

Financial Projections--Proposed Landing Fee Calculation

*Santa Monica Municipal Airport
City of Santa Monica*

April 17, 2013

This financial model calculates a proposed landing fee rate based on a projection of historic costs, revenues, and the landed weight forecast.

Principles Used by the City to Calculate the Proposed Landing Fee Rate

The rate was calculated based on the following principles:

- Historic costs allocable to the airfield area as defined in section 18.4.a in the FAA's Chapter 18 Airport Rates and Charges. Defined as runways and taxiways, public aircraft parking ramps and aprons, and associated aeronautical land, such as land used for navigational aids.
- Cost recovery principles
- A basis for establishing and charging the rate—landed weight—that is fair and equitable across all users, including itinerant and based aircraft.

Costs that are Recovered through Proposed Landing Fee Rate

Costs recovered through the landing fee rate include the following:

- Operating expenses of the Airport, including expenses for City-provided services such as insurance, risk management, accounting support, etc.
- Capital expenditures that are allocable to the airfield area. Costs are recovered (amortized) from users over the useful life of the asset at an interest rate provided by the City for the year when the project was placed in service for its intended use, and included in the landing fee rate base.

Calculation of the Proposed Landing Fee Rate

The elements of the landing fee exhibit:

- Total operating expenses and amortization charges allocable to the airfield
- Specific credits are applied against airfield costs, which are airport fuel sales and noise abatement revenues

The resulting “net costs” are divided by landed weight of aircraft using the SMO airfield to derive the proposed landing fee rate.

List of Exhibits

E1	Operating Expenses
E1A	Operating Expenses Detail
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LANDING FEE CALCULATION
Financial Projections--Proposed Landing Fee Calculation
Santa Monica Municipal Airport
(For Fiscal Years Ending June 30)

	Exhibit Reference	Actual			Forecast		
		FY 2010-2011	FY 2011-2012	Budget FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
AIRFIELD COSTS							
Operating expenses (a)	Exhibit 1	\$ 1,297,167	\$ 1,278,361	\$ 1,504,733	\$ 1,505,386	\$ 1,544,726	\$ 1,583,818
Amortization of City funded assets	Exhibit 2	178,862	335,192	340,575	442,081	468,671	502,740
TOTAL AIRFIELD COSTS	[A]	\$ 1,476,029	\$ 1,613,553	\$ 1,845,308	\$ 1,947,467	\$ 2,013,397	\$ 2,086,558
AIRFIELD CREDITS							
Airport Fuel Sales		\$ (206,437)	\$ (186,404)	\$ (199,200)	\$ (203,184)	\$ (208,264)	\$ (213,470)
Noise Abatement - Airport		(8,000)	(33,075)	(23,214)	(23,678)	(24,270)	(24,877)
TOTAL AIRFIELD CREDITS	[B]	\$ (214,437)	\$ (219,479)	\$ (222,414)	\$ (226,862)	\$ (232,534)	\$ (238,347)
NET AIRFIELD COSTS	[C=A+B]	\$ 1,261,592	\$ 1,394,074	\$ 1,622,894	\$ 1,720,605	\$ 1,780,863	\$ 1,848,211
Airport abatement of Airfield Costs	[D]	\$ (930,265)	\$ (1,092,119)	\$ (1,322,894)	-	-	-
ADJUSTED NET AIRFIELD COSTS	[E=C+D]	\$ 331,327	\$ 301,955	\$ 300,000	\$ 1,720,605	\$ 1,780,863	\$ 1,848,211
LANDED WEIGHT (1,000-lb. units)							
Based aircraft	Exhibit 3				119,026	119,026	119,026
Itinerant	Exhibit 3				195,010	195,010	195,010
TOTAL LANDED WEIGHT (1,000-lb. units)	[F]				314,036	314,036	314,036
LANDING FEE (1,000-LB. UNIT) (b)	[G=-E/F]	\$ 2.07	\$ 2.07	\$ 2.07	\$ 5.48	\$ 5.67	\$ 5.89
LANDING FEE REVENUES (c)	[H=F*G]	\$ 331,327	\$ 301,955	\$ 300,000	\$ 1,720,605	\$ 1,780,863	\$ 1,848,211

