
Boise Airport

Budget Office Report

This report summarizes a due diligence review with departments of line item compliance with budget guidelines. Budget amounts submitted by departments have been revised based upon negotiations between the department and the Budget Office.

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Revenues

Airport has been rigorous in finding ways to increase revenues – looking at fee schedules that have not increased in many years and finding new sources of revenue created by the expansion of the terminal. Some of the fees that have been increased include employee parking, taxi and shuttle fees, and fuel flowage fees. Airport is implementing a new customer facility charge, which will be assessed to car rental customers. This fee will allow for the recovery of additional costs for the build out of car rental space in the new parking garage.

Airport has created a projection of cash flow and financing needs for both operations and capital projects through the next six years and to the term of current and proposed debt. Budget's due diligence review found the analysis sound and complete if the assumptions are accurate. Monitoring and reporting of the assumptions, actual receipts and costs during the next six years will be crucial.

Revenues (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Interest Income	\$776	\$637	\$268	\$268
User Fees	\$14,588	\$14,269	\$16,372	\$17,057
Operating Grants	\$363	\$0	\$0	\$0
Other Revenues	\$585	\$137	\$121	\$129
Capital Revenues	\$19,239	\$27,053	\$16,537	\$16,711
TOTAL REVENUES	\$35,552	\$42,096	\$33,298	\$34,165
% Change	15%	18%	-21%	3%

Key Revenue Accounts

- 1) Passenger facility charges: This capital revenue stream is dependent on the number of passengers traveling in and out of the Boise Airport. Downturns due to 9/11 and the economy significantly impacted PFC revenue in FY 2002 and early FY 2003. Airport is anticipating that this revenue will pick back up and gradually increase.
 - 2) Parking lot: Parking fees are the Airport's greatest operating revenue. In FY 2002 this revenue dropped off due to the decrease in passenger traffic. FY 2003 has showed promising increases.
 - 3) Car rentals & Airline Fees: These are the Airport's second and third operating revenues, respectively. Airport staff successfully negotiated increases in both fees in FY 2002.
 - 4) Other notable revenue items include:
 - ✓ Customer facility charges. This is a key to the Airport's financing plan.
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Issue

- Airline bankruptcy – the stability of the major airlines could significantly impact the Airport's financial standing; Southwest Airlines, Boise Airport's largest signatory carrier, seems to be financially strong at this point.

Personnel Costs

In May 2003, Airport has 123.48 approved FTE's. This includes 7 additional custodians for the new terminal to be hired in FY 2003. In FY 2004, 4 additional custodians are approved, which brings the total count of approved FTE's to 127.48. The total personnel budget for FY 2004 is \$5,781,000 and for FY 2005 is \$5,862,000.

Personnel (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Salaries	\$3,148	\$3,568	\$4,167	\$4,214
Health	\$509	\$659	\$918	\$938
Other Personnel Costs	\$632	\$622	\$698	\$712
TOTAL PERSONNEL	\$4,289	\$4,849	\$5,783	\$5,865
% Change	30%	13%	19%	1%

Key Personnel Accounts

As the result of a staffing study of the Airport's personnel needs, the City Council approved 25 new positions in FY 2002 and 6 new positions in FY 2003, which translated into a 30% increase in FY 2002 and a 13% increase in FY 2003 in personnel costs. Not all of these new positions are filled. Airport is filling the positions as workload requirements increase with the opening of the new terminal.

- 1) Health: The budget reflects a 39% increase (over \$258,000) in FY 2004 over FY 2003 due to the increase in health premiums and the additions of new employees to staff the new terminal building.
- 2) Other notes:
 - ✓ New life and long-term disability plan effective May 2003 will result in annual savings of about \$8,600.
 - ✓ In FY 2004, 4 maintenance mechanics and 6 operations specialists are proposed. Approval of these 10 positions would add \$433,000 in FY 2004.

M&O

Total M&O for FY 2004 and FY 2005 is \$17,268,000 and \$17,252,000, respectively. This represents an approximate 25% increase over FY 2002 actual and 11% increase from the FY 2003 revised budget. In general, Airport's expenses are increasing in conjunction with the expansion of the terminal and enhanced security requirements from the federal government. The court order for Airport to use the Boise City Fire Department for ARFF services also increased the Airport's cost.

Below are other key cost accounts.

M&O (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
PS – Fire (ARFF)	\$974	\$1,048	\$974	\$974
PS – Parking Management	\$954	\$852	\$954	\$954
Indirect Cost Reimbursement	\$534	\$439	\$684	\$705
Power	\$437	\$567	\$437	\$437
R/M – Outside Labor	\$282	\$223	\$282	\$282
Professional Service	\$254	\$1,052	\$254	\$254
R/M – Supplies	\$210	\$296	\$213	\$213
R/M – Auto	\$146	\$92	\$164	\$163
R/M - Chemicals	\$119	\$146	\$119	\$119
Gas	\$109	\$143	\$106	\$106
Depreciation	\$6,178	\$5,574	\$6,178	\$6,178
Interest	\$1,054	\$3,297	\$4,283	\$4,218
Other M&O Accounts	\$2,534	\$1,860	\$2,640	\$2,670
TOTAL M&O	\$13,763	\$15,588	\$17,268	\$17,252
% Change	7%	13%	11%	-0.1%

Key M&O Accounts

- 1) PS – Fire (ARFF): Airport has taken part in ongoing negotiations about the cost of Boise Fire Department providing ARFF services. The court ordered change from the National Guard service to BFD significantly increased the cost of this service.
- 2) R/M Auto: This cost fluctuates from year to year depending on several variables such as age, number of vehicles, and type of equipment. In addition, the city's shop services have had annual rate increases and revised rate schedules. The latest change was in FY 2003 that increased the hourly labor rate from \$52.50 to \$60.00, but reduced the price of oil changes from about \$50 to \$25. Also, in FY 2003, it was mandated that all departments utilize city shop versus outside vendors.
- 3) Utilities: In the last few years natural gas and electric rates went up and have or are expected to go down again. The new terminal building is expected to open in June 2003. While the new building is larger, it is expected that it will be more energy efficient than the old building. The combination of the rate changes and the new

terminal building make it difficult to estimate the cost of utilities for the FY 2004/2005 budget cycle.

- 4) Parking Management: The parking management contract with Ampco expires at the end of FY 2003. It is expected that the new contract will more expensive than the current contract because Ampco has not been recovering its full cost. Airport has proposed a BBA to address the additional cost.
- 5) Asset write offs: As part of the terminal expansion project, a portion of the existing terminal building will be demolished. Airport expects a significant write off of this asset. The amount of the write off is unknown at this time; however, this is a non-cash expense.

Recommendation

- ARFF – resolve the ARFF contract cost with Boise Fire Department

Equipment

The largest equipment categories for Airport are computers and maintenance equipment.

In FY 2004 and FY 2004 Airport is purchasing new equipment associated with expanded operations in the new terminal building.

Capital

The new terminal building is scheduled to open in June 2003.

The next major projects slated for the Airport in FY 2004 are the parking garage expansion, commercial development for terminal tenants, and several apron and taxiway pavement rehabilitation.

In FY 2005, the Airport is planning completion of the parking garage and property acquisition.

Airport's funding for capital projects includes passenger facility charges, customer facility charges, and federal and state grants. The customer facility charge is a new fee the Airport implemented to recover the cost of additional build out to accommodate the car rental companies.