26,068,197</b> | <b>26,840,998</b> | <b>772,801</b>   | <b>15%</b>  | <b>3%</b>   |
| Other                                |                   |                   |                   |                   |                   |                   |                  |             |             |
| Federal Relief                       | -                 | 4,551,893         | 8,679,174         | 6,344,534         | -                 | -                 | -                | -100%       | 0%          |
| Interest Income                      | 301,542           | 336,607           | (399)             | 130,599           | 164,200           | 164,200           | -                | 26%         | 0%          |
| TSA Reimbursement                    | 93,670            | 99,000            | 91,000            | 90,006            | 102,071           | 102,071           | -                | 13%         | 0%          |
| Other                                | 28,651            | 124,187           | 66,138            | 47,142            | 41,313            | 41,313            | -                | -12%        | 0%          |
| <b>Other sub-total</b>               | <b>423,863</b>    | <b>5,111,687</b>  | <b>8,835,914</b>  | <b>6,612,282</b>  | <b>307,584</b>    | <b>307,584</b>    | <b>-</b>         | <b>-95%</b> | <b>0%</b>   |
| <b>Total Operating Revenue</b>       | <b>20,640,759</b> | <b>25,674,207</b> | <b>26,497,540</b> | <b>29,922,317</b> | <b>26,375,781</b> | <b>27,148,582</b> | <b>772,801</b>   | <b>-9%</b>  | <b>3%</b>   |

Table 2. Summary of Operating Revenues

## Revenue assumptions for FY23

The following are some projections and explanation of material budget variances:

- The proposed FY23 commercial/industrial revenues are expected to be 14% above projected FY22, due to the CPI index running at 7% annually. Property Management is expected to be at full staff ensuring vacant properties are leased timely. There are a few properties expected to remain vacant in FY23 to facilitate the relocation of FBO operations, delayed due to the pandemic.
- FY23 non-commercial aviation ("general aviation") revenues are expected to be 10% above projected FY22 revenues, with slight upward adjustments to Fuel and Landing fee revenues based on projected FY22 revenues.
- FY23 Commercial Aviation revenues will be 26% above projected FY22 revenues with building leases, the largest portion of this revenue, about flat due to unchanged Terminal Rental rates and Landing Fees up 77% from increased numbers of flights and Southwest Airlines ending its Landing Fee abatement in spring of 2022.

- Terminal Revenues are expected to grow 12% in FY23 from projected FY22 with Rental car revenue largely unchanged. Parking and Ground Transportation revenues are estimated to grow 16% and 58% into FY23 due to increased enplanements and adjustments in fees. As the Airport Parking lots often reach capacity during the busiest times of the summer and winter holidays, ground transportation activities are expected to spike. FY23 proposed food, drinks and gift shop concessions are proposed at 26% growth over FY22.
- Nearly \$20M in Federal Coronavirus Aid Relief Funds have been received over the past three fiscal years to offset losses that set back commercial aviation and terminal revenue growth by a couple of years.
- With no relief grant funds anticipated for FY23, overall Operating Revenues are projected to be \$773K, or about 9%, less than projected in FY22 when \$6.3M in relief funds were received.

