



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members

FROM: Sam Owen, Policy Analyst

DATE: May 7, 2024

RE: FISCAL YEAR 2024-25 BUDGET, Department of Airports

Item Schedule:

Briefing: May 7, 2024

Public Hearing: May 21 & June 6,
2024

Potential Action: tentative June 11,
2024

ISSUE AT-A-GLANCE

Salt Lake City Corporation operates the Department of Airports as an enterprise fund. Airline passenger and other concessions-related revenues fund department operations. The airport also receives funding through federal grant programs like the Airport Improvement Program (AIP) via the federal government's Federal Aviation Administration (FAA). In this way, the airport does not rely on city tax dollars for its expenses, like operations and capital.

New terminal space coming online would result in higher revenue for this year; construction and borrowing costs related to terminal space account for higher expenses, including new operating cost. Passenger count at the Airport is projected to increase to 29 million for the year, up from 27.3 million last year. The Airport plans to bring five new gates online, as well as substantially complete and open the central tunnel for travel between concourses. See item #1 under heading B, page 5 of this report.

	Operating revenue	Operating expense	Capital expenses	Interest expense on borrowing	To reserves
FY 25 requested	\$471,440,600	\$218,806,300	\$167,478,000	\$167,043,000	\$78,874,100*
FY 24 actuals forecast	\$340,773,400	\$184,855,800	\$57,977,800	\$142,900,000	\$80,574,600
FY 24 budget	\$339,023,100	\$195,627,900	\$188,100,800	\$121,528,000	\$185,799,700*

FY 25 VARIANCE from FY 24	39.06%	11.85%	-10.96%	37.45%	-57.55%
	Operating revenue	Operating expense	Capital expenses	Interest expense on borrowing	To reserves

**Budget amounts to reserves depend on completion of construction elements, and subsequent grant reimbursement. So, the amount that actually goes to reserves from a given year is likely to vary from the adopted budget figure, within the timeframe of one fiscal year.*

KEY ELEMENTS

Borrowing and debt

- The department most recently borrowed \$600 million in July 2023, and plans to borrow another \$600 million in July 2025. Without these two \$600 million figures, the Airport's total debt load resulting from its decade-long capital expansion is totaled about \$3.1 billion. In addition to the total debt, the Airport also intends to use a tool called an "interim credit facility" that would provide project capital before the next planned issuance 2025. The interim credit facility would be in front of the Council for feedback and decision later this year, probably during July and August 2024. This mechanism can provide cash between larger bond issuances. The credit facility would be paid off right away from the 2025 issuance. See item #2 under heading B, page 6 of this report.
- Debt largely goes to fund construction of the New SLC, the Airport's redevelopment and campus expansion program. See item #3 under heading B, page 6 of this report.

Airline incentive disbursement

- The airport incentivizes airlines to route passengers through the Salt Lake City International Airport and does this in part by applying a credit of \$1.40 per passenger flown through the airport. This is an increase from previous years' \$1 per passenger flown through the Airport. Of the proposed increase, the Airport writes: "The strategy behind increasing the incentive was to give all carriers a financial incentive that would cause them to grow market share and have more passengers in Salt Lake City and get an immediate benefit, in addition to help offset the increased costs with the new Airline Use Agreement that is effective July 1, 2024." The total budgeted disbursement back to airlines is \$20,187,800 for FY25, up from budgeted \$13,047,400 last year.

Costs per enplaned passenger

- Costs per enplaned passenger are projected to increase to \$17.88 each from last year's budgeted \$9.94. Pandemic-era public support that had contributed to keeping this cost low has now expired. Furthermore, additional terminal space and new airline agreements result in higher costs for airlines. Aviation revenue to the Airport per enplaned passenger is budgeted at \$20.56.

Employee additions and costs

- The proposal includes requested funding for 25 additional airport FTEs, as well as 6 new police officers, a 5% cost of living adjustment (COLA) and 6.5% for insurance, contributing to the proposed increase in salaries and benefits of \$8,265,400 ongoing, as listed here.

Capital improvement program highlights

- Notably, the FY25 capital improvement program proposal includes a \$ 107,045,400 request for design and construction of a new cross field taxiway system. New construction of taxiways U and V would improve aircraft circulation and runway safety. Snow removal operations would also benefit. The appropriation includes planning, design and construction. An estimated completion date is October 2028. Airport Improvement Program funds would cover more of the cost than regular Airport funds, by about three to one. Last year's appropriation to this project was \$83,376,000.
- Other funding requests for capital projects include general aviation hangar renovation and relocation, \$4,483,000, as well as electric vehicle charging stations for passenger vehicles and busses, \$2,711,000, and parking lot bus lane improvements, \$3,067,000.

Previous year parking lot appropriation

- A previous year capital appropriation for relocation of the Surplus Canal is an early step toward planned construction of a new employee parking lot. The canal spans part of the old golf course land. Last year's appropriation to the parking project was \$62,367,000; approximately \$1.8 million has been expended so far. Council Members had raised concerns about adding hardscape over existing permeable open space.
- Prior to Surplus Canal relocation, the Airport plans to start construction on a south phase of the employee parking lot, comprised of 3,000 parking stalls, to be constructed in 2025. The next phase, in conjunction with the canal relocation, would provide another 4,000 parking stalls, and could be complete in 2027.

Parking area fee increase

- Daily maximums on some parking are proposed to increase by \$5; in one lot from \$21 to \$26, and for the on-site garage, from \$35 to a planned \$40. The Airport adds, "The planned increase is \$40 on July 1st [2024], and if behavior isn't changed and there are continued capacity constraints, then the Airport may charge as high as \$45."

