



## 2019 Board of Supervisors Retreat

### Sacramento County Airport System: The New Frame of Reference

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Cindy Nichol, Director  
Department of Airports

January 31, 2019





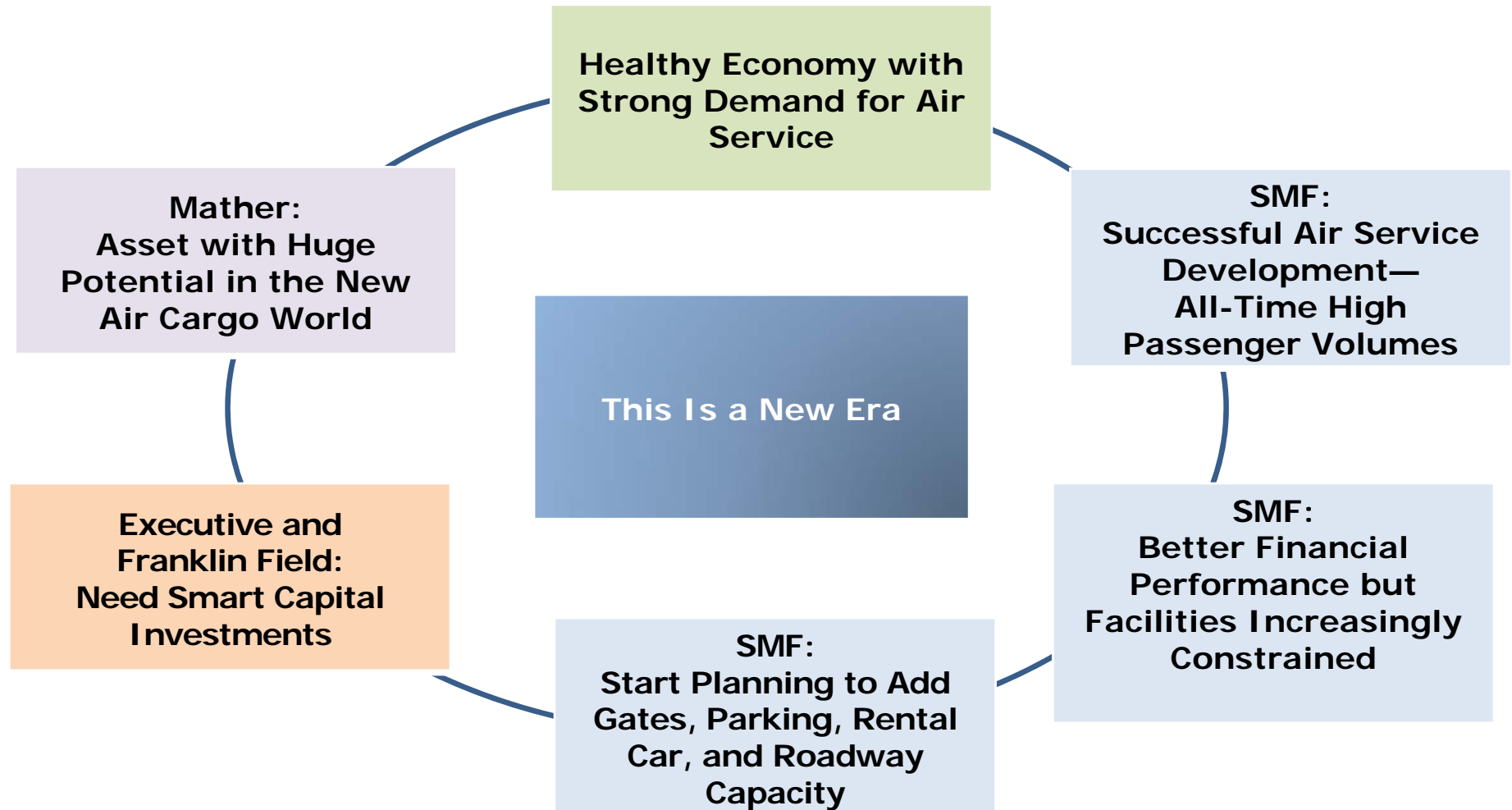
# Agenda

- I. Highlights
- II. Healthy Economy Drives Aviation Demand
- III. Air Service Successes Boost Aviation Activity
- IV. Improved Financial Performance Faces Pressures
- V. Emerging Facility Constraints and Capital Investment Needs
- VI. Summary and Next Steps



## I. Highlights

# Highlights





## II. Healthy Economy Drives Aviation Demand

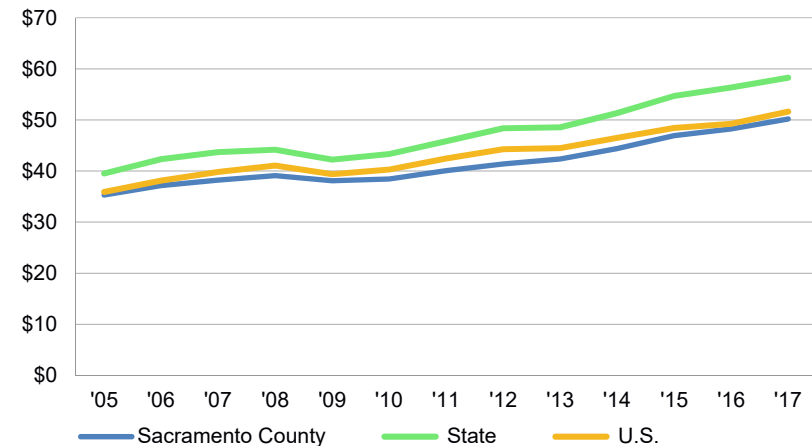
# Sacramento County Economy

**Economic indicators continue to improve.**

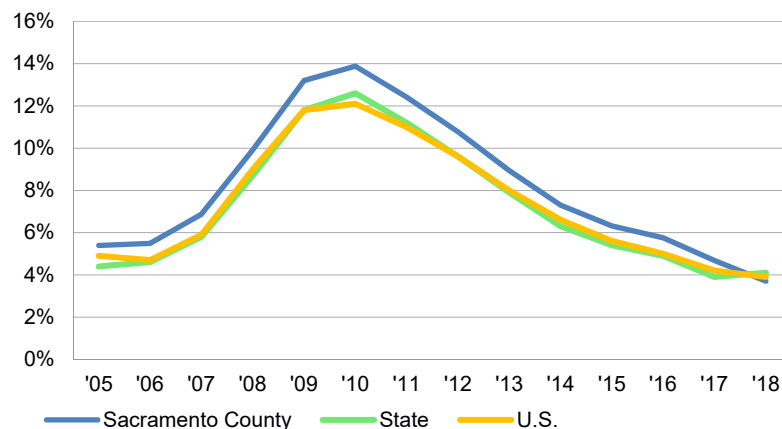
## Employment and Income

- The unemployment rate ended 2018 at 3.7% in Sacramento County and has fallen steadily since 2010, gradually converging with State and national average.
- Total jobs in the Sacramento MSA increased by 17,400 in 2018.
- The Sacramento County per capita income was \$50,107 for 2017.

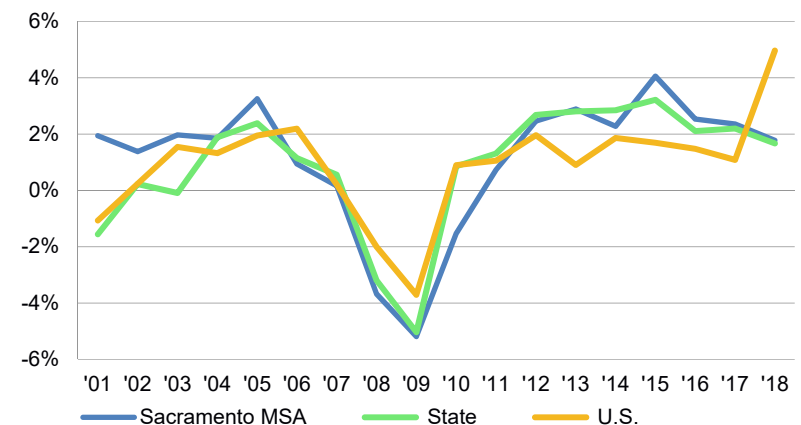
## Per Capita Income



## Unemployment Rate



## Change in Employment (Non-Farm)



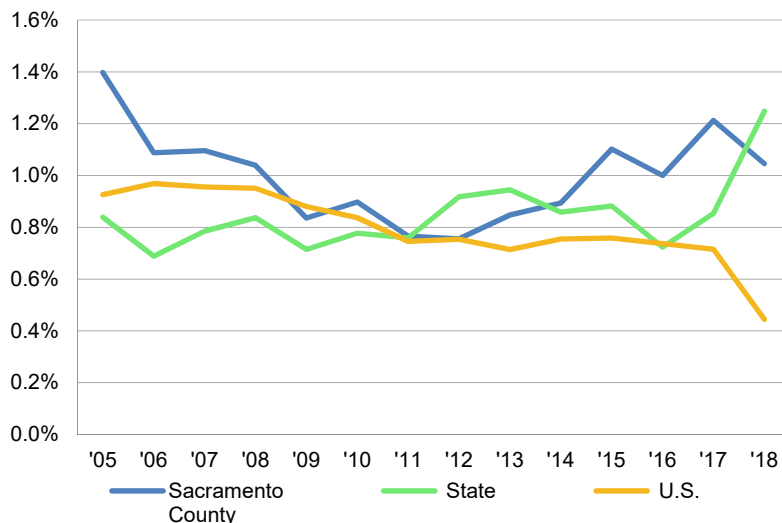
Sources: Bureau of Labor Statistics, U.S. Department of Labor, California Employment Development Department

# Population Growth and Housing Demand

**Population and home price growth signal the continuing strengthening of Sacramento County.**

## Population Growth

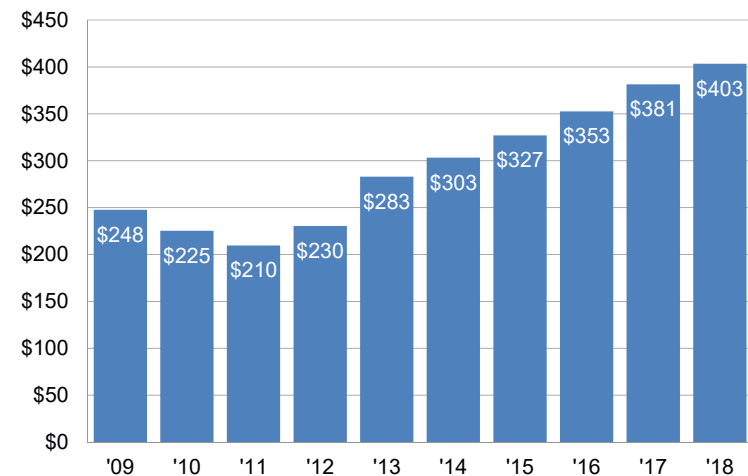
- Population growth in Sacramento County continues to exceed the national average.
  - ❑ The Sacramento County population grew by almost 16,000, to 1.5 million from December 2017 to December 2018.
  - ❑ California has had an average population growth of 333,000 per year since 2010 and is home to 40 million



Sources: US Bureau of Economic Analysis, California Department of Finance

## Median Home Prices & Values

- The local housing market has rebounded strongly since 2011.
  - ❑ 10.5% compound annual growth rate.
  - ❑ Median home sale prices are up 6.1% year-over-year.
  - ❑ Prices are expected to increase 3.6% over the next year.



Source: Zillow (All Homes) (Sacramento MSA)

# Air Service Area

## SMF benefits from its strategically advantageous location.

- Approximately 57% of SMF's passengers are residents, and 43% are visitors.
  - ❑ Approximately 3.2 million people live in the Primary Service Area.
  - ❑ Approximately 2.3 million visitors fly into SMF to visit the area each year.



### Primary Service Area

Sacramento  
County

San Joaquin  
County

El Dorado County

Placer County

Sutter County

Yolo County

Yuba County



# Travel and Tourism

**SMF is centrally located near many world-renowned tourist destinations.**

- Travel-related spending in Sacramento County reached \$3.6 billion in 2016, up 22% vs. 2011.
- Given its size and proximity, SMF is an attractive option for those visiting Sonoma/Napa wine country, Lake Tahoe, and Yosemite, among other destinations.
- **Napa Valley** attracted 3.5 million visitors in 2016, up 6.3% year-over-year.
- **Lake Tahoe** attracts 2-3 million visitors annually, and has 2-3 times as many visitors in summer as during the other seasons.
- **Yosemite National Park** attracts 5 million visitors annually, 25% of whom are international visitors.