### Narrative Analysis of Expenditures

|                                   | Actual            | Actual            | Actual            | Projected         | Status Quo        | Dept.             | Amount           | Pct.      | Pct.      |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-----------|-----------|
|                                   | 2019              | 2020              | 2021              | 2022              | 2023              | Recomd.           | Change           | Change    | Change    |
|                                   |                   |                   |                   |                   |                   | 2023              | 2023             | 22-23     | fr. SQ    |
| <b>Operating Expenditures</b>     |                   |                   |                   |                   |                   |                   |                  |           |           |
| Salaries & Benefits               | 7,343,038         | 8,193,761         | 7,336,545         | 8,873,491         | 9,811,592         | 10,109,562        | 297,970          | 14%       | 3%        |
| Supplies & Services               | 4,265,396         | 4,482,548         | 3,534,508         | 5,503,197         | 4,625,918         | 5,383,855         | 757,937          | -2%       | 16%       |
| Allocated Costs                   | 1,938,246         | 2,023,875         | 2,100,438         | 2,482,954         | 2,891,175         | 2,891,175         | -                | 16%       | 0%        |
| ARFF                              | 2,613,250         | 2,676,884         | 2,815,009         | 3,011,658         | 3,231,200         | 3,311,200         | 80,000           | 10%       | 2%        |
| Engineering                       | 357,797           | 251,675           | 307,651           | 320,550           | 373,430           | 373,430           | -                | 16%       | 0%        |
| Special Projects                  | 113,713           | 401,503           | 73,954            | 1,506,633         | 807,066           | 929,500           | 122,434          | -38%      | 15%       |
| Equipment                         | 50,736            | 38,325            | 148,093           | 213,537           | 106,820           | 222,320           | 115,500          | 4%        | 108%      |
| Appropriated Reserves             | -                 | -                 | -                 | -                 | 131,556           | 131,556           | -                | 0%        | 0%        |
| <b>Total Operating Expenses</b>   | <b>16,682,175</b> | <b>18,068,571</b> | <b>16,316,198</b> | <b>21,912,021</b> | <b>21,978,757</b> | <b>23,352,598</b> | <b>1,373,841</b> | <b>7%</b> | <b>6%</b> |
| Operating income (loss)           | 3,958,584         | 7,605,637         | 10,181,342        | 8,010,297         | 4,397,024         | 3,795,984         | (601,040)        | -53%      | -14%      |
| Terminal Bond Debt Payment        | 1,363,195         | 1,533,896         | 1,553,000         | 1,555,750         | 1,551,750         | 1,551,750         | -                | 0%        | 0%        |
| Net Transfers                     | (3,359,848)       | (4,635,635)       | (3,250,641)       | (3,823,125)       | (1,476,551)       | (1,596,000)       | (119,449)        | -58%      | 8%        |
| Net Addition to (Use) of Reserves | (764,459)         | 1,436,106         | 5,377,700         | 2,631,421         | 1,368,723         | 648,234           | (720,489)        | -75%      | -53%      |

Table 3. Summary of Expenditures

### Expenditure assumptions for FY23 budget:

SBA is recommending approximately \$1.4M in additional appropriations in the FY23 budget for the following reasons:

- \$244K Increase in facilities maintenance and equipment rental/repair. With more appropriate level of staffing, Facilities Maintenance group is poised to take on more in-house maintenance and repair of Airport facilities and equipment.
- \$136K Increase in professional services includes \$80K increase in Birdi maintenance agreement and the marketing consultant contract.
- \$183K Increase to salaries & benefits to add three law enforcement hourly officers while leaving one FTE open to offset some of the added costs.
- \$123K Increase to Special Projects includes PFAS site investigation, Economy parking lot shuttle program and various marketing, outreach and sponsorship programs.

- \$115K Increases in meeting/travel, training, dues and memberships, pavement maintenance materials and telephone to bring budget back to pre-Covid levels necessary to accommodate added staffing.
- \$116K Increase overtime budget to more closely meet actual levels during recent years.
- \$110K Increases in equipment for Law Enforcement and necessary equipment to track usage on the perimeter fencing for the Operations division.
- \$163K Increases in electric rates and utility usage such as waste and gas.
- \$79K Increases in advertising and sponsorship.
- \$66K Increase in Special Supplies and Services for credit card fees due to increases in Parking activities and Marketing programs.
- \$33K Increase in janitorial supplies necessary to meet new Covid guidelines such as ACI health accreditation.

### Changes in fees with related revenue impacts

#### FY 2023 Proposed Parking Fees Changes

The Airport proposes to increase hourly parking rates after the first hour by twenty-five cents from \$1.00 to \$1.25 and a \$2.00 increase to daily maximum rates in all three parking lots servicing the Airport Terminal passengers. These proposed increases are necessary to keep up with increased labor and aging equipment costs. Minimum wage increased 43% from \$10.50 in 2018 to \$15.00 per hour expected in January 2023 and shuttle rental costs have doubled over the past year.

