



CITY OF LONG BEACH

LONG BEACH AIRPORT

NB-18

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July 15, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the attached Airport Finance Overview. (District 5)

DISCUSSION

On May 20, 2008, the City Council approved the expansion of the City's existing commercial paper program to increase the issuance of City Subordinate Airport Revenue Commercial Paper Notes from \$15 million to \$25 million. The increase of the Commercial Paper Program will provide short-term funding for the completion of the design development phase of the terminal improvement and new parking structure projects prior to the issuance of the bonds for the construction costs associated with these projects. The Council requested staff to return within 45 days with information that identifies the bond capacity and revenue sources for the terminal improvement and new parking structure projects.

The attached Airport Finance Overview provides preliminary background and discussion of the Airport's debt capacity. In summary, debt capacity is a function of several variables, including passenger traffic levels, the level of airline rates and charges, non-airline revenues, operating expenses, the level of Passenger Facility Charges (PFCs), and bond financing costs. Final costs for both the terminal and parking structure projects have not yet been determined since the projects are in the preliminary design phase, therefore debt capacity was developed for up to \$65,000,000 for each project. Additionally, staff has assumed no change in current passenger traffic levels and an annual increase in operating costs of 6%.

Financing for the terminal improvement project would necessitate an increase in the cost per enplaned passenger (CPE) from \$5.00 to a range of \$9.50 - \$11.00 to support a bond issue of \$50,000,000, and \$12.00 - \$15.00 support a bond issue of \$65,000,000. Financing for the new parking structure would necessitate an increase in the hourly parking rates from \$1 to \$2/hour, and increases in the daily parking rate in the existing parking structure from \$17 to \$19/day. The daily parking rate in the new parking structure would be \$15/day.

The level of airline rates and charges will be discussed by Airport staff at its annual meeting with the air carriers in mid-July in addition to discussing the potential scope and cost of the terminal improvement and new parking structure projects. Following these meetings, staff will report back to Council on the results of those discussions. A comprehensive financing approach will be developed, once the terminal design has been completed.

This matter was reviewed by Assistant City Attorney Michael J. Mais on June 23, 2008, and Budget Management Officer Victoria Bell on June 24, 2008.

TIMING CONSIDERATIONS

City Council action is not time critical.

FISCAL IMPACT

There is no fiscal impact related to this Council action. The fiscal impact of the proposed terminal and parking structure will be determined based on the discussions with air carriers related to ongoing operating rates and charges, and sizing and scope of the proposed terminal and parking structure. Council action approving the sale of revenue bonds will be required to fund construction.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTINE EDWARDS
ASSISTANT AIRPORT MANAGER

CE:ta
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Attachment

APPROVED:


PATRICK H. WEST
CITY MANAGER

Long Beach Airport Terminal Improvements Finance Update



City Council Meeting
July 15, 2008

Long Beach Airport Overview

- 85th anniversary this year
- 1,175 acres with diverse user base
- 400,000 annual operations
- 93% general aviation
- FAA small hub with 3 MAP in 2007

Long Beach Airport Overview

- Main terminal building opened in 1941
- Permanent holdroom and parking structure built in early 1980s to accommodate 1.5 MAP
- Rented portable modular holdrooms and car rental facilities installed in 2001-2002 to accommodate limited airline growth

Long Beach Airport Overview

Noise Compatibility Ordinance

- Permits 41 daily air carrier flights,
all currently allocated
- Permits 25 commuter flights,
12 currently allocated

Property Description

Over 400 acres of City-leased property, including the following major tenants/businesses:

- United Parcel Service
- Boeing
- Toyota-Airflite
- Gulfstream Aerospace
- Airport Marriott
- Kilroy Airport Center
- City of Long Beach Fire and Police
- County of Los Angeles Sheriff's Aero Bureau
- Skylinks Golf Course

Airport Responsibilities

Role of the City

Serve as landlord and property manager, monitor and enforce Noise Ordinance, maintain facilities and runways, provide law enforcement support, emergency response and overall facility management

Role of the FAA

Oversee air traffic control, including aircraft on the ground, on runways and on taxiways