Destination	Driving Time
Napa (City of)	1 Hour 15 Minutes
Lake Tahoe	2 Hours 15 Minutes
Yosemite	3 Hours 15 Minutes

Sources: Sacramento County Airport System; Visit California (link below)  
<https://industry.visitcalifornia.com/Research/Economic-Impact?sort=county&region=Sacramento>



### III. Air Service Successes Boost Aviation Activity

# Air Service Successes

## New service additions are helping to bolster traffic.

- ➔ As of July 1, 2019, 12 scheduled passenger airlines will offer 166 daily flights to 40 nonstop destinations from SMF.

### Current\* Non-Stop Services



### FY2018 & FY2019 Service Additions

Airline	Destination	Type
<b>FY2018</b>		
Air Canada	Vancouver	Reinstated daily nonstop service
	Austin	Launched daily service
	Long Beach	Launched new nonstop service
	Los Cabos	Launched weekly service
Southwest	New Orleans	Launched weekly service
	Orlando	Launched daily service
	St. Louis	Launched daily service
	Spokane	Launched daily service
<b>FY2019</b>		
Alaska	Kona	Launched 3x weekly service
Delta	Detroit	Launch daily service (Jun)
Frontier	Denver	Launched 4x weekly service
	Las Vegas	Launched 3x weekly service
Hawaiian	Maui	Launch daily service (Apr)
Southwest	Houston	Launched weekly service
	Hawaii (TBA)	Launched daily service
Sun Country	Minneapolis	Launch 4x weekly service (May)
Volaris	Leon/Bajio	Launched 2x weekly service

TBA—To be announced

Source: Sacramento County Airport System

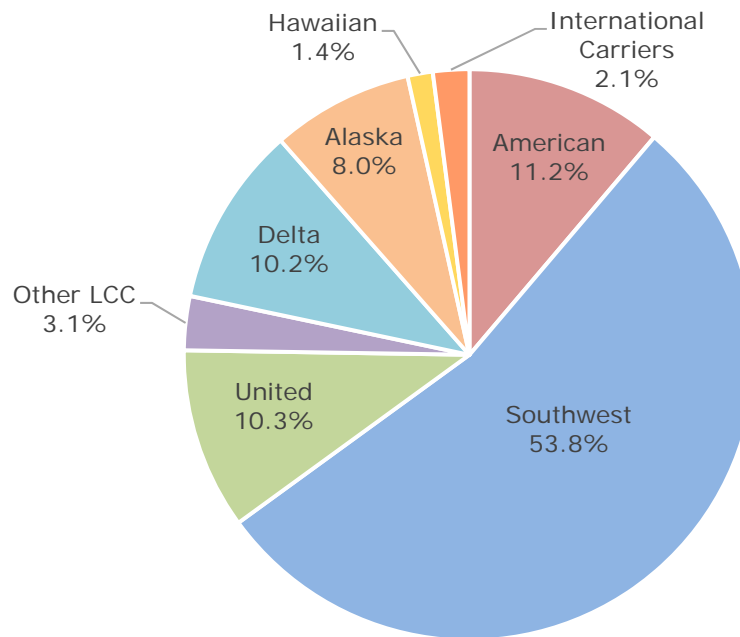
\* Includes seasonal services

# Air Carrier Mix

**SMF is served by a mix of low cost, foreign flag, mainline, regional, and all-cargo carriers.**

- Southwest is the largest carrier at SMF, accounting for approximately 53.8% of traffic.
- 56.8% of SMF passengers flew on Low Cost Carriers (LCCs) in CY2018 (Southwest, Frontier, JetBlue).

## CY2018 Enplanements by Airline



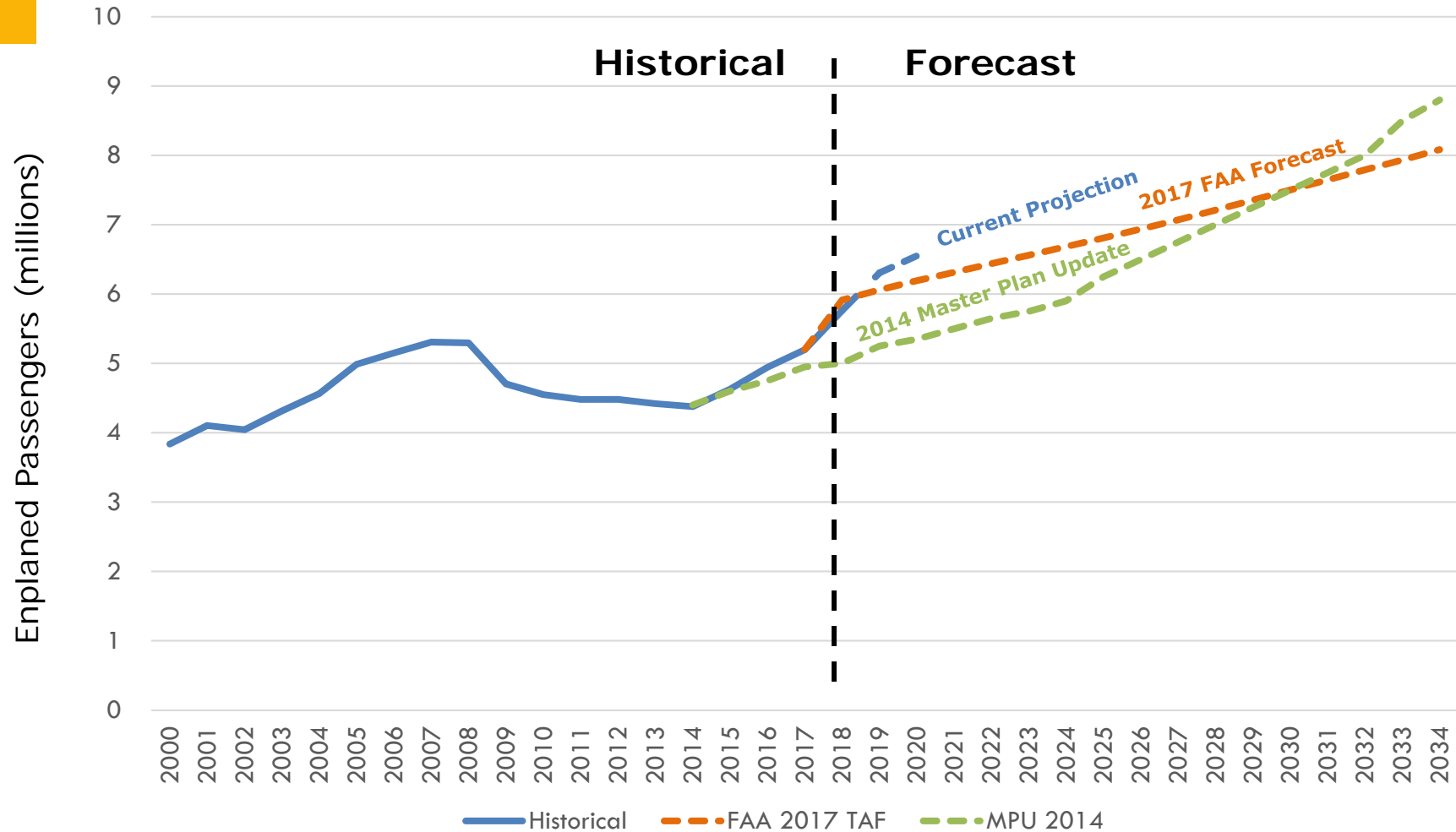
*Other LCC includes:  
Frontier and Jetblue*

*International Carriers include:  
Air Canada, Volaris and AeroMexico*

Source: Sacramento County Airport System

# Passenger Growth

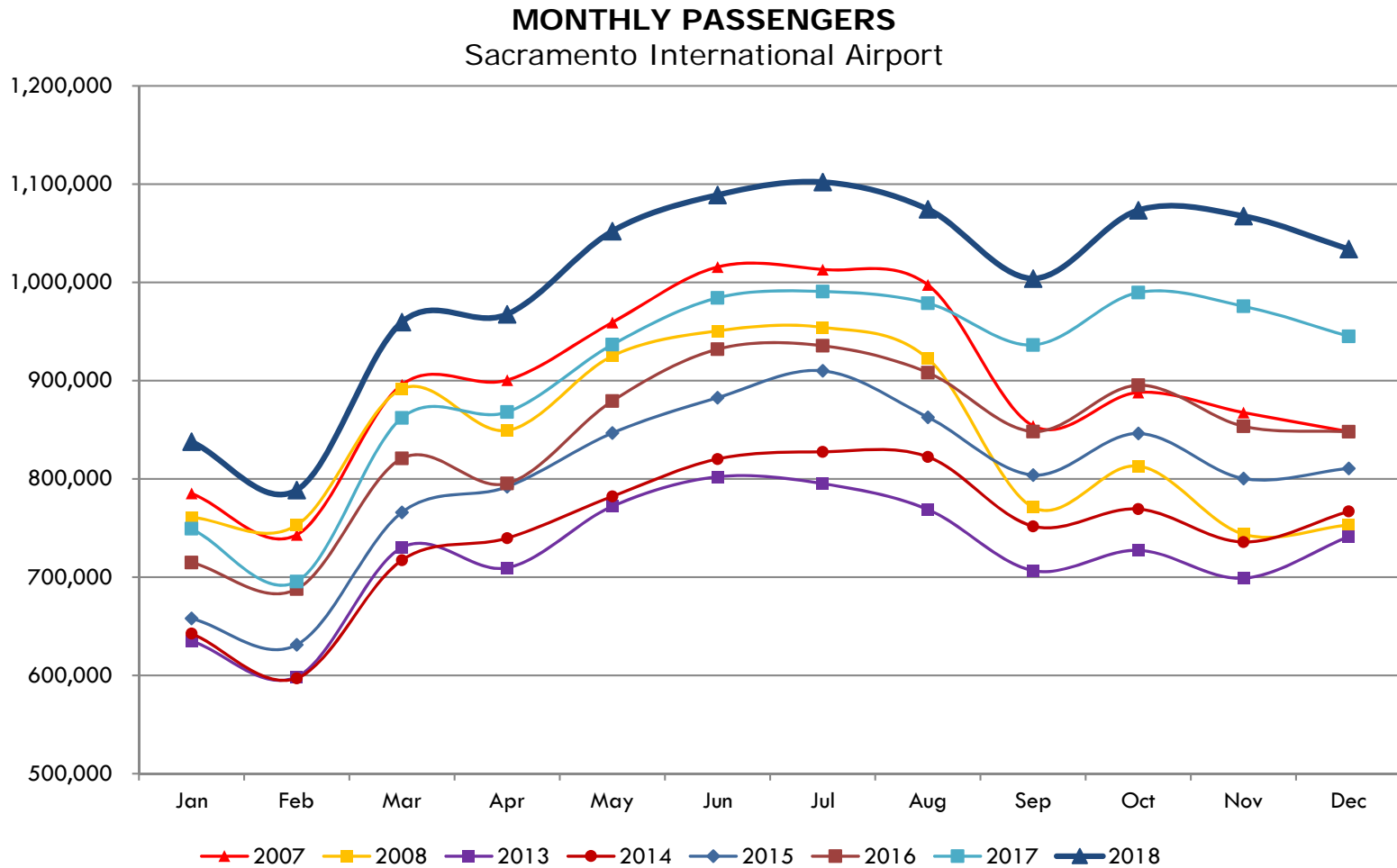
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FAA—Federal Aviation Administration  
MPU—Master Plan Update for SMF by the County  
TAF—Terminal Area Forecast by FAA