| Type                     | FY22     | FY23     | Change |
|--------------------------|----------|----------|--------|
| <b>Short Term:</b>       |          |          |        |
| Additional Hour          | \$ 1.00  | \$ 1.25  | 25%    |
| Maximum - 24 Hours       | \$ 25.00 | \$ 27.00 | 8%     |
| <b>Long Term Lot:</b>    |          |          |        |
| Additional Hour          | \$ 1.00  | \$ 1.25  | 25%    |
| Maximum - 24 Hours       | \$ 15.00 | \$ 17.00 | 13%    |
| <b>Long Term Lot #2:</b> |          |          |        |
| Additional Hour          | \$ 1.00  | \$ 1.25  | 25%    |
| Maximum - 24 Hours       | \$ 10.00 | \$ 12.00 | 20%    |

Table 4. Summary of Parking Fee changes

## FY 2023 Proposed Ground Transportation Fees Changes

The Airport proposes 9 to 11% increases of twenty-five cents, fifty cents and a seventy five cent increase to the pickup or drop off fees for under 10, 10-24 and over 25 passenger vehicles. A new daily option of a \$50.00 permit fee is being offered for visiting service and a new \$25.00 permit replacement fee is being proposed. Annual permit fee increases to \$150.00 from \$120.00 are proposed as well as an increase to 30-day permit fees from \$40.00 to \$110.00. These are the first increases to ground transportation fees since starting in 2018. These increases are necessary to fully capture the actual administrative cost of processing and managing the Ground Transportation program.

| Type                  | FY22 Permit Fees |        | FY23 Permit Fees |        | Permit Fee Changes |                  |                       |                                  | Pickup or Drop-off Fee<br>< 10 Passengers |      |        | Pickup or Drop-off Fee<br>10-24 Passengers |      |        | Pickup or Drop-off Fee<br>> 24 Passengers |      |        |
|-----------------------|------------------|--------|------------------|--------|--------------------|------------------|-----------------------|----------------------------------|---|------|--------|--|------|--------|---|------|--------|
|                       | Annual           | 30-Day | Annual           | 30-Day | Annual<br>Change   | 30-Day<br>Change | New-<br>Daily<br>Fees | New<br>Permit<br>Replace<br>ment | FY22                                      | FY23 | Change | FY22                                       | FY23 | Change | FY22                                      | FY23 | Change |
| On-demand Taxi        | 1,000.00         |        | 1,275.00         | 110.00 | 28%                | New              | 50.00                 | 25.00                            |   |      |        |  |      |        |   |      |        |
| Prearranged Taxi      | 120.00           | 40.00  | 150.00           | 110.00 | 25%                | 175%             | 50.00                 | 25.00                            | 2.75                                      | 3.00 | 9%     | 4.50                                       | 5.00 | 11%    | 7.00                                      | 7.75 | 11%    |
| Bus                   | 120.00           | 40.00  | 150.00           | 110.00 | 25%                | 175%             | 50.00                 | 25.00                            | 2.75                                      | 3.00 | 9%     | 4.50                                       | 5.00 | 11%    | 7.00                                      | 7.75 | 11%    |
| Shuttle               | 120.00           | 40.00  | 150.00           | 110.00 | 25%                | 175%             | 50.00                 | 25.00                            | 2.75                                      | 3.00 | 9%     | 4.50                                       | 5.00 | 11%    | 7.00                                      | 7.75 | 11%    |
| Limo                  | 120.00           | 40.00  | 150.00           | 110.00 | 25%                | 175%             | 50.00                 | 25.00                            | 2.75                                      | 3.00 | 9%     | 4.50                                       | 5.00 | 11%    | 7.00                                      | 7.75 | 11%    |
| Courtesy Vehicle      | 120.00           | 40.00  | 150.00           | 110.00 | 25%                | 175%             | 50.00                 | 25.00                            | 2.75                                      | 3.00 | 9%     | 4.50                                       | 5.00 | 11%    | 7.00                                      | 7.75 | 11%    |
| Courier               | 120.00           |        | 150.00           | 110.00 | 25%                | New              | 50.00                 | 25.00                            |   |      |        |  |      |        |   |      |        |
| Rideshare (Uber/Lyft) | 120.00           |        |                  |        |                    |                  | 50.00                 | 25.00                            |   |      |        |  |      |        |   |      |        |

Table 5. Summary of Ground Transportation Fee changes

## Methodology for Calculating Airline Rates & Charges

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 Department Budget:

1. Direct and indirect operating expenses
2. Debt service associated with capital improvements less any grants, passenger facility charge (PFC) revenues, or customer facility charge (CFC) revenues, and
3. 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.



