

## ITEM IX

# SALT LAKE CITY COUNCIL STAFF REPORT

## BUDGET AMENDMENT ANALYSIS – FISCAL YEAR 2002-03

**DATE:** May 7, 2002

**BUDGET FOR:** **DEPARTMENT OF AIRPORTS**

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The Council adopted a fiscal year 2002-2003 annual budget for the Department of Airports in June 2001 as part of the biennial budget. The Council amended the budget for the Department of Airports in January 2002 to accelerate some capital projects and in April 2002 to add 11 new security positions.

The Department of Airports is requesting a budget amendment for fiscal year 2002-2003 to reflect a projected decrease in operating revenue as a result of changes in the industry since September 11<sup>th</sup>. Some reductions and changes to operating expenses are proposed. The amendment also proposes some adjustments to capital projects.

### **MATTERS AT ISSUE**

- The proposed amendment reflects a reduction in net operating income of \$8,392,000 from the original fiscal year 2002-2003 budget.
- A Security Superintendent position is proposed. In the past this was provided by the Police Department on a reimbursement basis. This results in a budgeted savings for the Airport of \$17,600. Total proposed full-time equivalent positions will be 564 as of July 1, 2002 if the Council authorizes this change.
- Operating expenses are proposed at exactly the same level as the original fiscal year 2001-2002 budget, which is a decrease of \$739,500 from the budget adopted in June 2001 for fiscal year 2002-2003. This is noteworthy since eleven new security positions were added during the year by budget amendment.
- Nine security-related projects are proposed to be added to the capital improvement budget totaling \$7,130,000. These projects will be 90 % funded by federal grants.
- Several capital projects are proposed to be delayed because of the projected decreases in revenue.
- The amendment proposes to add \$20,637,100 to reserves, which is down from \$24,778,300 that was originally proposed (as amended twice) for fiscal year 2002-2003. The decrease in revenue and the added security related capital projects will result in less funds going into reserves for future capital improvements.

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- The Department of Airports continues to refine the schematic design of a new terminal complex and continues to work with the airlines to obtain their commitments. *The Council may wish to ask about the status of the new development program.*

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### **ANALYSIS OF PROPOSED AMENDMENT**

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Operating revenue is projected to be \$9,131,500 less than the original fiscal year 2002-2003 budget of \$102,886,800 to \$93,755,300. Some of the major decreases are projected to be as follows:

	<u>Projected Decreases in Operating Revenue</u>
Auto parking fees	\$3,178,200
Landing fees	\$1,470,600
Space rental	\$1,756,500
Flight kitchens	\$ 901,500
State aviation fuel tax	\$ 574,800
Car rental & ground transportation	\$ 535,900
Food & gift shop concessions	\$ 388,900

Auto parking fee revenue is projected to be less than originally budgeted in part because of inspections of vehicles entering short-term parking, but most of the decrease relates to fewer passengers as a result of changes in the industry since September 11<sup>th</sup>.

The expense budget is proposed to increase by \$1,000,000 for an International Air Service Incentive Program. The Council approved this incentive program for fiscal year 2001-2002, but the program was not fully developed. Since the funds were not expended in fiscal year 2001-2002, the Department of Airports is requesting that the appropriation be transferred to fiscal year 2002-2003.

The Department of Airports proposes to decrease expenses by reducing legal fees and deicing costs, and by deferring implementation of the Department's information technologies plan. Other cuts include miscellaneous reductions to materials, supplies and services.

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A summary of the proposed budget amendment as it relates to operating revenue and expenses is as follows.

