

# CITY OF FLAGSTAFF, ARIZONA

## Airport Parking

### Financial Plan and Rate Analysis Report - 2021



Management Services and Economic Vitality Divisions

October 2021

# Executive Summary

The City Management Services Division has prepared a financial plan, including a rate analysis for the Airport Parking Plan of the Economic Vitality. The proposed rates are to ensure the Airport Fund has sufficient revenues to meet their operational and capital obligations.

The City desires service charges and rates that fully fund operations, maintenance, and present and future capital costs for Airport Fund. The purpose of the fiscal analysis is to provide a financial review of revenues that will cover the necessary expenditures.

Staff intends to provide City Council with a recommendation for parking rates at the December 7, 2021 and December 21, 2021 Council meetings. It is anticipated an Ordinance will be adopted with the new rates at the December 21, 2021 Council meeting with an effective date of January 21, 2022.

## **Airport Overview**

The Flagstaff Pulliam Airport is a key component of Flagstaff's link to the global marketplace, facilitating local, national and international commerce as well as support the local tourism industry. Business activity is dependent upon the existence of efficient access to local air service. A recent economic study performed by Arizona Department of Transportation identified that the Flagstaff Pulliam Airport generates \$60 million annually.

American Airlines and United Airlines both provide commercial service daily. American has routes to Phoenix and Dallas Fort-Worth and United provides a route to Denver. With the addition of United Airlines, our passenger enplanement has grown by 72%. Last year, over 86,000 passengers flew out of Flagstaff Pulliam Airport with our highest enplanement year reaching 123,957.

The airport offers 61 airport hangars that can be rented on a monthly basis for storage of personal aircraft. Out of the 61, we have 5 that are executive style that offer a larger storage capacity. The Airport Business Park has numerous businesses, such as T-Gen North, Joy Cone, and the airport has a partnership with Wiseman Aviation as our fixed based fuel operator.

The Airport Funds operates as an enterprise fund within the City of Flagstaff's municipal operations. Enterprise Funds are used to account for operations that provide services to the general public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

# Airport Parking Cost Considerations

## Overview

The City of Flagstaff's Airport Fund is investing approximately \$4.9 Million to construct additional parking capacity and upgrade to a paid parking program. When developing the parking rates, staff is considering several components to assure our Airport Fund can sustain operations as an enterprise fund. Four areas developed within the rates are: recovery of capital investments, new operational expenses, capital investments for parking lot improvements/parking capital equipment and reducing the impact to the City's General Fund.

## ***Capital Investment Recovery***

The first portion of the parking rates consideration is to recover costs related to the capital investments made to expand parking at the airport. The airport utilized a short-term loan from our General Fund to complete the design, construction and upgrades related to the expanded parking. It is recommended that parking rates assist with paying for the investments made. The recovery period is currently set for a 15-year return which would require \$330,000 in annual revenues.

## ***Operational Expenses***

Next, we have analyzed the cost of maintain a paid parking program including increase parking capacity. Airport staff has identified the following increased annual costs for the program:

- Parking Staff: \$80,000
- Increased utilities: \$10,000
- Increased landscape maintenance: \$21,000
- Increase snow management: \$19,000
- Hardware and software maintenance: \$48,000
- Credit card fees: \$90,000
- Annual striping and pavement maintenance: \$20,000
  - Total annual costs: \$288,000

As part of the long-range plan, staff is including an annual 3% inflation factor to the annual cost to assure that parking rates cover future growth in expenditures.

## ***Capital investments for parking lot improvements/parking capital equipment***

The existing premium parking lot will need to undergo improvements over the next 2-5 years at a cost of approximately \$1,250,000. The project is expected to be phased in over multiple years as paid parking revenues are available. As the lot is related to the parking program, it would be important to include these costs in the rates being adopted.

### **Reducing the impact to the City's General Fund**

While the Airport Fund operates as an Enterprise type fund, there is often a reliance on the General Fund to assist funding of annual budget requests. Our goal with this rate adoption is to allow the Airport Fund to be self-sustaining through annual revenues. This approach is critical to allow the city airport to make operational and capital decisions with our competing for limited revenues on an annual basis. The airport has benefited from recent federal funding during the pandemic which has eliminated the reliance on the General Fund, however these funds are one-time benefits. In the Fiscal Year 2021-2022, the Airport Fund shows a \$450,000 annual ongoing need beginning in Fiscal Year 2024-2025. The parking rates proposed will allow for the Airport fund to eliminate its revenue reliance.

### **Summary Airport Fund Cost Recovery**

Below is a summary of the cost being considered with the new paid parking program.

<b>Financial Plan</b>	<b>FY 2021-22 (5 Months)</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>
<b>Costs</b>						
Capital Investment Recovery	\$ -	330,000	330,000	330,000	330,000	330,000
Operations Expenses	120,000	288,000	296,640	305,539	314,705	324,147
Capital Improvements/Equipment	-	500,000	450,000	300,000	-	-
Airport Operations	-	-	-	150,000	450,000	450,000
<b>Total Cost for Recovery</b>	<b>\$ 120,000</b>	<b>1,118,000</b>	<b>1,076,640</b>	<b>1,085,539</b>	<b>1,094,705</b>	<b>1,104,147</b>

# Airport Parking Rate Proposal

## Staff Proposal

Staff has developed a parking rate proposal that will meet the proposed cost considerations for the airport. Parking rates were developed based on two considerations.