# Monthly Passenger Seasonality

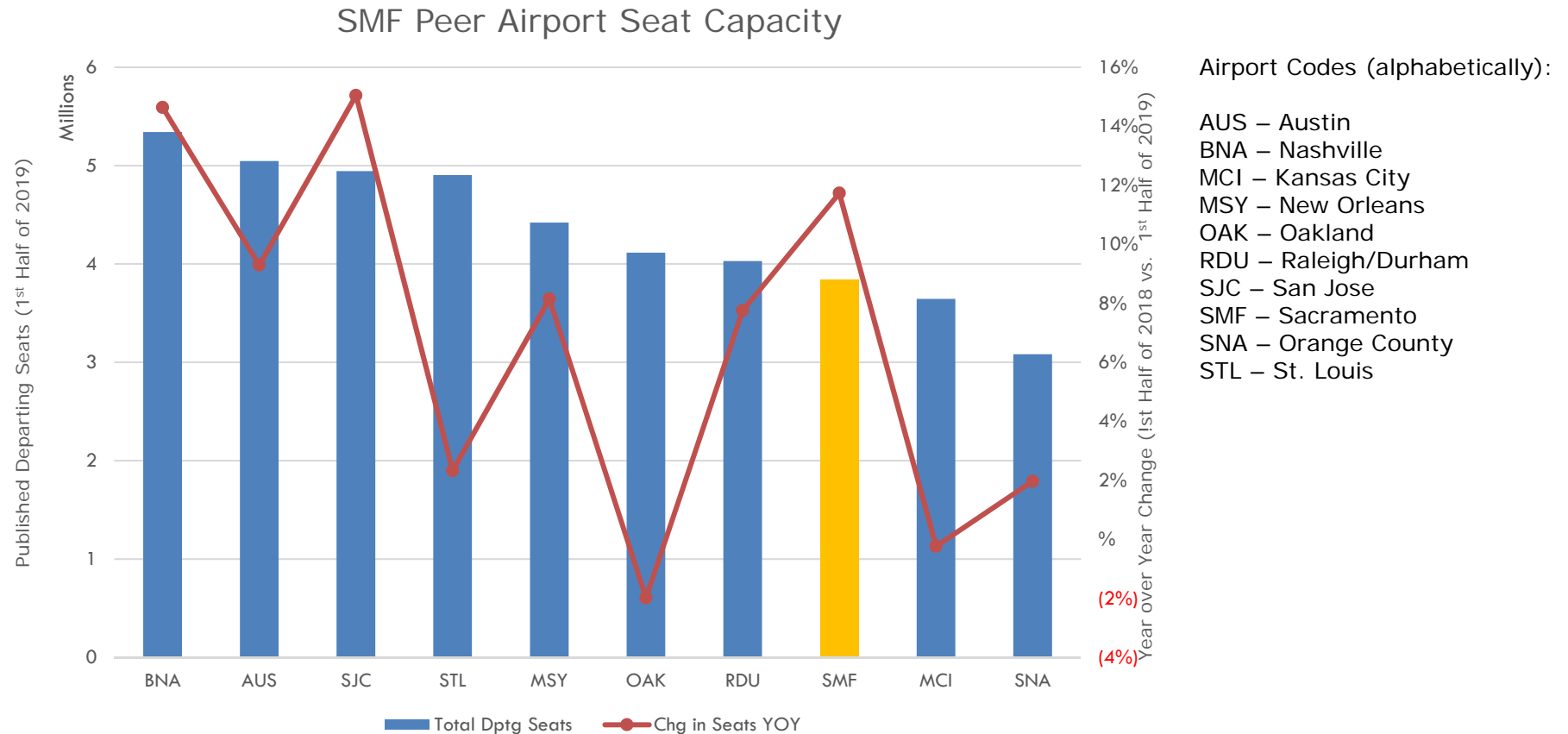
**SMF handled over one million passengers for 8 consecutive months in 2018.**



Source: Sacramento County Airport System

# Comparative Growth in Scheduled Seats

**SMF was 3rd in seating capacity growth (11.7%) the first half of 2019 compared to peer airports with 10-15 million passengers per year.**



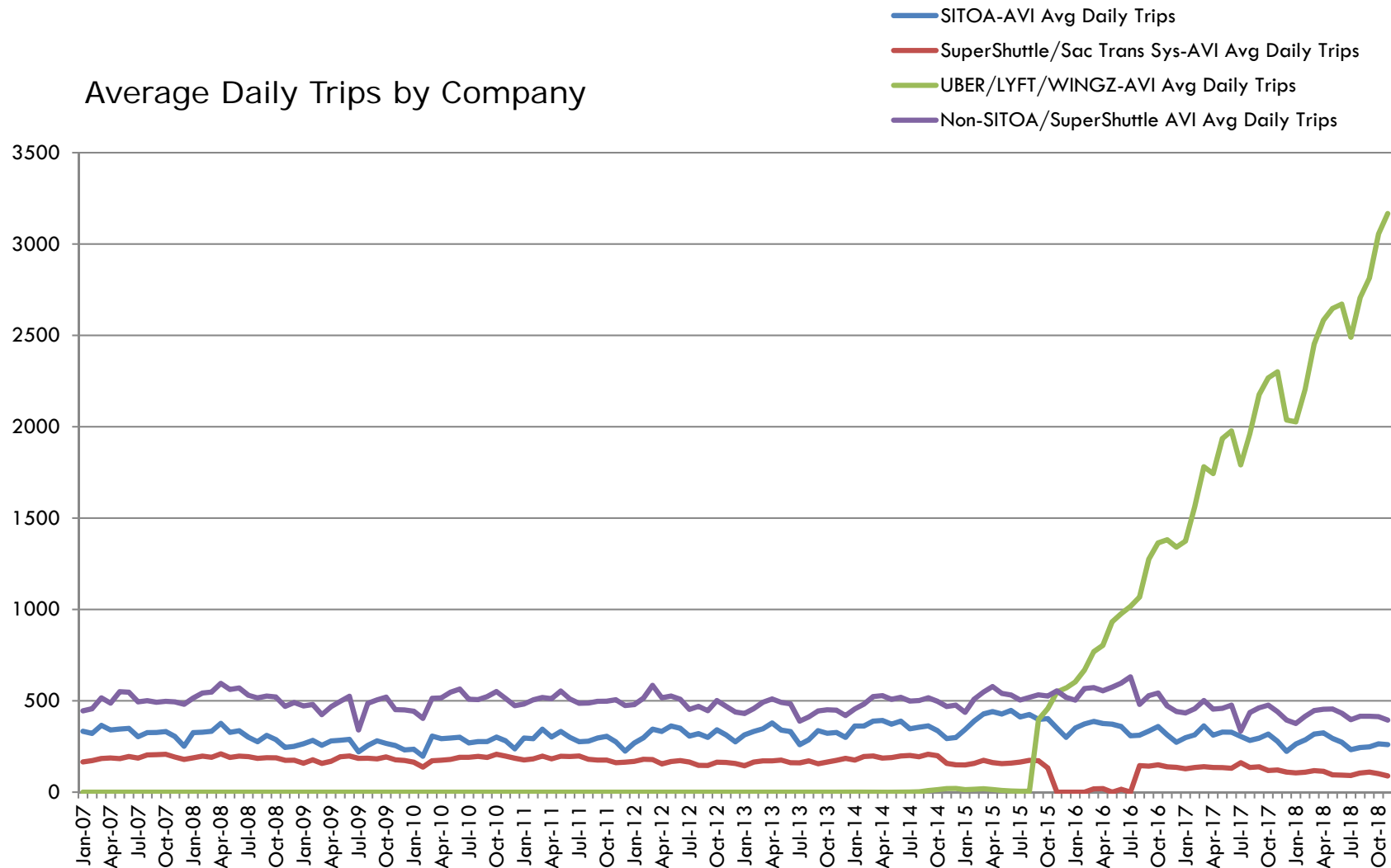
Source: Airline Data Inc., Innovata schedules