Source: City of Santa Monica
Prepared by: City of Santa Monica and WJ Advisors LLC

- NOTES:
- (a) Expenditures limited to components of airfield and for aeronautical use as identified by the Federal Aviation Administration's Policy Regarding the Establishment of Airport Rates and Charges.
 - (b) It is assumed that for the forecast period, a landing fee rate that is based on full cost recovery is charged to all aircraft (based & itinerant).
 - (c) Landing fee revenues historically and for the FY 2012-2013 Budget are based on charging a landing fee to itinerant aircraft only.
It is assumed that all aircraft are charged a landing fee for the forecast period, including based & itinerant aircraft.

**Financial Projections--Proposed Landing Fee Calculation
Exhibits**

*Santa Monica Municipal Airport
City of Santa Monica*

April 17, 2013

Exhibit 1
OPERATING EXPENSES
Financial Projections--Proposed Landing Fee Calculation
Santa Monica Municipal Airport
(For Fiscal Years Ending June 30)

			Actual	Actual	Budget	Forecast		
			FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
OPERATING EXPENSES								
Salaries & wages	(a)		\$ 1,373,493	\$ 1,304,704	\$ 1,382,652	\$ 1,410,305	\$ 1,445,582	\$ 1,481,741
Indirect cost allocation	(b)		868,449	894,503	939,228	630,226	645,982	662,131
Security	(c)		535,708	482,970	585,128	596,831	611,751	627,045
Maintenance	(d)		290,797	286,532	441,293	450,119	461,372	472,906
Utilities	(e)		199,126	201,334	312,289	320,550	329,721	339,657
Supplies & equipment	(f)		89,952	120,346	140,210	143,014	146,590	150,254
Insurance	(g)		91,800	122,227	137,872	137,452	148,262	154,340
Other	(f)		390,428	489,873	552,903	563,961	578,060	592,512
TOTAL OPERATING EXPENSES			\$ 3,839,753	\$ 3,902,489	\$ 4,491,575	\$ 4,252,457	\$ 4,367,319	\$ 4,480,586
Annual growth rate (a)				1.6%	15.1%	-5.3%	2.7%	2.6%
OPERATING EXPENSES BY COST CENTER								
Airfield			\$1,297,167	\$1,278,361	\$1,504,733	\$1,505,386	\$1,544,726	\$1,583,818
Non-airfield			2,542,586	2,624,128	2,986,842	2,747,071	2,822,593	2,896,767
TOTAL OPERATING EXPENSES			\$ 3,839,753	\$ 3,902,489	\$ 4,491,575	\$ 4,252,457	\$ 4,367,319	\$ 4,480,586

Source: City of Santa Monica
Prepared by: City of Santa Monica and WJ Advisors LLC