First is the financial consideration to assure that rates meet the cost recovery needs of the airport. Rates are proposed that will provide a balanced financial plan. We recognize that rate increases may be necessary in the future and recommend an increase effective July 1, 2023 after the initial rates go into effect to assist in keeping up with inflationary impacts. In addition to assure the Airport Fund eliminates the reliance on the General Fund, this rate is necessary. Rates also take into consideration of utilization of the airport parking lots after implementation. Our rates are proposed base on an estimated 400 cars utilizing the airport paid parking program. For simplicity of this analysis, we broke down the utilization with 200 daily use in the premium lot and 200 daily use in the economy lot. We look forward to gathering data after implementation of the parking program to reassure our revenues are meeting the airports revenue needs.

The second consideration is related to parking rates that other communities charge at their airports. Airport staff reviewed rates from seven airports in the region, which are summarized in the table below.

Airport	Parking Lot	Free Period	Hourly Rate	Daily Rate	Notes
<b>Prescott Regional</b>	Main	N/A	Free	Free	Up to 10 days free
<b>Laughlin/Bullhead International</b>	Main	N/A	Free	Free	
<b>Montrose Regional</b>	Main	½ hour	None	\$8.00	\$95 monthly & \$750 annual
<b>St. George Regional</b>	Main	½ hour	None	\$7.00	
<b>Durango – La Plata Co.</b>	Main Terminal	½ hour	\$2.00	\$7.00	\$1 per 30 min up to daily rate
	Credit Card	None	\$2.00	\$7.00	\$1 per 30 min up to daily rate
<b>Tucson International</b>	Hourly	None	\$2.00	\$13.00	\$1 per 30 min up to daily rate
	Daily	None	\$2.00	\$10.00	In front of Terminal
	Economy	None	None	\$4.50	Requires shuttle ride
<b>PHX Sky Harbor International</b>	East Economy (Uncovered)	None	\$4.00	\$12.00	Requires Sky Train ride

These airports can be broadly placed in three categories in relation to the Flagstaff Pulliam Airport, which has currently has nine arrivals daily. Prescott Regional Airport and Laughlin/Bullhead International Airport have fewer flights than Flagstaff with one to three arrivals daily. Durango – La

Plata County Airport, St. George Regional Airport, and Montrose Regional Airport have slightly more flights than Flagstaff with between 10 and 15 arrivals daily. Phoenix Sky Harbor International Airport and Tucson International Airport are significantly busier than Flagstaff with dozens or hundreds of arrivals daily.

Based on these considerations, staff is proposing the following rate structure:

Staff Proposed Rates	Effective January 21, 2022	Effective July 1, 2023
<b>1<sup>st</sup> hour</b>	Free	Free
<b>Per hour rate (after 1<sup>st</sup> hour)</b>	\$ 2.00	\$ 2.00
<b>Per day rate – Premium Lot</b>	\$ 7.00	\$ 8.00
<b>Per day rate – Economy Lot</b>	\$ 5.00	\$ 6.00
<b>Weekly rate – Premium Lot</b>	\$ 42.00	\$ 48.00
<b>Weekly rate – Economy Lot</b>	\$ 30.00	\$ 36.00

Relative to the comparison airports, the proposed rates are higher than the airports with less traffic (Prescott, Laughlin/Bullhead), and lower than or comparable to the airports with slightly more traffic (Durango – La Plata Co., St. George Regional, Montrose Regional).

Staff also recognizes that we will need to develop an employee parking program for businesses operating out of our airport. The cost of the program should also be covered by the businesses that will be utilizing the parking lots. These rates will be brought forward for Council adoption.

### Review of five-year plan

Base on the parking rate proposal and the costs being considered, staff has developed a five-year plan to demonstrate the balanced approach.

Financial Plan	FY 2021-22 (5 Months)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Beginning Balance	\$ -	245,000	20,520	6,760	4,541	13,596
Resources						
Parking Revenue	\$ 365,000	893,520	1,062,880	1,083,320	1,103,760	1,124,200
Other Revenue	-	-	-	-	-	-
Total Resources and Balance	\$ 365,000	1,138,520	1,083,400	1,090,080	1,108,301	1,137,796
Uses of Funds						
Capital Investment Recovery	\$ -	330,000	330,000	330,000	330,000	330,000
Operations Expenses	\$ 120,000	288,000	296,640	305,539	314,705	324,147
Capital Improvements	-	500,000	450,000	300,000	-	-
Airport Operations	-	-	-	150,000	450,000	450,000
Total Uses of Funds	\$ 120,000	1,118,000	1,076,640	1,085,539	1,094,705	1,104,147
Ending Balance	\$ 245,000	20,520	6,760	4,541	13,596	33,649

### Airport Commission Meeting

At the October 14, 2021, staff has provided the Airport Commission the parking rate considerations. Commission was supportive of the rates that staff proposed.

### **Public Outreach Meetings**

City staff presented to the Airport Commission on October 14, 2021. Information about the airport paid parking was presented in the last Flagstaff Business News. Staff will be preparing a presentation to the Tourism Commission on November 23, 2021. Staff will provide a press release related to airport paid parking program in November as well as posting notices about the proposed airport parking rates at in the airport terminal.

### **City Council Meetings**

On December 7, 2021, the City will hold a public hearing and staff will present an ordinance along with the rate analysis information to the Council. Council could accept staff recommendation or adjust, such as increasing or decreasing the parking rates. Or the Council could choose to not read the ordinance the first time and direct staff to bring the item back with amendments. If Council completes the first read of the ordinance, a second read will be required at the December 21, 2021 meeting prior to adopting the parking rates. To meet the funding outlined in this analysis, the parking rates would need to be effective January 21, 2022.