Dptg—Departing  
 YOY—Year over year

# Ground Transportation Daily Trips

**Explosive growth in trips by Uber/Lyft/Wingz is challenging to manage.**

Average Daily Trips by Company

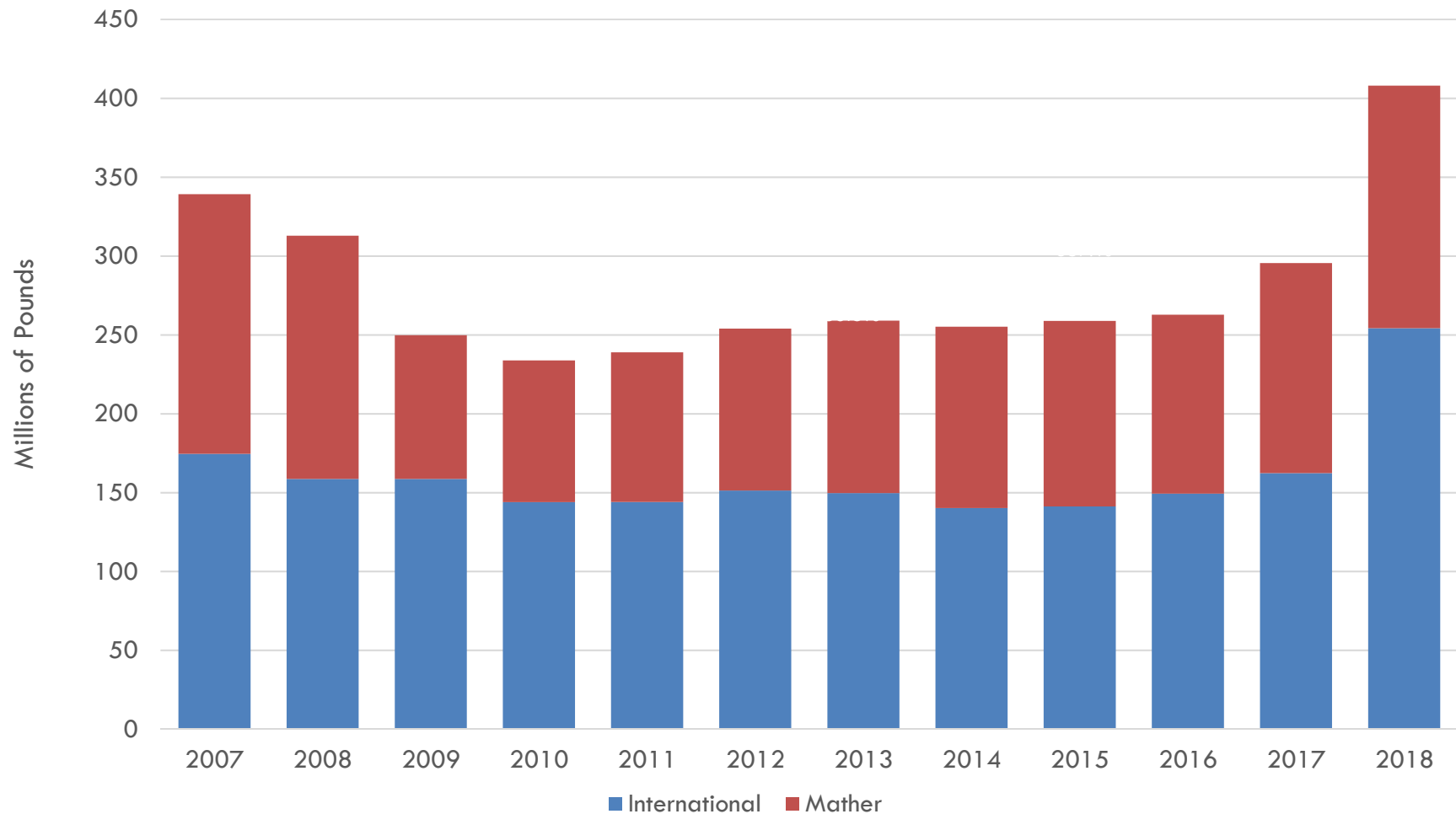


Source: Sacramento County Airport System



# The New World of Cargo

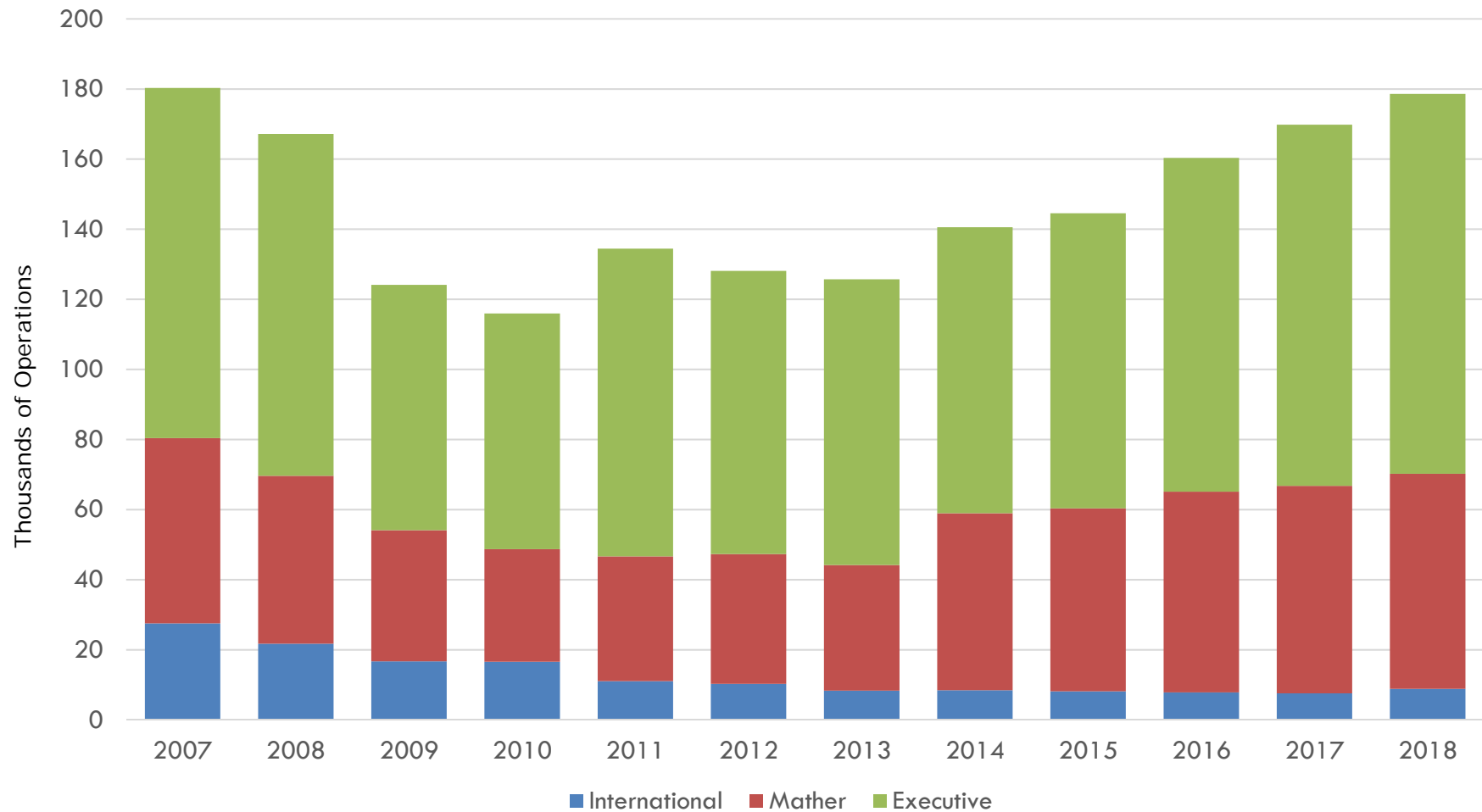
**On-line retail is driving rapid evolution in Cargo Operations.**



Source: County of Sacramento, Department of Airports

# General Aviation Trends

**GA activity is a function of a healthy economy.**



Source: County of Sacramento, Department of Airports

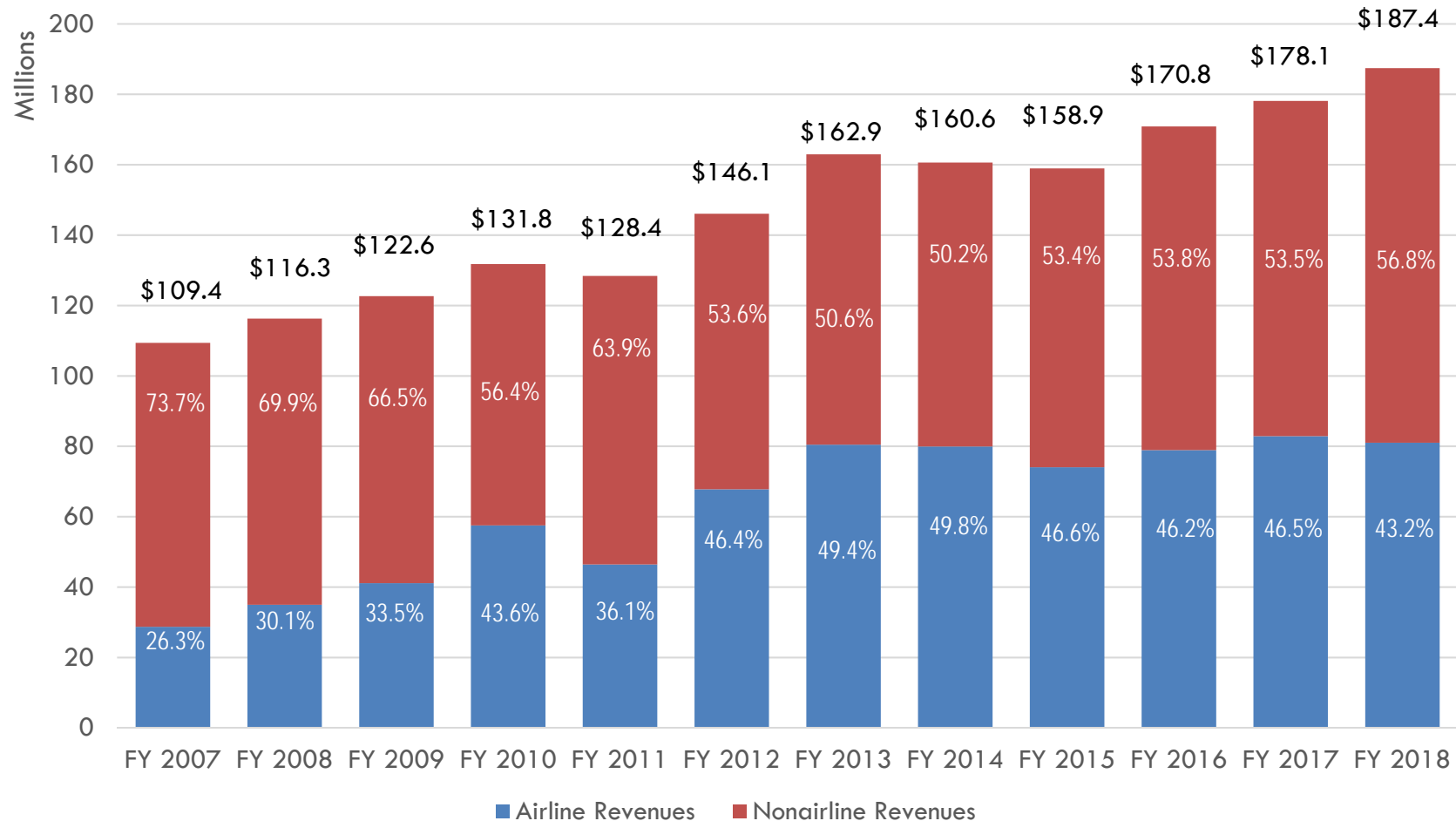


## IV. Improved Financial Performance Faces Pressures

# Total Airport System Revenues

## Total Revenues are increasing.

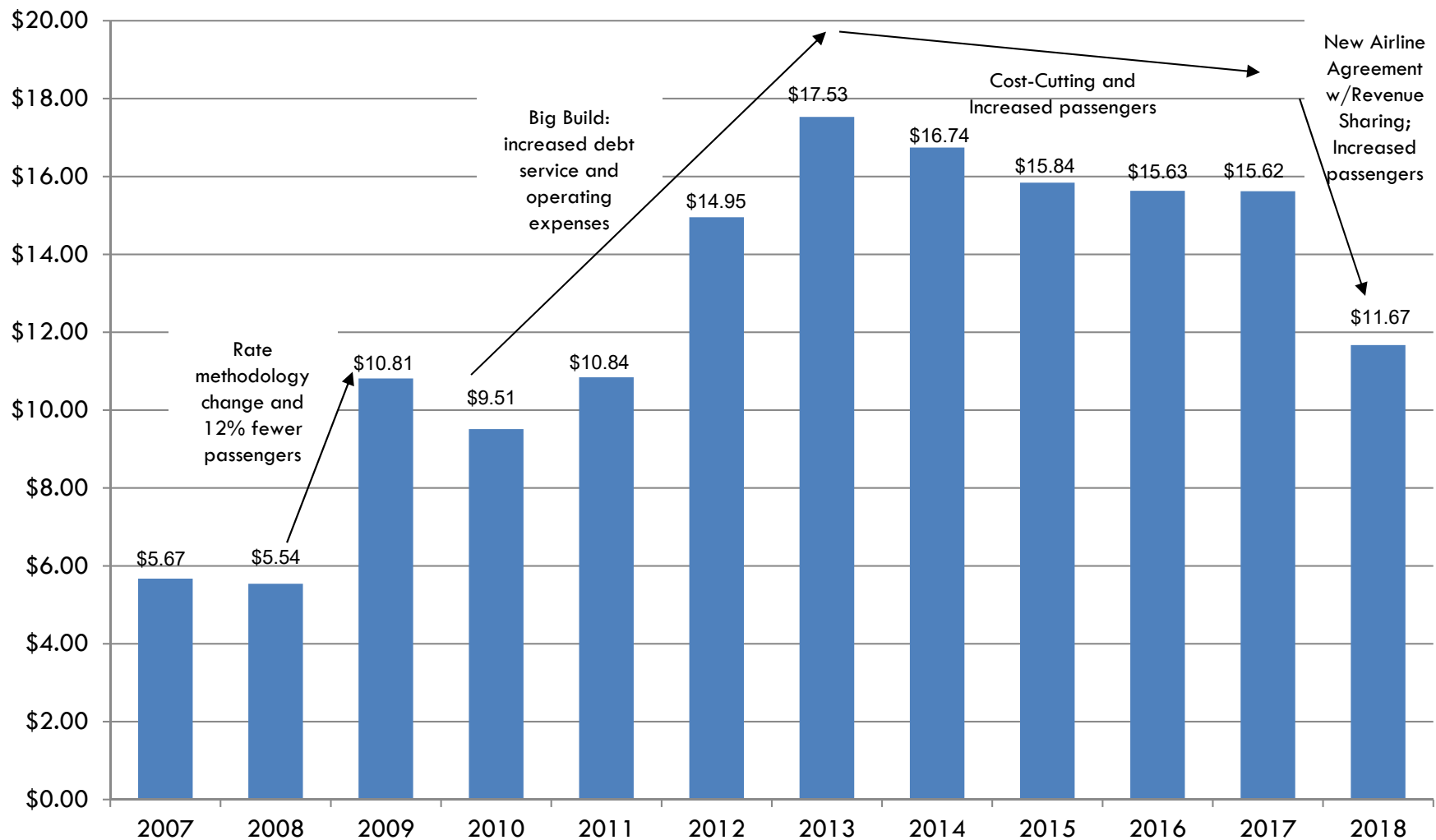
✈ Department goal is to maintain Airline share at 40%.



Source: County of Sacramento, Department of Airports

## SMF Cost per Enplaned Passenger (CPE)

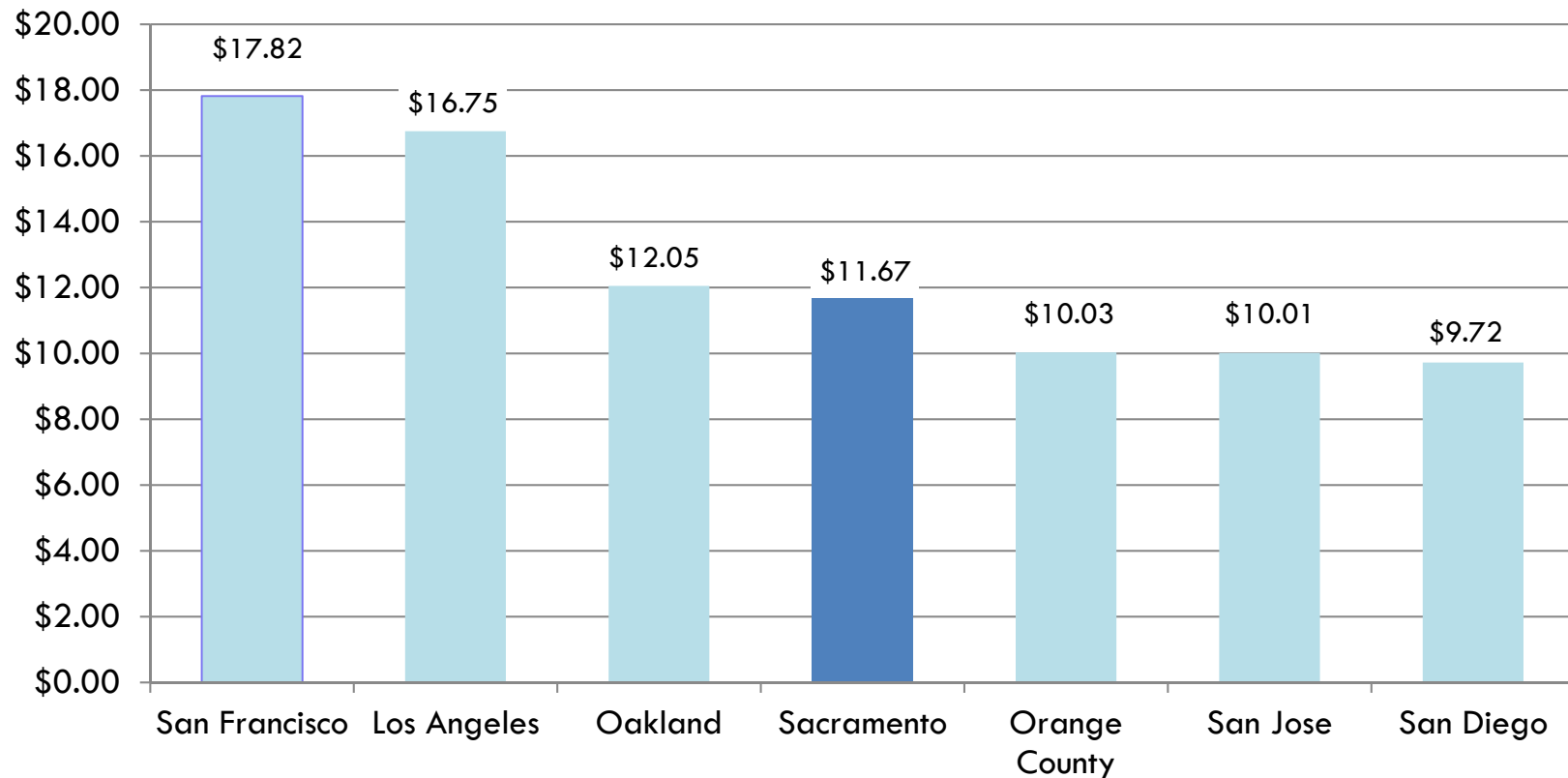
**Although Airports has been successful in reducing CPE, future capacity-driven projects will put pressure on future CPE.**