- NOTES:
- (a) Salaries & wages were lower in FY 2011-2012 by 5.0 percent primarily due to savings from a partial position vacancy.
The FY 2012-2013 Budget estimate and the forecast is based on the assumption that there is a return to full and level staffing.
The FY 2012-2013 Budgeted expenses are estimated to be only .7 percent higher than in FY 2010-2011.
 - (b) The FY 2012-2013 Budget estimate for the indirect allocation is 5.0 percent higher than FY 2011-2012 primarily due to additional staff for Airport visioning processes.
The FY 2013-2014 estimate is 32.9 percent lower due to revised assumptions and cost analyses to be incorporated beginning that fiscal period.
 - (c) In FY 2011-2012, security expenses were 9.8 percent lower than in FY 2010-2011 due to savings from vacancies in security positions.
The FY 2012-2013 Budget estimate is 21.2 percent higher than in FY 2011-2012 (or 9.2 percent higher than FY 2010-2011) primarily due to the Police Department's request to increase airport security.
 - (d) The estimate for Budget FY 2012-2013 for maintenance is 54.0 percent higher than in FY 2011-2012 due to deferral of major maintenance items.
While efforts continue to minimize maintenance expenses, the budget must account for maintenance costs.
 - (e) The estimate for Budget FY 2012-2013 for utilities is 55.1 percent higher than in FY 2011-2012. This is a result of incorporating tenant reimbursements into the actual amounts shown.
Utility light/power increases applied to the budget and forecast period do not include reimbursements from tenants. These will now be recorded as revenue.
 - (f) Supplies & equipment and "other" expenses increased in FY 2011-2012 by 33.8 percent and 25.5 percent over FY 2010-2011, respectively.
In the FY 2012-2013 Budget, these expenses are projected to increase at approximately 1/2 of the growth rates that occurred in FY 2011-2012.
These increases are reflective of professional services and are not projected to occur during the forecast period.
 - (g) Insurance expenses increased in FY 2011-2012 by 33.1 percent over FY 2010-2011. The increases were due to a revised allocation of property insurance to more accurately reflect actual costs.
In the FY 2012-2013 Budget, these expenses are projected to increase by approximately 12.8 over FY 2011-2012. This was primarily due to the General Liability insurance being overstated and a budget adjustment was made at midyear. The forecast period assumes steady growth at the rate provided by the City's Risk Management Division.
This rate is based on broker estimates and evaluations insurance markets.