Estimated grant income

- The coming year budget anticipates \$97,515,600 in federal grants for ongoing capital improvements and other expenses.

POLICY QUESTIONS

1. Passenger mobility within and between Airport facilities has been a major point of public feedback in recent years. Would the Council like to ask staff to collect information on policy and budget measures that could be implemented to ensure movement through the Airport is optimal, especially for passengers who experience higher barriers to seamless mobility in public and commercial spaces?
2. Would the Council like to request options for getting to augmented bus service on 5600 West, via the City's interlocal with UTA?

- a. The Airport provided this as one possible change that could meaningfully enhance transit access to the Airport at times of day and night when it would be most impactful, especially for employees.
3. Would Council Members like more discussion about expansion of on-demand UTA transit service in the western part of the City and valley?
 - a. This would explore a change to include the Airport, and could open the service to more employees, reducing parking burden on-site. Increasing this service is one option the Airport thought of to advance goals of transit use. This service involves a rideshare-like interface where UTA coordinates individual transportation from one location to another.
4. Would the Council like more discussion about greater coordination with UTA to produce a more user-friendly transit experience at the Airport? For example, a welcome center, transit kiosk or staffing resources could be deployed to encourage passenger transit use from the Airport.
5. The Airport suggested the Council might consider advocating for or funding rideshare discount codes, to provide another transit modality for people going to and from the Airport. Would the Council like to review this option?
6. Would the Council like more information about environmental improvements the Airport could programmatically advance or incentivize among its General Aviation tenants and users? For example, programs or incentives targeting reduction of using fuel types that generate more exhaust than advanced counterparts.
7. Would the Council like to request information on policy and budget measures could be deployed to cap development of surface parking on the Airport campus?
8. The Council might request more regular updates on any Airport initiatives that involve regulatory autonomy, where decisions are made by Airport staff, and then presented to the Council in a consolidated budget proposal.
 - a. For example, are there opportunities for feedback and oversight on the order or sequence of capital improvements proposed, year over year?
 - b. Could certain elements of the capital program be prioritized to meet Council goals?
 - c. Does the Airport implement programming on-site, such as marketing, that the Council could review and provide input on before initiatives move ahead?
9. Would the Council like to review programming and policy decisions the Airport makes that impact interlocal partners, such as the Mosquito Abatement District, or area law enforcement? Policy decisions made regarding partners like these, & their operations at the Airport, can result in general fund and tax-base impacts germane to the Council oversight role in the city and its organization, overall.

ADDITIONAL AND BACKGROUND INFORMATION

The following question and answer is from staff-level correspondence about the Airport budget proposal for fiscal year 2025.

A. Could you discuss any changes to Airport passenger transit patterns anticipated based on new TRAX and other public transit service?

According to Utah Transit Authority's (UTA) most recent Long-Range Transit Plan (LRTP) there are several new and modified transit options planned which may have either a direct or indirect impact on passenger transit patterns when implemented over the next ten years. We have worked closely with UTA and the Salt Lake City Transportation Division to ensure that both passenger and employee data is provided to assist in these projects. Passenger enplanements are forecasted to increase 8% year over year, increasing from 13,413,110 in 2023 to 18,938,214 in 2027, an increase of over 5.5 million passengers. To meet this passenger demand, airlines and new concessionaires will add employees, potentially resulting in some additional 5,000 employees to the over 17,000 current employees. Reliability, frequency and expanded coverage are all key dynamics to ensuring transit utilization by airport passengers. Although some of the projects listed below will not be implemented for several years, during our regular meetings with UTA and the City Transportation Division, we have focused on the following projects, as they may have direct impact to both passengers and employees:

- **2025-2026: 5600 West Enhanced Bus Service:** 15-minute bus service from downtown Salt Lake City to 9000 South
 - Benefits: Will add bus service to the airport, which is currently only served by TRAX, providing more flexibility to passengers and employees. As currently planned the bus service will mimic TRAX operating hours, therefore the airport is requesting expanded service hours, for the Downtown to West Valley section.
- **2024-2027: 236 West Valley – Airport Bus Route:** 15-minute bus service from West Valley Central Station to the Airport
 - Benefits: This bus route will be a direct link from the West Valley area, its population and employee base, to the airport with expanded hours.
- **2042-2050: 710 TRAX Orange Line:** Reconfigured TRAX Line– Salt Lake City Airport to University of Utah
 - Benefits: While this project is still in initial development, the expansion of the Orange Line to the University of Utah/ Research Park will assist in increasing the passenger load on public transit from the University of Utah (student section) of the service area.

B. Additional information from Airport staff on budget topics

1. The New SLC project continues to advance and meet scheduling and budget milestones. The Airport is excited that the central tunnel will be open to all passengers connecting to Concourse B on October 22, 2024. Structural steel has started on the final phase of the project that will add 16 additional gates and will be completed in October 2026.

2. The Airport plans to issue an interim credit facility up to \$300 million dollars to take advantage of higher than expected interest rates in the long term borrowing markets. This will allow the Airport to delay issuing General Airport Revenue Bonds by 12 months at a much lower interest rate and then pay off the interim credit facilities with the planned \$600 million dollar issuance in the summer of 2025. The bond issuance in 2025 is the last new money deal required to complete the \$5.13 billion dollar New SLC project.
3. The Airport's Capital Improvement Program is guided by the master plan that identifies projects that will be required within the 5, 10, 15, and 20 year outlook along with the financial feasibility of paying for those projects. Currently everything outside of the New SLC is being cash funded with airport cash reserves although projects on the longer time frame may utilize debt financing. The New SLC was included in the previous master plan and elements of it are included in the recently completed master plan.