Note: CPE reflects CAFR after year-end settlement with the airlines for under/overpayments  
Source: County of Sacramento, Department of Airports

# Cost per Enplanement at California Airports (FY2018)

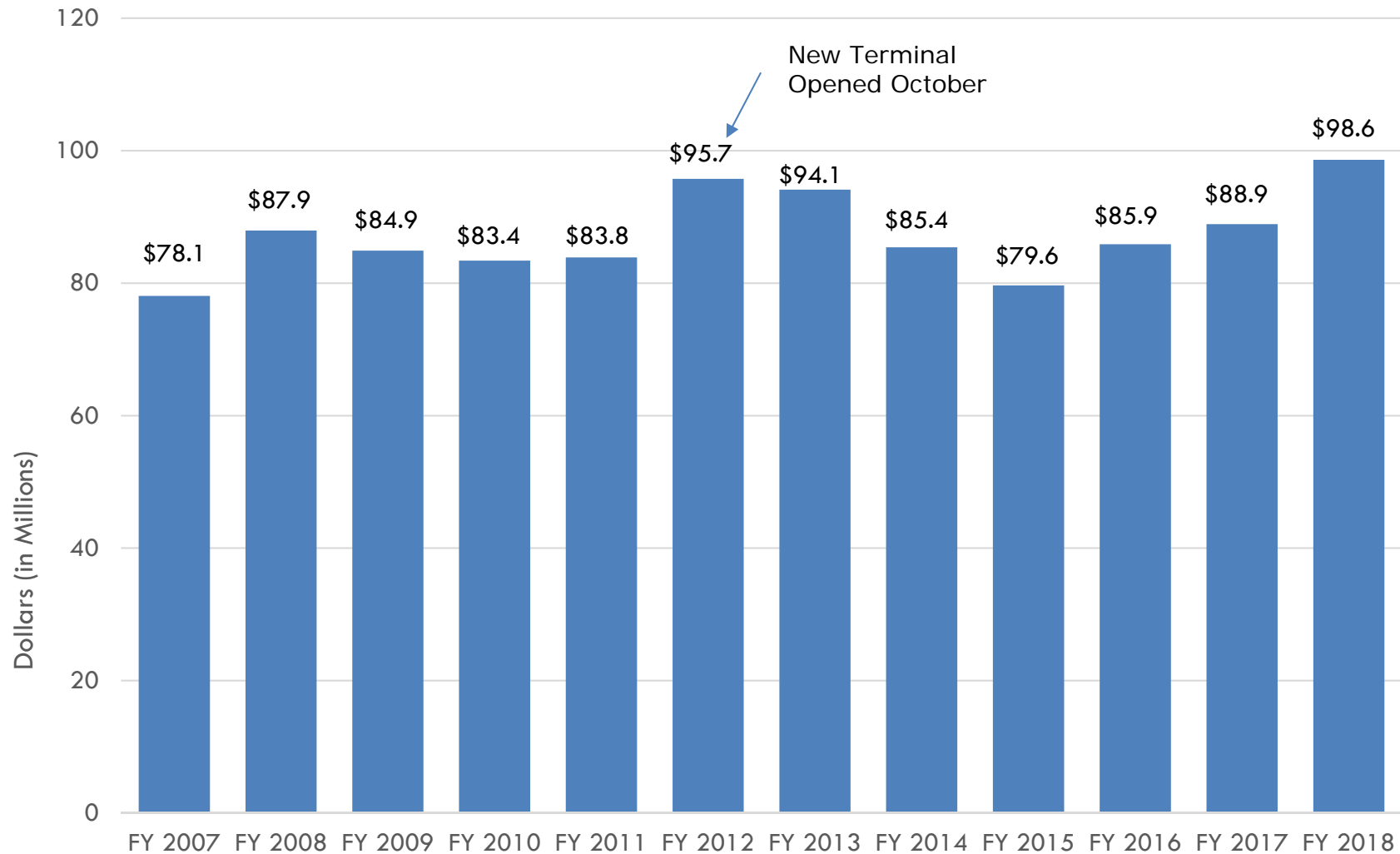
**SMF Airline Cost per Enplanement is competitive.**



Source: FAA Certification Activity Tracking System (Form 127)

# Total Airport System Operating Expenses

Operating costs are influenced by activity and asset maintenance.

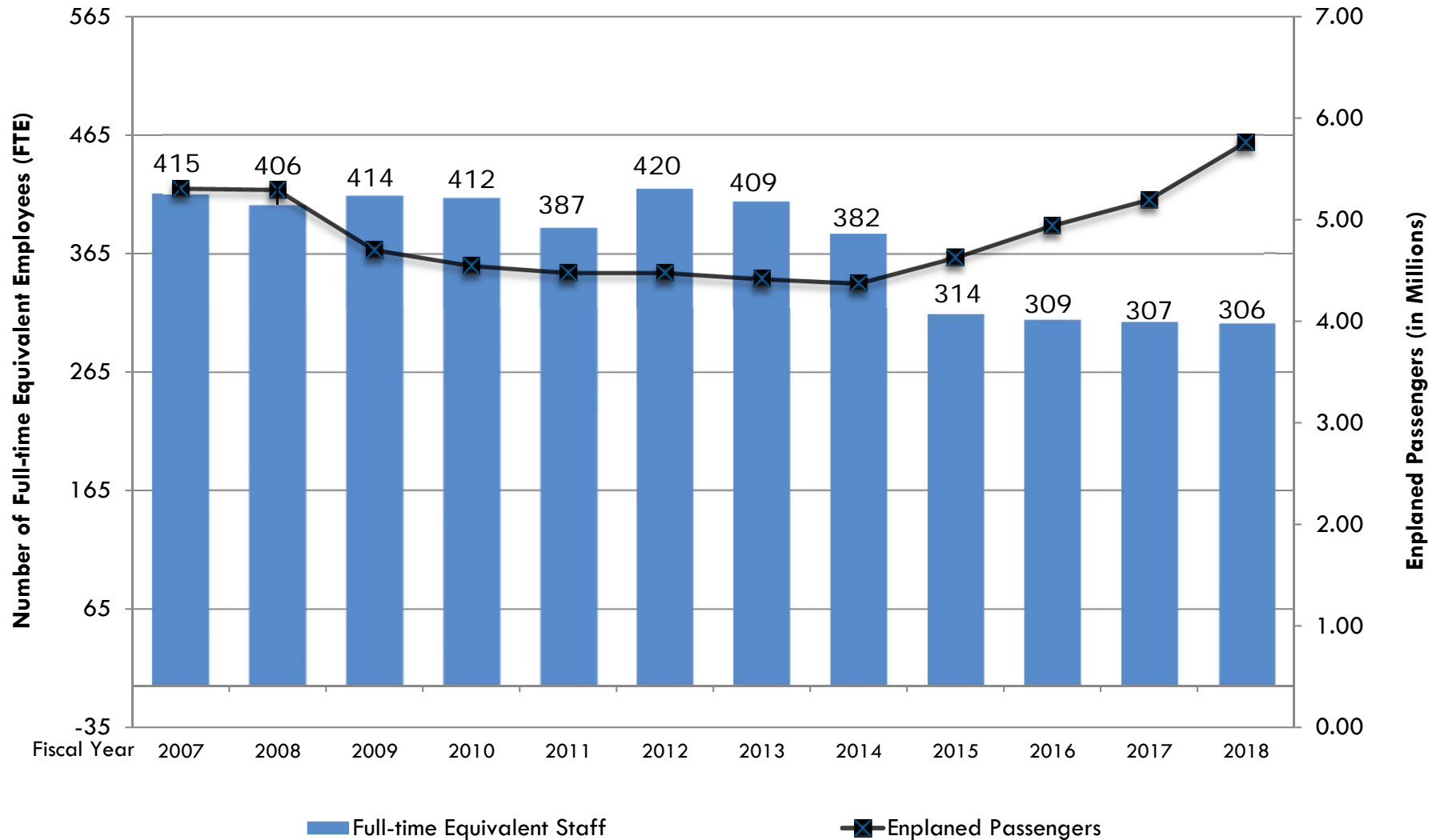


Note: Excludes Depreciation

Source: County of Sacramento, Department of Airports

# Staffing Needed to Manage Growth and Commitments

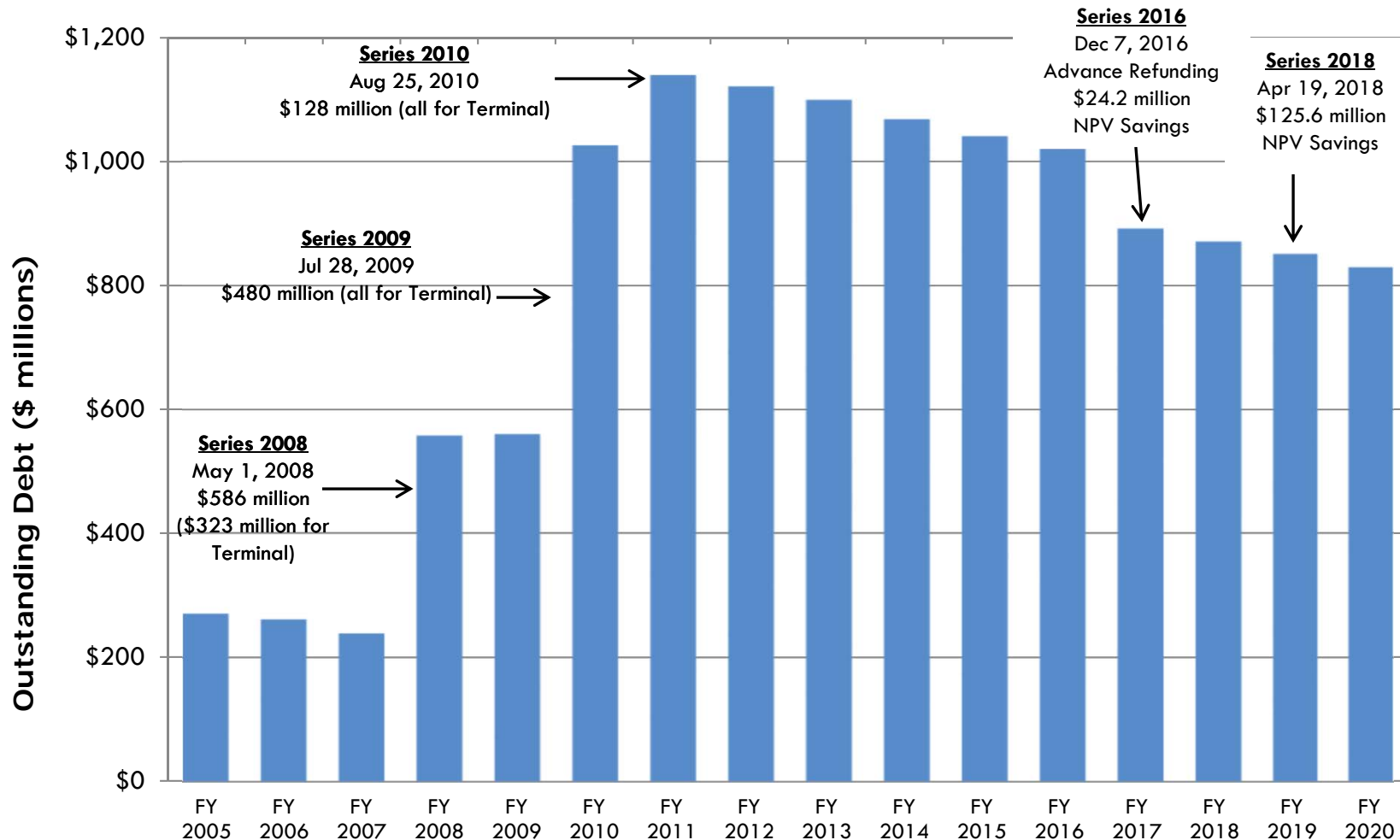
**Staffing levels have not kept pace with passenger volumes.**