Exhibit 1A

Line-item designation		Actual	Actual	Budget	Forecast			Cost Center Allocation		
		FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	Airfield	Non-airfield	
OPERATING EXPENSES										
Salaries & wages										
33203 (Airport - City Manager)	Salaries & wages	\$ 960,866							43.6%	56.4%
33431 (Airport - Public Works)	Salaries & wages		895,330	998,655	1,018,628	1,044,094	1,070,196		43.6%	56.4%
33457 (Airport Maintenance - Public Wo	Salaries & wages	353,063	353,958	387,717	395,471	405,358	415,492		20.0%	80.0%
Total Salaries & Wages		\$ 1,313,929	\$ 1,249,288	\$ 1,386,372	\$ 1,414,099	\$ 1,449,452	\$ 1,485,688			
Supplies & expense										
Util - Light/Power (a)	Utilities	\$ 44,153	\$ 36,924	\$ 99,819	\$ 105,509	\$ 111,523	\$ 117,879	10.0%	90.0%	
Util - Natural Gas	Utilities	10,789	9,581	11,433	11,433	11,433	11,776	0.0%	100.0%	
Util - Water	Utilities	42,365	59,146	102,647	104,700	107,317	110,000	10.0%	90.0%	
Stormwater Mgmt	Utilities	75,773	76,790	77,317	77,317	77,317	77,317	25.0%	75.0%	
Transfer Station fee	Utilities	1,590	3,339	1,748	1,783	1,828	1,873	0.0%	100.0%	
Bank Fees	Other	986	685	625	638	653	670	0.0%	100.0%	
Util - Telephone	Utilities	24,456	15,554	19,325	19,808	20,303	20,811	43.6%	56.4%	
Office Supplies / Expenses	Supplies & equipment	13,462	12,844	13,000	13,260	13,592	13,931	43.6%	56.4%	
Metered Postage	Supplies & equipment	3,360	3,698	5,400	5,508	5,646	5,787	5.0%	95.0%	
Inventory Issues	Supplies & equipment	933	1,437	5,000	5,100	5,228	5,358	50.0%	50.0%	
Community Outreach	Other	11,866	5,390	13,000	13,260	13,592	13,931	90.0%	10.0%	
Equipment Rental	Supplies & equipment	7,338	8,446	12,760	13,015	13,341	13,674	50.0%	50.0%	
Mileage	Other	-	-	550	561	575	589	0.0%	100.0%	
Conference / Mtgs/Travel	Other	10,003	9,733	5,500	5,610	5,750	5,894	50.0%	50.0%	
Food purchases	Other	1,519	1,655	1,500	1,530	1,568	1,607	50.0%	50.0%	
Membership Dues	Other	1,090	2,599	2,750	2,805	2,875	2,947	65.0%	35.0%	
Vehicles - Fuel	Supplies & equipment	1,948	1,357	2,500	2,550	2,614	2,679	0.0%	100.0%	
Vehicles - Tires/Tubes	Supplies & equipment	-	-	600	612	627	643	50.0%	50.0%	
Vehicles - Insurance	Insurance	9,500	-	-	-	-	-	50.0%	50.0%	
CNG Fuel	Supplies & equipment	2,772	975	3,950	4,029	4,130	4,233	10.0%	90.0%	
Veh Mgmt Fund - Maint	Maintenance	27,292	26,656	48,734	49,709	50,951	52,225	5.0%	95.0%	
General Liability / Auto	Insurance	82,300	172	9,696	130	130	130	50.0%	50.0%	
Property Insurance (b)	Insurance	-	74,273	77,987	87,552	96,927	101,773	25.0%	75.0%	
Special Insurance	Insurance	-	45,575	47,854	47,826	49,261	50,493	25.0%	75.0%	
Airport Security Guard trans	Security	535,708	482,970	585,128	596,831	611,751	627,045	60.0%	40.0%	
Special Equip Maint	Maintenance	3,384	2,629	-	-	-	-	0.0%	100.0%	
Audio Equip Maint	Maintenance	461	-	17,700	18,054	18,505	18,968	100.0%	0.0%	
Bldg/Structure Maint	Maintenance	-	-	4,000	4,080	4,182	4,287	0.0%	100.0%	
Special Department Supplies	Supplies & equipment	2,300	475	6,300	6,426	6,587	6,751	0.0%	100.0%	
Indirect Cost Allocation	Indirect cost allocation	799,455	823,439	864,611	435,173	446,052	457,204	11.0%	89.0%	
Other Costs	Other	19,752	18,941	39,000	39,780	40,775	41,794	0.0%	100.0%	
Professional Services	Other	331,817	441,817	460,000	469,200	480,930	492,953	36.5%	63.5%	
Reimburse Engineering Office	Other	2,963	106	3,353	3,420	3,506	3,593	25.0%	75.0%	
Airport Field Maintenance	Maintenance	340	483	3,600	3,672	3,764	3,858	43.6%	56.4%	
Property Taxes	Other	8,918	8,827	26,625	27,158	27,836	28,532	25.0%	75.0%	
Bldg Renovation /Maintenance	Maintenance	-	956	60,000	61,200	62,730	64,298	10.0%	90.0%	
Misc Equipment	Supplies & equipment	34,865	59,974	70,000	71,400	73,185	75,015	90.0%	10.0%	
Office Supplies/Expenses	Supplies & equipment	1,207	1,634	700	714	732	750	50.0%	50.0%	
Inventory Issues	Supplies & equipment	16,375	26,004	17,400	17,748	18,192	18,646	50.0%	50.0%	
Conferences /meetings/ travel	Other	-	120	-	-	-	-	50.0%	50.0%	
Food purchases	Other	22	-	-	-	-	-	50.0%	50.0%	
Vehicles - Fuels	Supplies & equipment	-	208	-	-	-	-	0.0%	100.0%	
CNG Fuel	Supplies & equipment	1,166	1,482	-	-	-	-	10.0%	90.0%	
General Liability	Insurance	-	2,207	2,335	1,944	1,944	1,944	25.0%	75.0%	
Non-Aviation Maint	Maintenance	151,046	151,212	132,459	135,108	138,486	141,948	0.0%	100.0%	
Aviation Maint	Maintenance	76,841	72,906	139,400	142,188	145,743	149,386	95.0%	5.0%	
Landscape Maint	Maintenance	20,633	20,890	24,600	25,092	25,719	26,362	10.0%	90.0%	
Uniform / Protective Clothing	Supplies & equipment	4,226	1,812	2,600	2,652	2,718	2,786	20.0%	80.0%	
Indirect Cost Allocation	Indirect cost allocation	68,994	71,064	74,617	195,053	199,929	204,928	19.1%	80.9%	
Airport Field Maint	Maintenance	10,800	10,800	10,800	11,016	11,291	11,574	50.0%	50.0%	
Retirement - Misc Empl	Salaries & wages	59,564	55,416	-	-	-	-	43.6%	56.4%	
Interest Exp - Bonds and Other Loans	Other	1,492	-	-	-	-	-	0.0%	100.0%	
PERS paydown	Salaries & wages	-	-	(3,720)	(3,794)	(3,870)	(3,948)	43.6%	56.4%	
Total supplies and expense		\$ 2,525,824	\$ 2,653,201	\$ 3,105,203	\$ 2,838,358	\$ 2,917,867	\$ 2,994,897			
TOTAL OPERATING EXPENSES		\$ 3,839,753	\$ 3,902,489	\$ 4,491,575	\$ 4,252,457	\$ 4,367,319	\$ 4,480,586			
Airfield		1,297,167	1,278,361	1,504,733	1,505,386	1,544,726	1,583,818			
Non-airfield		2,542,586	2,624,128	2,986,842	2,747,071	2,822,593	2,896,767			
TOTAL OPERATING EXPENSES		\$ 3,839,753	\$ 3,902,489	\$ 4,491,575	\$ 4,252,457	\$ 4,367,319	\$ 4,480,586			