## Other Discussion Items:

### FY23 Proposed staffing changes

The Airport submitted four position change requests as part of the FY 2023 budget cycle estimated to cost approximately \$160,000. The change requests included:

1. Reclassify 1.00 FTE Administrative Assistant in the Business and Property management program to 1.00 FTE New Administrative Analyst to better commensurate classification to the duties currently being performed in lease billing/analysis and grants/financial compliance administration. \$17K FY23 Impact.
2. Reclassify 1.00 FTE Accounting Assistant in the Facilities Maintenance program to 1.00 FTE Accounting Technician to better commensurate classification to the duties currently being performed processing purchases, Contracts/Purchase Orders and payment processing. \$8K FY23 Impact.
3. Add 1.00 FTE Air Operations Supervisor to authorized currently filled over-hire in the Operations Division. \$135K FY23 Impact.
4. Add 1.00 FTE Custodian; negligible impact due to offset in hourly salary reduction.

### Proposed capital projects contained in budget

The following capital projects are proposed to be funded by Operating Fund transfer to the Capital Fund:

|   | Recomd.            | Forecast           | Forecast           | Forecast           | Forecast           |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b><u>Project Expenses on FAA Funded Projects:</u></b>    | <b><u>2023</u></b> | <b><u>2024</u></b> | <b><u>2025</u></b> | <b><u>2026</u></b> | <b><u>2027</u></b> |
| AIP 067-Airfield Marking Sign/Lighting Plan Const.        | 300,000            | -                  | -                  | -                  | -                  |
| Runway 15R-33L Rehab. (Design & Constr.)                  | -                  | -                  | -                  | -                  | 208,469            |
| South Terminal Apron Rehab. (Design & Constr.)            | -                  | -                  | 319,428            | -                  | -                  |
| Taxiway A, E, K, L Rehab. (Design & Constr.)              | -                  | -                  | -                  | 261,520            | -                  |
| Taxiway B, F, P Rehab. (Design & Constr.)                 | -                  | 163,450            | -                  | -                  | -                  |
| Taxiway C, H Rehab. (Design & Constr.)                    | -                  | -                  | 186,800            | -                  | -                  |
| Taxiway G, M, J Rehab Design                              | 246,000            | -                  | -                  | -                  | -                  |
| Taxiway H Extension                                       | -                  | 384,248            | -                  | 1,208,222          | -                  |
| Terminal Expansion - South (Construction)                 | -                  | -                  | -                  | 1,533,068          | -                  |
| Vehicle Service Road Rehab. (Design & Constr.)            | -                  | 46,700             | -                  | -                  | -                  |
| <b>Total Airport Share of FAA Funded Capital Expenses</b> | <b>546,000</b>     | <b>594,398</b>     | <b>506,228</b>     | <b>3,002,810</b>   | <b>208,469</b>     |
| <b><u>Major Maintenance Projects:</u></b>                 |                    |                    |                    |                    |                    |
| 495 Fairview Improvements                                 | 100,000            | 100,000            | 100,000            | 100,000            | 100,000            |
| Airport - Airline Terminal Exp                            | 100,000            | 100,000            | 100,000            | 100,000            | 100,000            |
| 6190 Botello Remodel                                      | -                  | 100,000            | -                  | -                  | -                  |
| Airline Terminal Improvements                             | 100,000            | 100,000            | 100,000            | 100,000            | 100,000            |
| Airport Infrastructure Mainten                            | 50,000             | 50,000             | 50,000             | 50,000             | 50,000             |
| Airport Streets   | 150,000            | 150,000            | 150,000            | 150,000            | 150,000            |
| AOA Pavement Maintenance                                  | 150,000            | 150,000            | 150,000            | 150,000            | 150,000            |
| Lessee Building Maintenance                               | 150,000            | 150,000            | 150,000            | 150,000            | 150,000            |
| <b>Total Major Maintenance Projects</b>                   | <b>800,000</b>     | <b>900,000</b>     | <b>800,000</b>     | <b>800,000</b>     | <b>800,000</b>     |
| <b>Total Capital Expenses</b>                             | <b>1,346,000</b>   | <b>1,494,398</b>   | <b>1,306,228</b>   | <b>3,802,810</b>   | <b>1,008,469</b>   |