# Outstanding Debt—Airport Revenue Bonds

**Significant debt from the Big Build is declining, but more debt will be needed to fund capacity-driven projects.**



NPV—Net Present Value

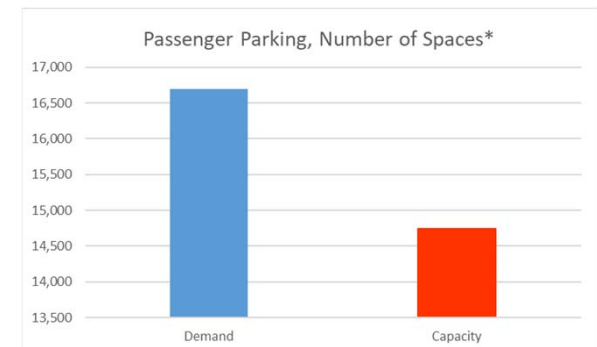
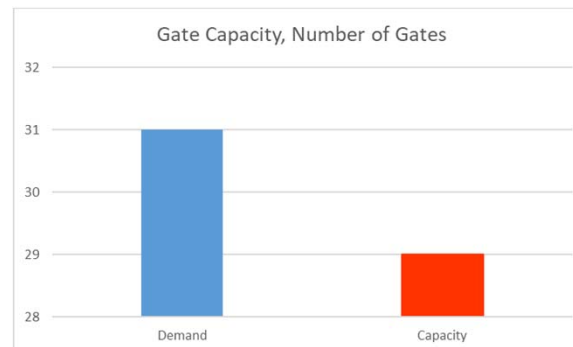
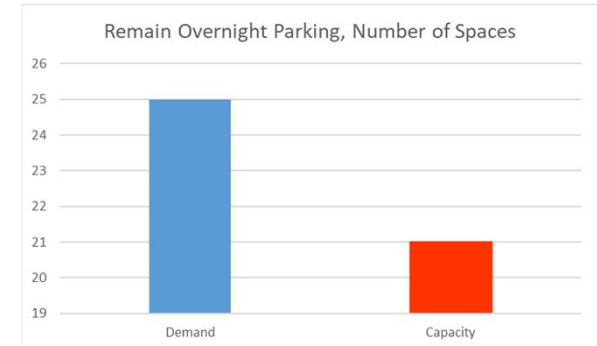
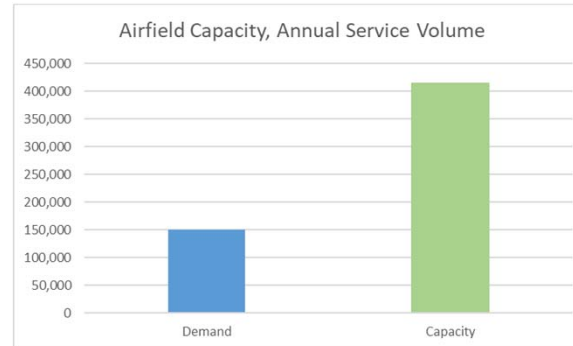


## V. Emerging Facility Constraints and Capital Investment Needs

# SMF Capacity by Facility

**Impact of Economy: Activity is outstripping capacity faster than projected.**

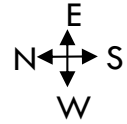
- Airfield has adequate capacity; currently undergoing improvements
- Need to invest in capacity-driven projects
  - ❑ Additional terminal gates (morning peak) and aircraft parking (remain overnight)
  - ❑ Terminal A checkpoint capacity challenge partly addressed by expansion in 2019; may be enhanced by technology
  - ❑ Need more auto parking, rental car facilities, space for Uber/Lyft, and roadway capacity
  - ❑ Airport People Mover nearing capacity at peak times, acquiring additional cars in time to meet demand
- In the near-term, Airports needs to use operational strategies and technology until new facilities can be planned, designed and constructed.



\*does not include overflow lot

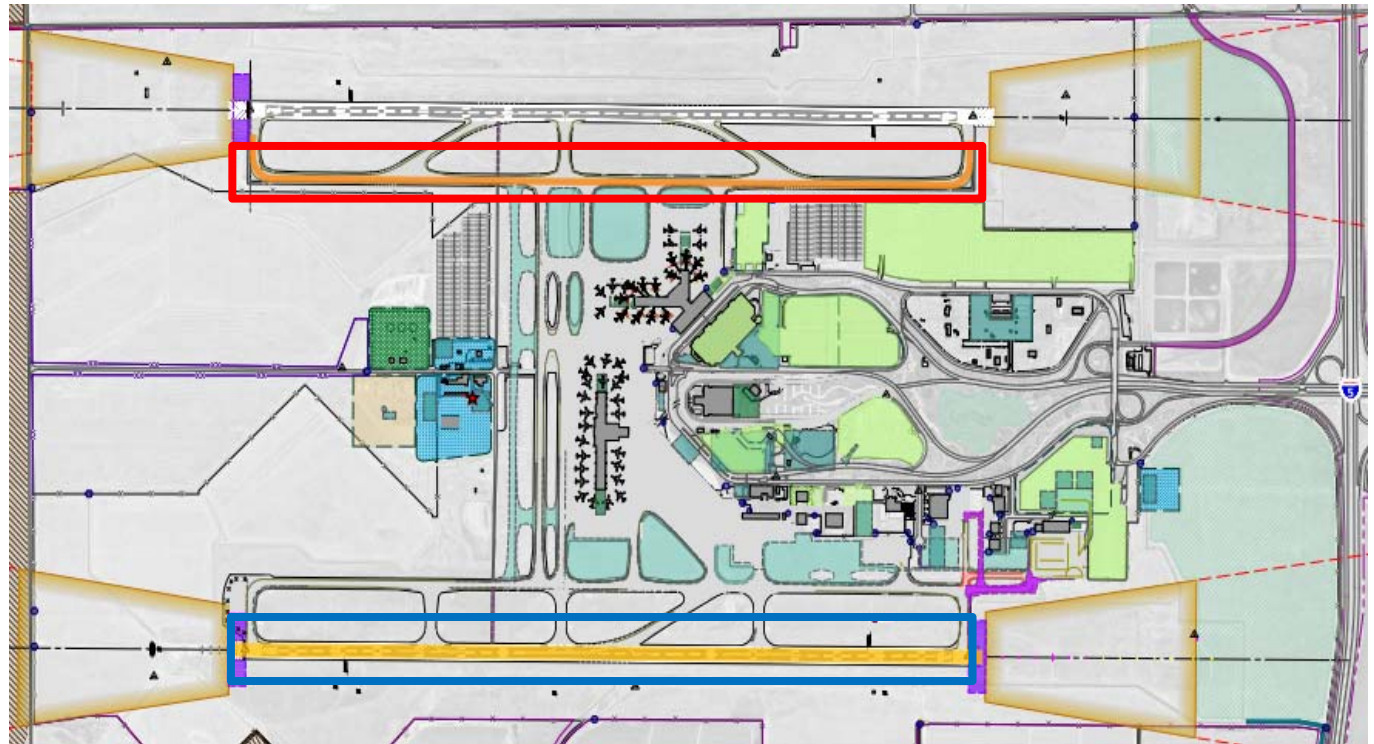
# SMF Current Airfield Improvements

SMF airfield projects remain a priority.



- ☐ **Taxiway D**  
Reconstruction  
and Asphalt  
Concrete Repair  
Substantially  
Complete

- ☐ **West Runway**  
Rehabilitation  
Spring and  
Summer 2019



# SMF Passenger Growth Accommodation Projects

**SMF needs more terminal gates and aircraft parking.**

- Preliminary projection:  
Over 15 million total passengers by 2021
- Passenger forecast and planning efforts underway to validate growth and project scope
- Likely need 4-6 additional gates
- Either or both Terminal A and Terminal B



RON--Aircraft Remain Overnight Parking



# SMF New Consolidated Rental Car Facility

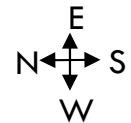
**Current RAC facility has reached the end of its useful life.**

Current efforts:

- Financial evaluation
- Coordination with rental car companies
- Site alternative analysis
- Implement Customer Facility Charge (CFC)

**Project goals:** reduce travel time between terminals and rental car facility, financially reasonable project scope, and improved customer experience

*Ties into traffic circulation and parking considerations*



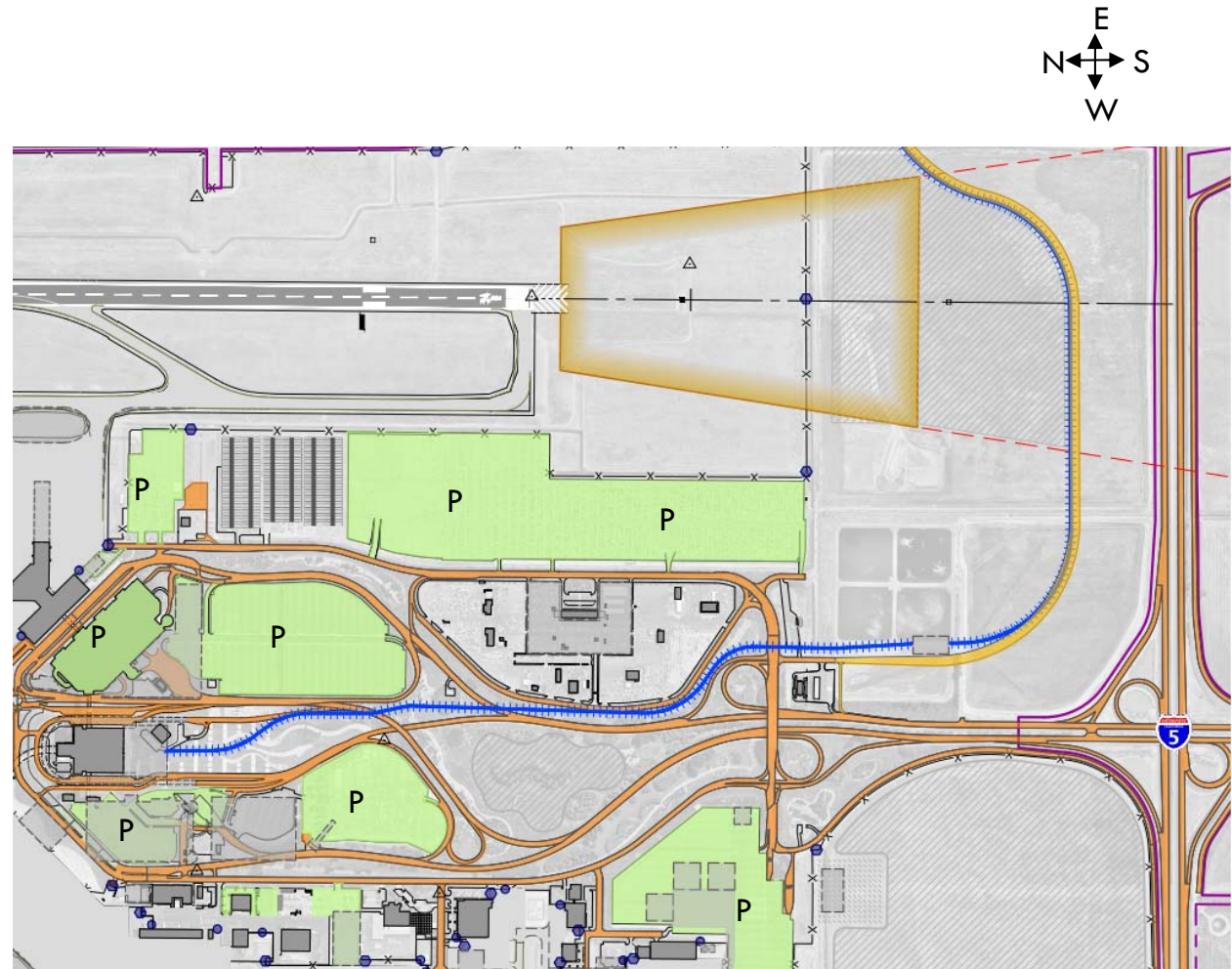
CFC—Customer Facility Charge  
RAC—Rental car