Source: City of Santa Monica

Prepared by: City of Santa Monica and WJ Advisors LLC

(a) The estimate for Budget FY 2012-2013 for utilities is 55.1 percent higher than in FY 2011-2012. This is a result of incorporating tenant reimbursements into the actual amounts shown.

Utility light/power increases applied to the budget and forecast period do not include reimbursements from tenants. These will now be recorded as revenue.

(b) Property insurance annual percent increases applied over the forecast period are based on revised assumptions provided by the City's Risk Management Division.

Exhibit 2
AMORTIZATION CHARGES--COMPLETED CAPITAL PROJECTS
Financial Projections--Proposed Landing Fee Calculation
Santa Monica Municipal Airport
(For Fiscal Years Ending June 30)

	Actual	Actual	Budget	Forecast		
	FY 10-11	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
AMORTIZATION CHARGES						
Airfield	\$ 178,862	\$ 335,192	\$ 340,575	\$ 442,081	\$ 468,671	\$ 502,740
Non-airfield	387,915	410,552	443,261	460,191	476,378	463,942
TOTAL AMORTIZATION CHARGES	\$ 566,777	\$ 745,744	\$ 783,836	\$ 902,273	\$ 945,049	\$ 966,683

NOTE: Includes capital expenditures that are allocable to the airfield area. Costs are recovered (amortized) from users over the useful life of the asset at an interest rate provided by the City for the year when the project was placed in service for its intended use, and included in the landing fee rate base. Includes expenditures for completed airfield capital projects beginning in 2002.

Source: City of Santa Monica
Prepared by: City of Santa Monica and WJ Advisors LLC

Exhibit 3
SUMMARY OF LANDED WEIGHT
Financial Projections--Proposed Landing Fee Calculation
Santa Monica Municipal Airport
(For Fiscal Years Ending June 30)

	Actual (a)	Estimated	Forecast (c)		
	FY 2011-2012	Actuals (b) FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
LANDED WEIGHT FORECAST (1,000-lb-units)					
Based aircraft	116,986	119,026	119,026	119,026	119,026
Itinerant	191,124	195,010	195,010	195,010	195,010
TOTAL LANDED WEIGHT (1,000-lb. units)	308,110	314,036	314,036	314,036	314,036
Annual growth rate					
Based aircraft			0.0%	0.0%	0.0%
Itinerant			0.0%	0.0%	0.0%
Total annual growth rate		1.9%	0.0%	0.0%	0.0%

Source: City of Santa Monica
Prepared by: City of Santa Monica and WJ Advisors LLC

- NOTES:
- (a) Based on actual data provided by the City of Santa Monica.
 - (b) Based on actual data for July 1 through December 31, 2012 and forecasted data for January 1 through June 30, 2013 provided by the City of Santa Monica.
 - (c) Forecasted levels, provided by the City of Santa Monica, to remain flat.

