



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: August 25, 2009
TO: Mayor and Councilmembers
FROM: Airport Administration, Airport Department
SUBJECT: Renewal Of Passenger Facility Charge Application

RECOMMENDATION:

That Council authorize staff to submit an "impose and use" Passenger Facility Charge (PFC) application, continuing the \$4.50 PFC fee, in the amount of \$19,945,000 to finance a portion of the debt service for the Airline Terminal Improvement Project.

DISCUSSION:

Background

In 1990, the Department of Transportation, Federal Aviation Administration (FAA) provided authorization for commercial service airports to impose and use a passenger facility charge (PFC). In August 2003, the PFC fee for Santa Barbara Airport was increased from \$3 to \$4.50 and is assessed on airline tickets for the first two enplaning airports (outbound) and the last two enplaning airports (inbound) on all enplaned passengers. The airlines collect the PFC, retain an administrative fee of \$0.12 per fee, and remit the total collected to the Airport on a monthly basis. The funds generated from the PFC can only be used on eligible airport-related capital improvement projects.

The FAA has approved five PFC applications for the Santa Barbara Airport since 1997. The collections and projects for PFC No. 1, 2, 3, and 4 have been completed. It is anticipated that PFC No. 07-06-C-00-SBA will be fully funded and collected by April 1, 2010. FAA has approved a total collection of \$14,457,890 for the five PFC applications.

Airline Terminal Financial Plan

Financing of the Airline Terminal Improvement Project, including the new and historic airline terminal, roadway, parking, airside improvements, and related facilities, will be made available through a combination of funding sources. These sources include approximately \$46.7 million in long-term debt issued through lease revenue bonds; FAA Airport Improvement Program grants funds, and Airport cash reserves.

The long-term debt (principle and interest) will be repaid from:

- Airline terminal user rents (\$27,325,000),
- Passenger Facility Charge fees (\$19,945,000),
- FAA grant funds including two existing grants received this year for the project, AIP-39 (\$1,347,262) and AIP-40 (\$2,378,517),
- Two FAA AIP grants to be received in federal fiscal years 2010 and 2011 (AIP-41 estimated to be \$2,797,600 and AIP-42 estimated to be \$2,860,000), and
- Airport Reserves.

Impose and Use a new PFC Application

The City of Santa Barbara PFC application proposes a renewal of the impose and use fee of \$4.50 per enplaned passenger for total PFC Charge revenue in the amount of \$19,945,000.

The project includes construction of the new 60,000 square foot Airline Terminal, restoration of the 7,000 square foot historic terminal, aircraft ramp reconstruction, roadway and entrance improvements, and associated parking facilities. The total cost of the Airline Terminal Improvement Project (preliminary design through construction) is estimated at \$63 million.

Air Carrier Consultation

On July 15, 2009, an Air Carrier Consultation meeting was held to review the status of the construction project, including the receipt of low bids on the project allowing use of bond funds for additional items previously not included (multiple boarding bridges, bag screening conveyor systems, and furniture and fixtures). Copies of the Feasibility Study prepared by Jacobs Consultancy and a copy of the Bond Debt Service report from Morgan Stanley, the underwriter of the bond issue, were provided to all airlines.

The Air Carriers have 30 days to provide written certification of acceptance or disagreement of the proposed bond issue. Verbal approval was voiced by the carriers and to date Horizon Airlines and Skywest Airlines have submitted written approval certification.

Summary

A 30-day Notice to the Public was posted to the City of Santa Barbara's website on June 18, 2009; one comment was received asking if the \$4.50 fee was a new charge. The response was no the \$4.50 is not new, but a new application with a new project is being proposed for the fees.

Once the application is filed with FAA, review and approval is expected on or before December 1, 2009, with an effective date of April 1, 2010.

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SUBMITTED BY: Karen Ramsdell, Airport Director

APPROVED BY: City Administrator's Office