Depicts alternative service sites

# SMF Ground Access and Parking

**Need more close-in auto parking, roadway capacity, and pedestrian circulation.**

- Goals
  - ❑ Reduce curbside and inbound/outbound Airport Boulevard congestion
  - ❑ Enhance parking capacity
  - ❑ Provide secondary access to SMF
  - ❑ Improve customer experience
- Improve and expand facilities for app-based ride services (Uber/Lyft)
- Shuttle bus pick-up/drop-off
- I-5 southbound ramp
- Elkhorn Extension
- Terminal and concourse pedestrian pathways and connectivity
- Light Rail Green line

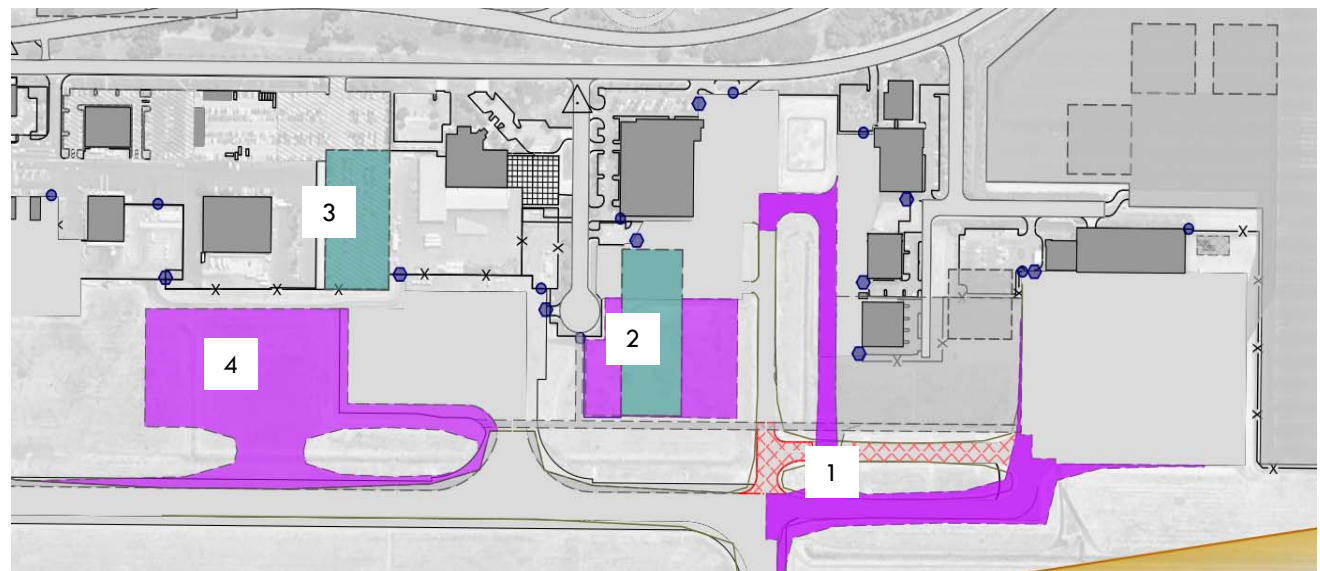


# SMF Cargo Facility and General Aviation Improvements

## SMF needs additional facilities for cargo and general aviation (GA)

Southwest side of  
airfield:

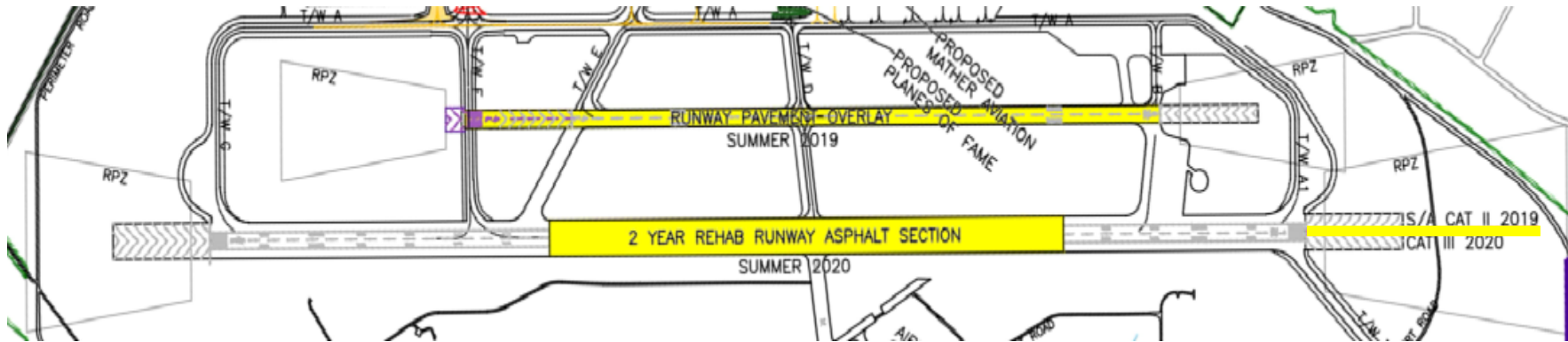
1. Taxiways A & P  
realignment
2. Second hangar  
development for  
Cessna/Textron
3. Cargo sort facility
4. Expansion of Cargo  
apron





# Mather Vision Plan – Airfield Improvements

**Improvements needed to accommodate expansion and expected growth of air cargo operators.**



## Mather Airport Runway Rehabilitation and Instrument Landing System

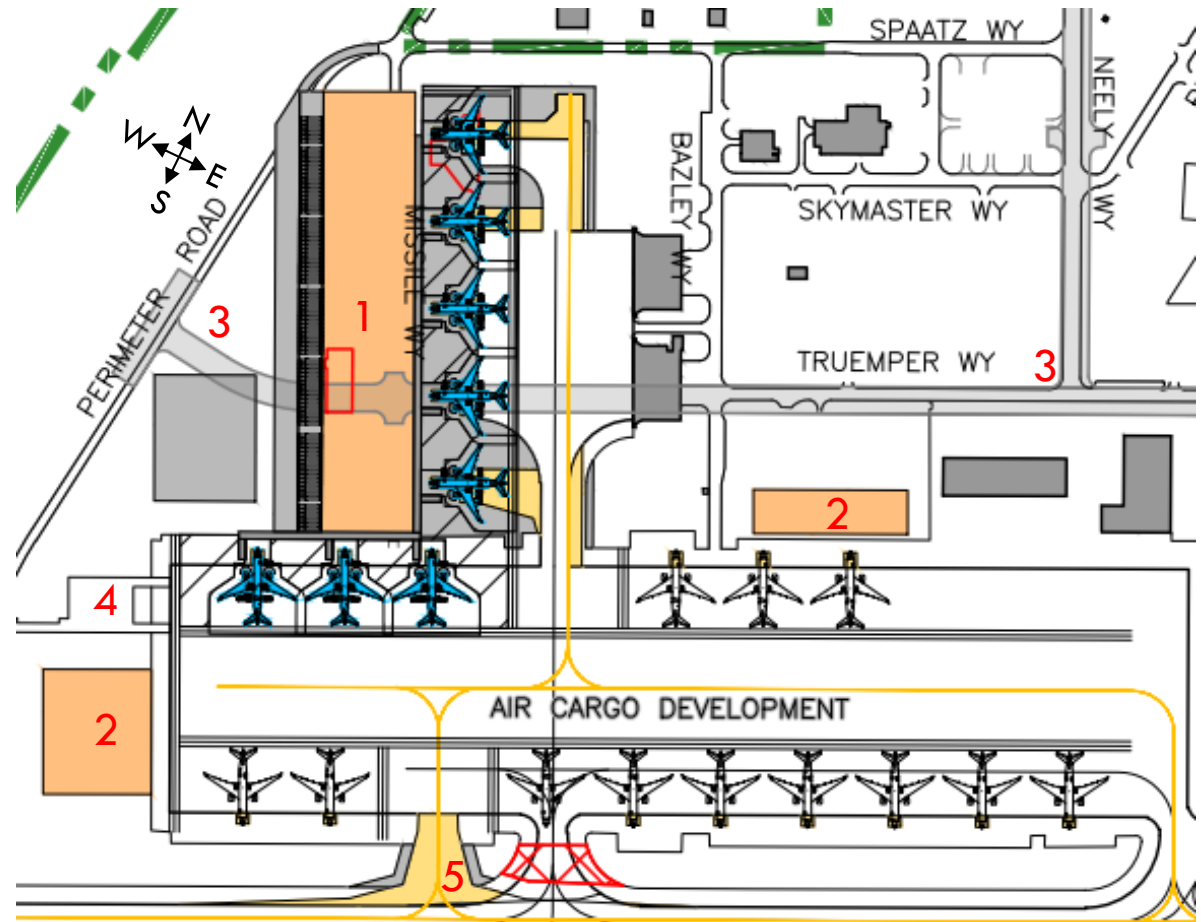
- ➔ \$30-40 million in runway extension and rehabilitation to be completed by Fall of 2020
- ➔ Upgrade Instrument Landing System to SA Cat II in November of 2019 to allow flights when visibility is as low as 1400 feet
- ➔ Upgrade Instrument Landing System to CAT IIIb by late 2020 to allow flights when visibility is as low as 700 feet

SA—Special Authorization by FAA  
CAT—Category

# Mather Vision Plan – Air Cargo Development

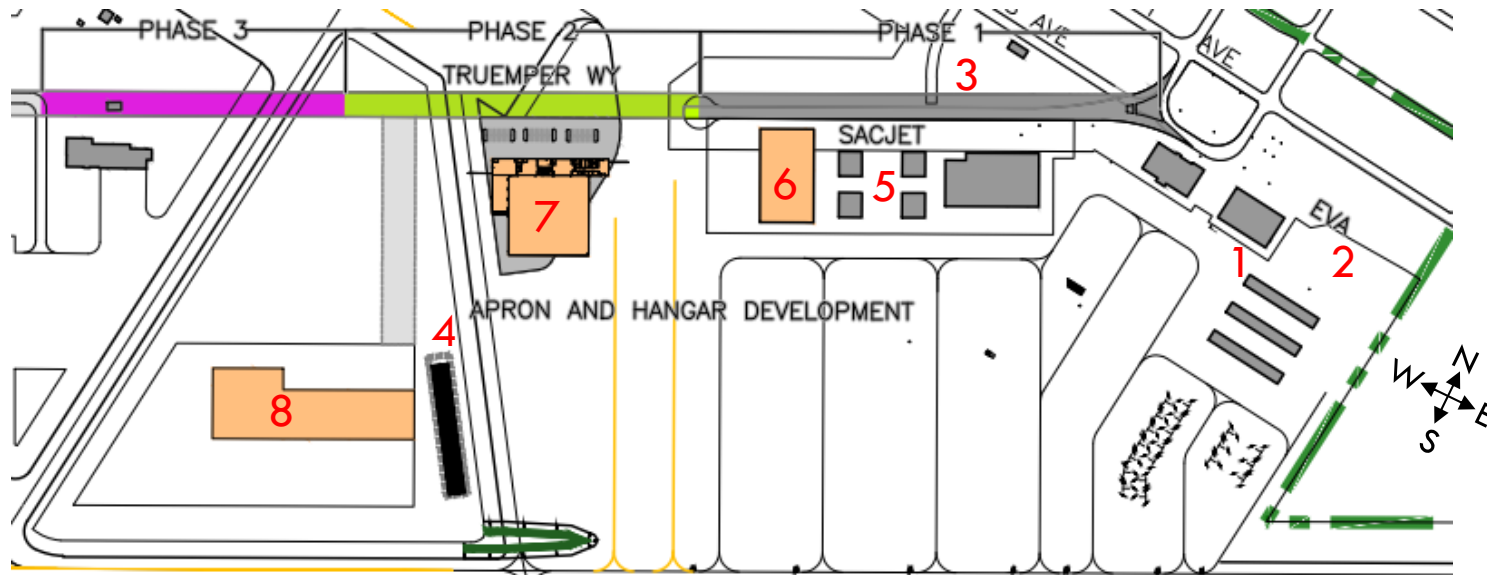
**Work is underway to start implementing the Mather Vision Plan.**

1. New Cargo Facility
2. New Cargo Sort and/or Maintenance, Repair Overhaul Facilities
3. Mather Roadway System Improvements to facilitate high volume of truck traffic
4. Extend jet fuel pipeline to Fuel farm
5. Taxiway realignment to optimize ramp efficiency and meet FAA design standards