Table 6. Summary of Capital Budget



Included in the FY23 budget is a proposed new CFC fee. The proposed CFC will help fund half of the Southfield development to demolish existing 150 space rental car ready return lot and build 228 rental car parking spaces south of Gate 1 at the John "Jack" T. Rickard Airline Terminal. The Southfield Project was appropriated in FY22 and will also demolish Hangar 5 to provide three remain overnight (RON) aircraft parking positions.

Included in the FY23 budget are prefunding for projects eligible for the FAA AIP Grant program. The Airport match for the AIP grant is 9.34%. \$546,000 in Airport match is budgeted in FY23. The anticipated AIP grant reimbursements will be appropriated when they are received during the mid-year process. \$800,000 in major annual maintenance project is budgeted for a total of \$1,346,000 in Capital projects funded in FY23.

### Airport Operating Fund Reserves Forecast

The Airport strives to build a healthy Operating Reserve to fund a very long list of deferred capital needs. Santa Barbara's passenger terminal opened in August 2011, and while the facility is still fairly modern, it is beginning to require repairs, upgrades and replacement of equipment. In addition, many of the Airport's revenue-generating commercial industrial properties are World War II-era properties that are in need of ongoing significant repairs and improvements.

|   | Actual<br>2020   | Actual<br>2021    | Projected<br>2022 | Recomd.<br>2023   | Forecast<br>2024  | Forecast<br>2025  | Forecast<br>2026   | Forecast<br>2027  |
|---|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| <b>Net Addition to (Use) of Reserve</b> | <b>1,436,106</b> | <b>5,377,700</b>  | <b>2,674,008</b>  | <b>677,984</b>    | <b>509,313</b>    | <b>664,792</b>    | <b>(1,870,722)</b> | <b>878,051</b>    |
| <b>Reserve Requirements:</b>            |                  |                   |                   |                   |                   |                   |                    |                   |
| Budget Reserve (10%)                    | 1,929,477        | 2,040,380         | 2,192,209         | 2,335,260         | 2,398,783         | 2,464,358         | 2,532,062          | 2,601,971         |
| Disaster Reserve (15%)                  | 2,894,215        | 3,060,570         | 3,288,314         | 3,502,890         | 3,598,174         | 3,696,537         | 3,798,092          | 3,902,956         |
| Capital Reserve (Ave past 5 yr)         | 1,063,979        | 1,628,600         | 1,317,789         | 2,041,789         | 2,165,999         | 2,284,878         | 2,208,124          | 2,415,197         |
| <b>Council Policy Reserves</b>          | <b>5,887,671</b> | <b>6,729,550</b>  | <b>6,798,311</b>  | <b>7,879,938</b>  | <b>8,162,955</b>  | <b>8,445,774</b>  | <b>8,538,278</b>   | <b>8,920,124</b>  |
| <b>Reserve Balance</b>                  | <b>6,726,096</b> | <b>10,394,302</b> | <b>13,068,310</b> | <b>13,746,294</b> | <b>14,255,607</b> | <b>14,920,399</b> | <b>13,049,676</b>  | <b>13,927,728</b> |
| <b>Reserves Above (Below) Policy</b>    | <b>838,425</b>   | <b>3,664,752</b>  | <b>6,269,999</b>  | <b>5,866,356</b>  | <b>6,092,652</b>  | <b>6,474,625</b>  | <b>4,511,399</b>   | <b>5,007,604</b>  |

Table 7. Summary of Reserves

We have prepared our revenue projections based on continued recovery from the pandemic. We have cautiously held our planned expenses within forecasted revenue growth to maintain a healthy, above policy, annual reserve balance over the next five years.