



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members

FROM: Sam Owen, Policy Analyst

DATE: April 18, 2023

RE: Department of Airports, Fiscal Year 2024 budget proposal

Item Schedule:

Briefing: April 18, 2023

Public Hearing: May 16 & June 6, 2023

Potential Action: June 13, 2023 (TBD)

ISSUE AT-A-GLANCE

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

	Operating revenue	Operating expense	Regular capital improvement program (excluding terminal redevelopment and concourse programs)	To reserves (before capital, debt service and other expenses)
FY 24 requested	339,023,100	195,627,900	\$175,993,000	\$185,799,700
FY 23 forecast	286,275,100	\$165,088,100	\$13,000,600	\$ 155,231,500
FY 23 adopted	\$295,469,100	\$181,158,600	\$41,813,500	\$101,884,200
FY 24 VARIANCE from FY 23	15%	8%	321%	82%

OTHER HIGHLIGHTS

- The department plans to request issuance of bonds this calendar year, in support of ongoing concourse expansions and airport development. The Council is tentatively slated to discuss the new issuance in more detail with the airport mid-May 2023.
- Notably, the FY24 capital improvement program proposal includes \$60,808,000 for design and construction for new parking on the Terminal Drive open space area, approaching the airport from the east. Design would start July of 2023 and construction could begin as soon as 2025. Other capital projects include new EV charging stations, and \$9 million for sewer and water improvements at Tooele Valley Airport (TVY).
- The coming year budget anticipates \$106,290,800 in federal grants for ongoing capital improvements and other expenses.
- The proposal includes requested funding for 20 additional airport FTEs, as well as 6 new police officers, new medical response team staff, a 5% cost of living adjustment (COLA) and 2.9% for insurance, totaling around \$9 million ongoing as listed here.
- Costs per enplaned passenger are projected to increase to \$9.94 each from last year's \$8.16, down from 2021's high of \$11.24. This figure for FY24 is below the projection that goes into bonding analysis, which is a favorable variance for the airport and city. The cost is a function of airport expenses in relation to the number of anticipated passengers; the airport indicates the current estimate is still competitive.
- As noted above, capital expenditures are budgeted at \$175,993,000, comprised of \$43,620,000 in grants and \$132,373,000 in airport reserve funds (banked from bond issuance and net operating income).
- Interest income from bond-funded cash held in reserve is forecast at \$22,662,500 for the current fiscal year, up about \$20 million from the adopted budget and close to the FY24 requested budget of \$18,619,900. Longer-term the interest earnings only marginally offset the cost of borrowing, and the funds are also restricted.

OTHER CONTEXT

- 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 per passenger flown through the airport.

POLICY QUESTIONS

1. During budget discussions for the FY 23 cycle, Council Members were interested in discussing the airport parking proposal further.

A Council Member requested that airport leadership convene a working group with interlocal partners like Utah Transit Authority, Wasatch Front Regional Council and others to discuss, identify and implement solutions to accomplish objectives including but not limited to the following:

- greater incentives for transit use to the airport, from all over the region;
- round-the-clock transit access to the airport for each "bank" or major shift change of airport employees;

- other problem solving and logistical coordination to reduce or eliminate barriers to non-personal vehicle travel to the airport.

The Council might want an update on the points above, especially in the context of FY 24's \$61 million funding request for design and construction of new surface parking over what is currently permeable surface.

2. Does the department anticipate future conflicts with development activity increasing adjacent to future expansion zones?
3. Council Members might be interested to discuss emissions offsets or reductions with the department. The airport is proposing a continuation of its program to install and upgrade electric vehicle charging infrastructure.

As a matter of policy, would additional funding or support for this program contribute to emissions reductions, or is it more prudent to scale the program with EV purchase increases in the state?

4. The airport sometimes uses grant revenue to offset fees and charges to airlines and concessionaires, especially amidst pandemic revenue loss for these private entities. Council Members might wish to discuss this policy in comparison to what is done by other municipal corporations with airports or further explore the question with administration staff.