# Mather Vision Plan – Flightline Improvements

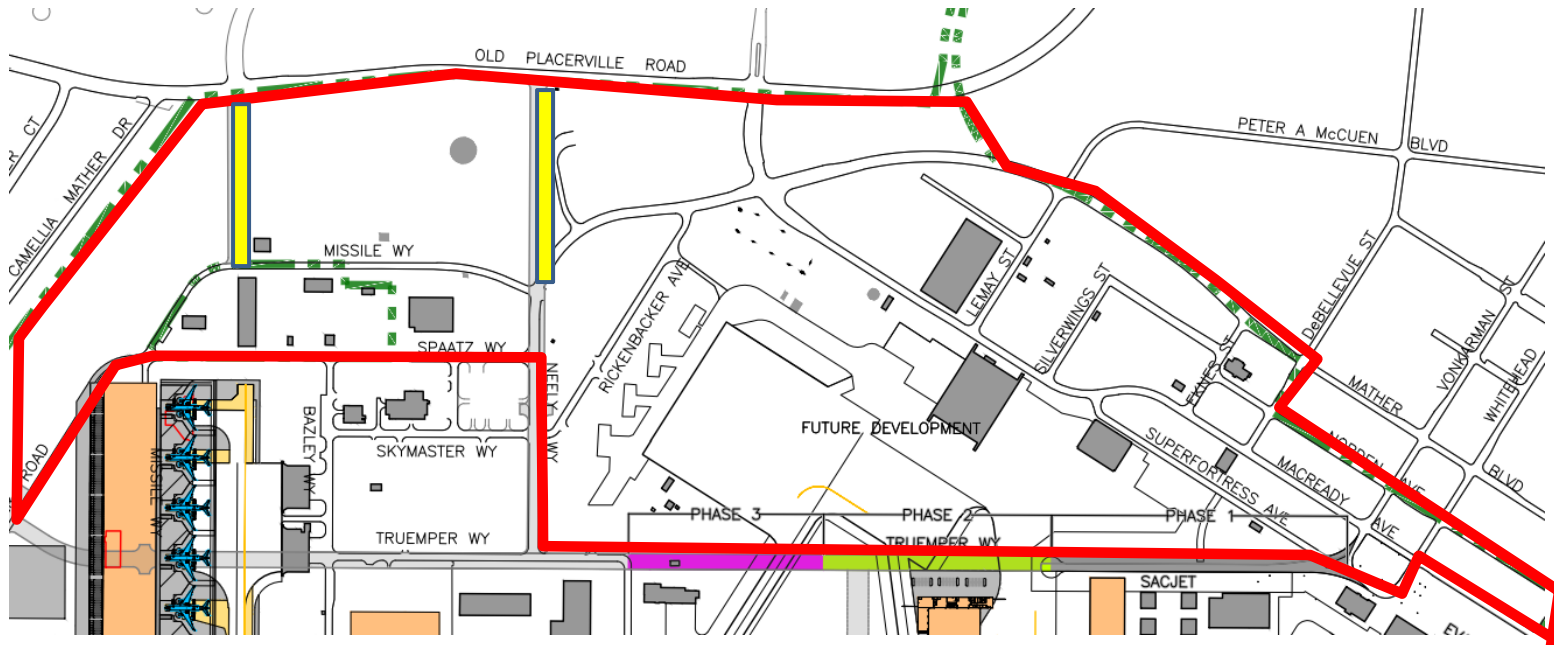
## Current and completed projects.



1. EVA Airline Flight Training Academy – Completed in 2017
2. EVA Airline Flight Training Hangar – Under construction
3. Truemper Way Extension Phase 1 – Completed in 2018
4. General Aviation Rehabilitation & Storm Water Runoff Mitigation Device – Completed in 2018
5. Mather Jet Center Hangar Development – Completed in 2018
6. Mather Jet Center Phase 2 Hangar Development – Design complete & undergoing permitting process
7. New Facility for Mather Aviation – preliminary design complete & undergoing financial feasibility analysis
8. Planes of Fame Museum – In discussion

# Mather Vision Plan – North Opportunity Areas

**Development of the North Opportunity Area to maximize Mather Airport's potential as an economic and commercial hub.**



## **North Mather Commercial Industrial Development Opportunity Areas**

- 350+ acres of commercial development opportunity
- Determine most advantageous delivery method: master developer vs. phased approach
- Planned infrastructure improvements
- New roadway extension for direct connectivity to Old Placerville Road

# Mather Vision Plan – South Opportunity Areas

**Development of the South Opportunity Area will maximize Mather Airport's potential as a major air cargo, economic and commercial hub.**



## Path Forward:

- ➔ Initiate planning activities to determine infrastructure needs
- ➔ Analyze the feasibility to constructing Douglas Road Extension as depicted
  - ➔ Opens up south side of airfield for development
  - ➔ Relieve traffic in residential areas
  - ➔ Transfer roadway and existing drainage ditch right of way to other County departments
- ➔ Release airport property for commercial development
- ➔ Coordination with the FAA on land release

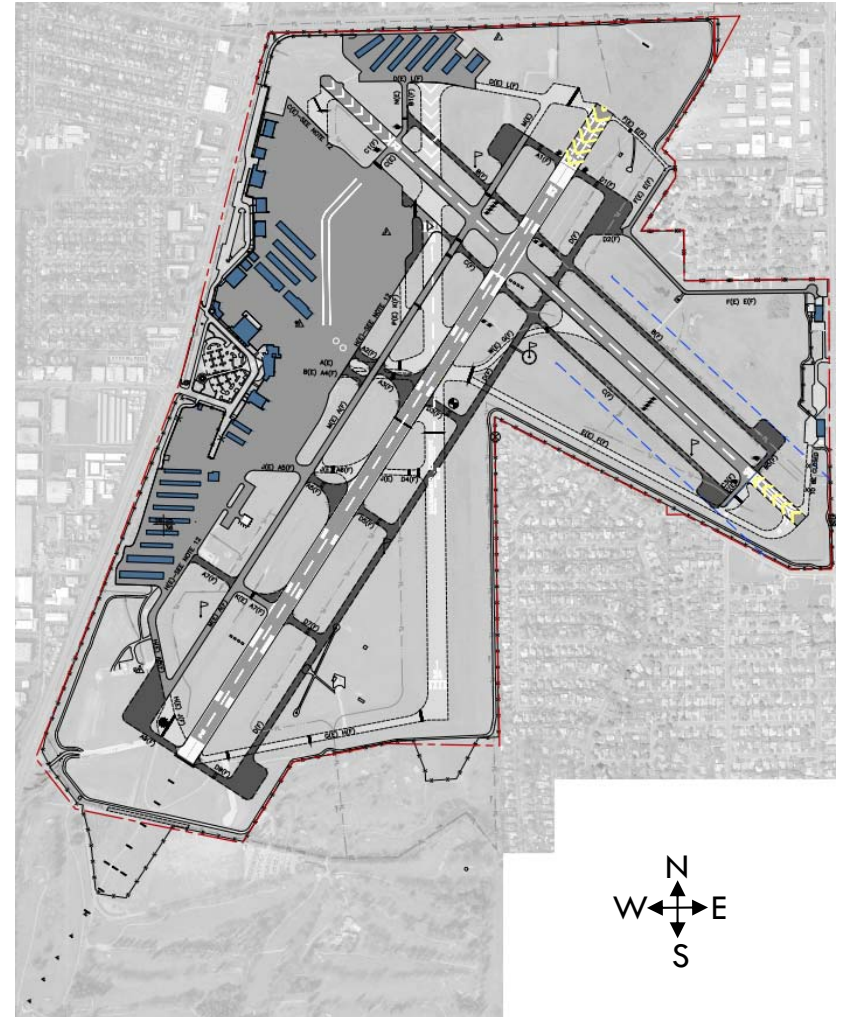


# Sacramento Executive Airport

## Create a Financially Sustainable Operating Model

### City-County Lease Agreement

- ➔ 25 year annually renewing (“Evergreen” lease)
- ➔ Relatively stagnant revenue in the face of ongoing and significant maintenance costs
- ➔ 5-Year Capital Improvement Needs
  - Exceed \$18 million
  - Includes major runway safety improvement and pavement rehabilitation projects
- ➔ Building and Hangar Leases
  - Hangar leases are mostly below market rate
  - Most of the leasable buildings require significant improvements
- ➔ Safety
  - Off-airport tree restrictions and non-compliant runway safety area may necessitate shortening of primary Runway 2/20

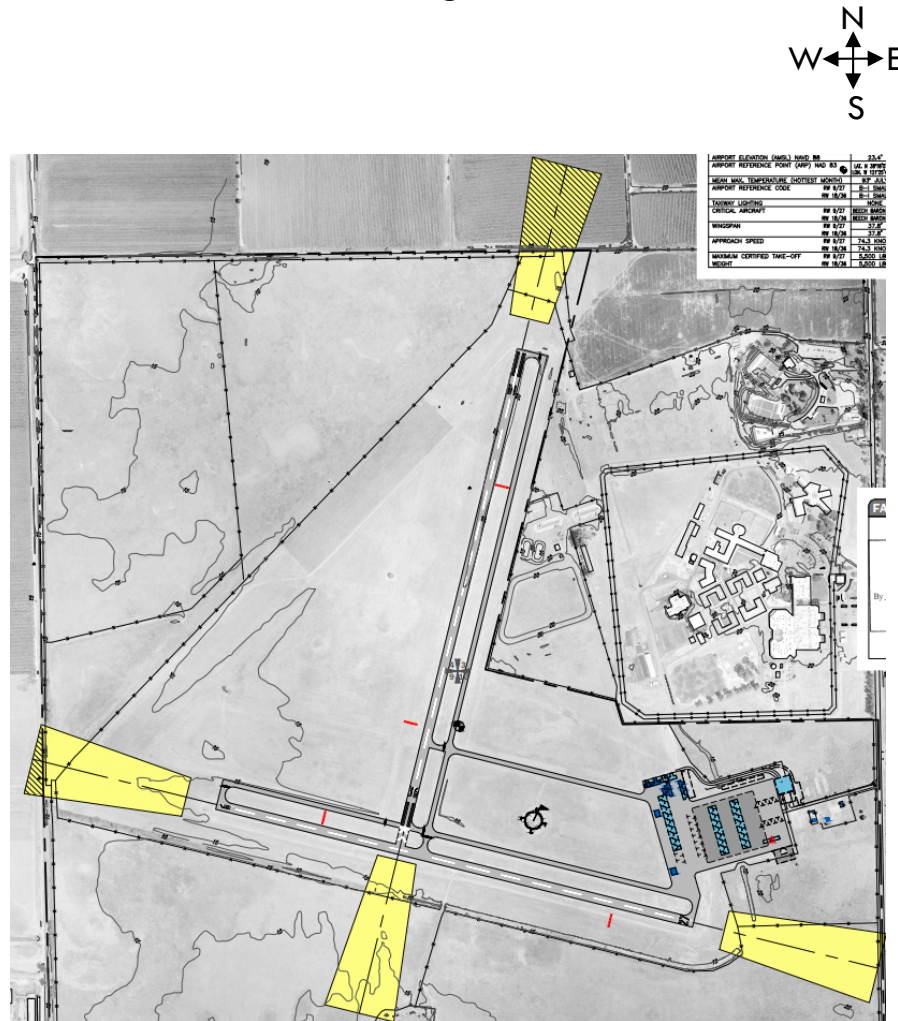




# Franklin Field

## Smart capital investment to preserve this County asset

- ➔ County-owned, former US Air Force training auxiliary field
  - ❑ Primarily used for flight training
  - ❑ 12 tenants with portable hangars pay \$60/month ground lease
  - ❑ No infrastructure or utilities
- ➔ Limited development opportunity, as the airport elevation is below 100 year flood plain elevation
- ➔ 5-year Capital Improvement needs exceed \$2.35 million
  - ❑ Runway, taxiway, and aircraft ramp pavement require rehabilitation
  - ❑ Airport entrance road and vehicle parking require rehabilitation



## Next Steps

### **Manage current opportunities and facilities while planning new facilities**

- Continue to seek new air service to un-served and under-served markets
- Manage SMF's gates, checkpoints, aircraft parking, Uber/Lyft, rental cars and roadways while new facilities are being planned
  - ❑ Use operational strategies and technology
  - ❑ Assess staffing and budget needs relative to increased activity
  - ❑ Continue to plan and develop new facilities
  - ❑ Take Rental Car Customer Facility Charge to Board on February 26<sup>th</sup> to fund rental car facilities
- Advance Mather development plans and projects
- Identify optimal ways to invest in improvements at Franklin Field and Executive Airport

Return to Board in November to report on progress