<b>OPERATING REVENUE AND EXPENSES PROPOSED BUDGET AMENDMENT Fiscal Year 2002-2003</b>			
	<b>Adopted Budget (as amended)</b>	<b>Proposed Amendment</b>	<b>Proposed Budget</b>
Operating revenue			
Terminal space	<b>\$25,263,100</b>	<b>\$ (207,800)</b>	<b>\$25,055,300</b>
Landing fees	<b>19,275,800</b>	<b>(1,470,600)</b>	<b>17,805,200</b>
Cargo buildings & ramps	<b>1,942,600</b>	<b>(22,600)</b>	<b>1,920,000</b>
Fuel Farm	<b>1,005,400</b>	<b>-</b>	<b>1,005,400</b>
Reservation centers	<b>1,249,200</b>	<b>2,900</b>	<b>1,252,100</b>
Security charges	<b>581,700</b>	<b>(277,300)</b>	<b>304,400</b>
General aviation hangars	<b>878,800</b>	<b>(50,600)</b>	<b>828,200</b>
Auto parking	<b>20,613,700</b>	<b>(3,178,200)</b>	<b>17,435,500</b>
Car rental agencies	<b>11,162,000</b>	<b>(432,500)</b>	<b>10,729,500</b>
Office & building rental	<b>5,618,300</b>	<b>(1,526,100)</b>	<b>4,092,200</b>
News & gifts	<b>3,393,200</b>	<b>(111,000)</b>	<b>3,282,200</b>
Food service	<b>2,311,200</b>	<b>(277,900)</b>	<b>2,033,300</b>
Flight kitchen	<b>1,904,800</b>	<b>(901,500)</b>	<b>1,003,300</b>
Public Telephones	<b>355,100</b>	<b>(124,000)</b>	<b>231,100</b>
Tenant telephone & paging	<b>563,900</b>	<b>12,900</b>	<b>576,800</b>
Advertising	<b>1,704,100</b>	<b>100</b>	<b>1,704,200</b>
Ground transportation	<b>562,100</b>	<b>(103,400)</b>	<b>458,700</b>
Vending	<b>338,100</b>	<b>(17,500)</b>	<b>320,600</b>
State aviation fuel tax	<b>2,933,300</b>	<b>(574,800)</b>	<b>2,358,500</b>
Other operating revenue	<b>1,230,400</b>	<b>128,400</b>	<b>1,358,800</b>
Total operating revenue	<b>102,886,800</b>	<b>(9,131,500)</b>	<b>93,755,300</b>
Operating expenses			
Salaries and benefits	<b>31,072,900</b>	<b>59,500</b>	<b>31,132,400</b>
Materials and supplies	<b>5,977,900</b>	<b>(83,500)</b>	<b>5,894,400</b>
Services	<b>16,813,400</b>	<b>(357,200)</b>	<b>16,456,200</b>
Other operating expenses	<b>2,764,700</b>	<b>(267,600)</b>	<b>2,497,100</b>
Intergovernmental charges	<b>5,975,600</b>	<b>(90,700)</b>	<b>5,884,900</b>
Total operating expenses	<b>62,604,500</b>	<b>(739,500)</b>	<b>61,865,000</b>
<b>Net operating income</b>	<b>\$40,282,300</b>	<b>\$(8,392,000)</b>	<b>\$31,890,300</b>

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**Analysis of Proposed Capital Outlay and Debt Service Budget**

The proposed amendment for capital outlay and debt service for the Department of Airports contains an increase of \$8,152,200 from \$76,600,200 to 84,752,400.

<b>CAPITAL BUDGET PROPOSED AMENDMENT Fiscal Year 2002-2003</b>			
	<b>Adopted Budget (as amended)</b>	<b>Proposed Amendment</b>	<b>Proposed Budget</b>
<b>Sources of funds</b>			
Revenue from operations	\$40,282,300	\$(8,392,000)	\$31,890,300
Passenger facility charges	37,694,200	\$(2,420,500)	35,273,700
Grants & reimbursements	17,802,000	16,423,500	34,225,500
Interest income	5,600,000	(1,600,000)	4,000,000
<b>Total funds available</b>	<b>\$101,378,500</b>	<b>\$4,011,000</b>	<b>\$105,389,500</b>
<b>Capital outlay &amp; debt service</b>			
Capital improvements	\$ 16,289,600	\$21,792,200	\$38,081,800
New development program	41,126,000	(9,586,000)	31,540,000
Equipment	3,517,400	(1,734,500)	1,782,900
Debt service	15,667,200	(2,319,500)	13,347,700
Increase to reserves	24,778,300	(4,141,200)	20,637,100
<b>Total capital outlay, debt service &amp; increased reserves</b>	<b>\$101,378,500</b>	<b>(4,011,000)</b>	<b>\$105,389,500</b>

The major increase to the budget for capital improvement projects is for security purposes which are 90% funded by federal grants and are as follows:

- \$5,800,000 – Modify baggage handling systems in Terminals 1 and 2 to provide added space for explosive detection equipment that will be provided by the Transportation Security Administration
- \$390,000 – Move air intakes for the heating and air conditioning systems to prevent someone from using the systems to spread chemicals and biohazards
- \$200,000 – Construction of two vehicle-security checkpoints to screen vehicles and individuals entering secure areas of Airport property.
- \$200,000 – Installation of explosive detection equipment, x-ray equipment, and magnetic sensors for screening Airport employees and deliveries before entering secure areas of each terminal building
- \$200,000 – Vehicle sensors and software upgrade for the commercial lanes that will identify both the driver and the vehicle to prevent unauthorized drivers in front of the terminals
- \$174,000 – Add an 8-foot masonry wall in front of the boiler building to prohibit any vehicle access to the boilers through the glass windows
- \$76,000 – Install cameras and motion detectors at the east and west fuel farm storage areas to reduce the risk of security breaches
- \$54,000 – Add steel reinforced concrete posts spaced every five feet in front of the International Terminal Building to prohibit any vehicles from entering the building through the glass panels
- \$36,000 – Construct a secure storage area in each terminal for unclaimed bags

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Proposed Amendments to Capital Outlay: The following table summarizes the proposed amendments to capital improvement projects:

<b>CAPITAL IMPROVEMENT PROGRAM PROPOSED BUDGET AMENDMENT Fiscal Year 2002-2003</b>			
<b>Project Description</b>	<b>Original Budget (as amended)</b>	<b>Proposed Amendment</b>	<b>Proposed Budget</b>
Security Improvements (AIP grant funding)		\$ 7,130,000	\$ 7,130,000
Land Acquisition on voluntary basis to the north (AIP)		4,413,600	4,413,600
Taxiway H Rehabilitation (AIP)		4,260,000	4,260,000
East Apron Rehabilitation (AIP)	\$ 2,432,300	967,700	3,400,000
Runway 16L/34R Storm Drain Improvements (AIP)		3,082,800	3,082,800
Taxiway P Extention (AIP)	2,565,300		2,565,300
Terminal Roadway Capacity – widen sidewalks adjacent to the public lanes in front of Terminals 1 and 2		2,000,000	2,000,000
Economic Development Reserve - for tenant requests that may require quick action		2,000,000	2,000,000
Concourse A Apron Expansion (AIP)		1,540,000	1,540,000
Capital Improvement Program Committee Reserve – For unanticipated project costs		1,500,000	1,500,000
Concourse A Apron Reconstruction (AIP)		1,306,300	1,306,300
Emergency Access Road Improvements (AIP)	1,109,800		1,109,800
Tooele – Land Acquisition (AIP)		970,000	970,000
Terminal 1 Annex - queuing/corridor space expansion		407,000	407,000
Taxiway H Reconstruction (AIP)		325,000	325,000
De-ice Lagoon Leak Repair		300,000	300,000
Land Acquisition	250,000		250,000
General Aviation Plane Wash, Sewer & Restroom		240,000	240,000
Emergency Power to Jetways	225,000		225,000
Ice Control Chemical Storage Facility		212,200	212,200
Car Rental Lobby Expansion from 6 to 11 agencies		185,000	185,000
Telephone Call box Replacement in Parking Lots	149,000		149,000
Triturator System – replace pit dump stations with closed system for plane sewer discharge		130,000	130,000
Deicing/Anti-icing Chemical Storage Facility		125,800	125,800
Tooele – Weather Reporting Equipment (AIP)		120,000	120,000
Surface Condition Analyzer Upgrade	85,000		85,000
Airport II – Security Fencing (AIP)		50,000	50,000
Snow Equipment Storage Building	1,654,200	(1,654,200)	
Airport II – Hangar Development	1,436,200	(1,436,200)	
Tooele – Precision Approach Systems	1,426,000	(1,426,000)	
Airport II – Runway 16/34 Overlay	1,247,600	(1,247,600)	
Lighting Control & Fixture Improvements	800,000	(800,000)	
Tooele – Hangar Development	647,200	(647,200)	
Watermain Loop Extension – 2200 North	389,200	(389,200)	
East Side Oil/Water Separator	378,400	(378,400)	
Runway De-Ice Access Road	373,400	(373,400)	
Airport Wide Fire Alarm System Integration	350,000	(350,000)	
North Bound Access Road Resurface	293,100	(293,100)	
Boiler Room Emergency Power Upgrade	250,000	(250,000)	
Traveler Information Monitors	125,000	(125,000)	
Terminal Access Loop Resurface	102,900	(102,900)	
	\$16,289,600	\$21,792,200	\$38,081,800

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### New Development Program

Many changes have taken place since the Department of Airports completed the schematic design of a new terminal complex. The Department of Airports continues to update the design and work with the airlines to obtain their endorsements and commitments. Proposed expenditures relating to the new development program for fiscal year 2002-2003 are \$31,540,000, which is a decrease of \$9,586,000 from the original adopted budget.

<b>NEW DEVELOPMENT PROGRAM PROPOSED BUDGET AMENDMENT Fiscal Year 2002-2003</b>			
<b>Project Description</b>	<b>Original Budget</b>	<b>Proposed Amendment</b>	<b>Proposed Budget</b>
<b>Master Architect</b> – Design projects that will be under construction in 2002-2003 and ongoing design for new development project.	\$16,400,000		\$16,400,000
<b>Mid-Concourse Pedestrian / Utility Tunnel</b> – Construct a tunnel connecting the west halves of the proposed north and south concourses		9,990,000	9,990,000
<b>Program Manager</b> – Manage, direct and control the design and construction of new development.	2,850,000	\$ (450,000)	2,400,000
<b>West Apron Paving – Phase 2</b> Continuation of FY02 project to demolish existing pavement, sub-base grading, placing concrete pavement, constructing asphalt shoulders, and airfield electrical and drainage.	8,244,000	(6,744,000)	1,500,000
<b>Program Support</b> – Advertising for construction bids, legal services, auditing	470,000	530,000	1,000,000
<b>Retail Consultant</b> - This project is to develop a concession plan for the new facilities.	250,000		250,000
<b>Site Utilities</b> – Install major trunk and distribution lines for utilities (deferred to future years)	5,440,000	(5,440,000)	
<b>Hydrant Fueling System</b> (deferred to future years)	4,477,000	(4,477,000)	
<b>Owner Controlled Insurance Program</b>	2,995,000	(2,995,000)	
<b>Total New Development Program Budget</b>	<b>\$41,126,000</b>	<b>\$(9,586,000)</b>	<b>\$31,540,000</b>