REVENUES

**Financial Projections--Proposed Landing Fee Calculation
Santa Monica Municipal Airport
(For Fiscal Years Ending June 30)**

		Actual			Forecast (a)		
		FY 2010-2011	FY 2011-2012	Revised Budget (a) FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
REVENUES							
Landing fee revenues	(b)	\$ 331,327	\$ 301,955	\$ 300,000	\$ 1,720,605	\$ 1,780,863	\$ 1,848,211
Annual growth rate			-8.9%	-0.6%	473.5%	3.5%	3.8%
Airfield revenues (excluding landing fee revenues)							
Airport Fuel Sales		\$ 206,437	\$ 186,404	\$ 199,200	\$ 203,184	\$ 208,264	\$ 213,470
Noise Abatement - Airport	(c)	8,000	33,075	23,214	23,678	24,270	24,877
Total Airfield revenues (excluding landing fee revenues)	[A]	\$ 214,437	\$ 219,479	\$ 222,414	\$ 226,862	\$ 232,534	\$ 238,347
Annual growth rate			2.4%	1.3%	2.0%	2.5%	2.5%
Non-airfield revenues							
Airport - Hangar Rental Sales	(d)	633,996	687,305	748,177	763,141	782,219	801,775
Airport - Office / Shop Rental	(e)	538,358	616,224	642,030	654,871	671,242	688,023
Airport - Land Lease	(f)	1,878,612	1,952,985	1,920,022	1,958,422	2,007,383	2,057,568
Airport - Tie Down Charges		159,944	146,843	152,400	155,448	159,334	163,318
Airport - Misc Rev		3,026	7,602	5,336	5,442	5,578	5,718
Filming Receipts		15,450	11,650	8,177	8,340	8,549	8,762
Parking Receipts		91,349	93,599	65,694	67,008	68,683	70,400
Int Dep/investments		29,568	8,628	97,647	99,600	102,090	104,642
Unrealized Gain Loss		(8,858)	(6,374)	(72,138)	(73,580)	(75,420)	(77,305)
Accrued Investment Income		(4,870)	(4,187)	(47,386)	(48,334)	(49,542)	(50,781)
Amort/Accret		6,492	5,379	60,877	62,094	63,647	65,238
Total Non-airfield revenues	[B]	\$ 3,343,067	\$ 3,519,654	\$ 3,580,835	\$ 3,652,452	\$ 3,743,763	\$ 3,837,357
Annual growth rate			5.3%	1.7%	2.0%	2.5%	2.5%
TOTAL REVENUES	[C=A+B]	\$ 3,888,831	\$ 4,041,088	\$ 4,103,249	\$ 5,599,919	\$ 5,757,160	\$ 5,923,915
Annual growth rate			3.9%	1.5%	36.5%	2.8%	2.9%

Source: City of Santa Monica
Prepared by: City of Santa Monica and WJ Advisors LLC

NOTES:

- (a) Certain budgeted and forecasted revenues are allocated based on percentages from FY 2011-2012 actual revenue amounts.
- (b) Landing fee revenues are estimated to increase substantially in FY 2013-2014 based on the assumption that the City begins charging a landing fee to based aircraft.
- (c) Airport noise abatement revenues increased in FY 2011-2012 primarily due to increases in fines.
The FY 2012-2013 Budget estimate reflects the level at which is expected to be maintained over the forecast period.
- (d) Hangar sale revenues increased by 8.4 percent in FY 2011-2012 primarily due to six months of new hangar lease revenue and revenues are expected to increase by 8.9 percent in FY 2012-2013 to reflect the entire year of lease revenue for the new rental. The forecasted amount is expected to be maintained over the forecast period.
- (e) Office/shop rental revenues increased by 14.5 percent in FY 2011-2012 primarily due to increased rentals and are expected to increase at 4.2 percent in FY 2012-2013 due to additional anticipated occupancy.
- (f) Land lease revenues are budgeted to decline by 1.7 percent in the FY 2012-2013 Budget however revenues estimated to be received in FY 2012-2013 will likely not result in a decline and forecasted estimates reflect continued growth over the forecast period.