Role of the Transportation Security Administration ("TSA")

Oversee airline passenger and baggage screening

Airport Revenues

FY 2008 Estimated Revenues are \$41.4 million

Primary revenue sources are:

■ Public parking fees	\$ 8.5 million
■ Airline user fees	\$ 7.6 million
■ Car rentals	\$ 3.5 million
■ Concessions	\$ 1.1 million
■ Aeronautical leases	\$ 4.3 million
■ Non-aeronautical leases	\$ 2.5 million
■ FAA Grants	\$ 8.9 million
■ Passenger Facility Charges	\$ 5.0 million

Airport Expenses

FY 2008 Estimated Expenses are \$53 million

Primary expenses include:

■ Safety & Security	\$10.3 million
■ Administration	\$5.6 million
■ Property Management	\$1.1 million
■ Parking Management	\$2.8 million
■ Airfield & Facility Maintenance	\$4.5 million
■ Public Information	\$0.7 million
■ Noise Abatement	\$0.9 million
■ Airfield Pavement Rehabilitation	\$21.9 million
■ Terminal Apron Repair	\$0.7 million
■ Terminal Repairs	\$1.1 million
■ Terminal Design	\$1.3 million
■ Parking Structure Design	\$1.5 million

Terminal Funding Sources

- Passenger Facility Charges (“PFC”)
- FAA AIP Grants
- Green Airport Grants
- Airline Rates and Charges
- Concessions
- Parking Revenue
- Airport Operating Revenue

New Parking Structure Funding Sources

- Parking Revenue
- Green Airport Grants
- Airport Operating Revenue

Airport Debt Capacity

Debt capacity is a function of:

- Passenger Traffic – determines airline affordability; indirect airline revenues and PFCs
- Airline Cost per Enplanement
- Operating & Maintenance (O&M) levels
- Non-airline Revenues
- PFC Rate
- Debt Structure & Costs – interest rates and coverage

Airport Terminal Potential Debt Capacity

Debt Level	\$50 million	\$65 million
Enplaned Passengers (EPAX)	1.53 Million Annual Passengers (MAP)	1.53 Million Annual Passengers (MAP)
Airline Cost per EPAX (2013)	\$9.50 – \$11.00	\$12.00 - \$15.00

Airport Parking Structure

Potential Debt Capacity

Debt Level	Up to \$65 million
Annual Enplaned Passengers	1,530,000
Hourly Rate Daily Rate Daily Rate – New Structure	\$ 2 per hour \$19 per day \$15 per day

Risk Assessment

Moody's rating indicated these weaknesses:

- JetBlue has 79% of market
- Limited available reserve
- Increasing operating expenses

Risk Management

- One-year of bond payments set-aside from the bond proceeds
- Continue to build operating fund reserve
- Bond insurance
- Implement an austerity budget, in the event of airline service loss
- No airline “exclusive use” or facility ownership
- Long term airline leases

Risk Management

Moody's A2 rating:

LGB is in a strong market position, if one or more of its current carriers reduces service or withdraws

- Enplaned passenger growth strong
- Historically conservative use of debt
- Strong non-airline lease and concession revenues

Next Steps

- Airline meetings: July – August
- Continue project development
- Refine project financial plan

Long Beach Airport Terminal Improvements Finance Update



City Council Meeting
July 15, 2008



City of Long Beach Memorandum
Working Together to Serve

REQUEST TO ADD AGENDA ITEM

Date: July 10, 2008
To: Larry Herrera, City Clerk
From: *for* Patrick H. West, City Manager *[Signature]*
Subject: Request to Add Agenda Item to Council Agenda of July 15, 2008

Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda under New Business via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

Recommendation to receive and file the Airport Finance Overview. (District 5)

Council District	Authorizing Councilmember	Signed by
8	Rae Gabelich	Rae Gabelich
6	Bonnie Lowenthal	Bonnie Lowenthal
9	Val Lerch	Val Lerch

Attachment: Staff Report dated **(Council meeting date)**

CC: Office of the Mayor