

Santa Barbara Airport • Economic Impact Report



AUGUST 2001





Dear Members of the South Coast Community,

I am pleased to share with you the results of the Santa Barbara Airport's Economic Impact Study. It has been approximately 10 years since we last measured the economic impact of the Airport on the South Coast's economy.

The study conducted during the Summer of 2001, in partnership with Booz Allen Hamilton and the University of California at Santa Barbara's Economic Forecast Project, confirmed what we all believed—the Airport is a significant contributor to the Santa Barbara County economy, with an annual economic impact of \$517 million—all with no cost to local taxpayers.

The study results, which follow, demonstrate the importance of the Airport as a generator of jobs, an entry point for visitors and a significant contributor to the South Coast's economic vitality.

Nearly 120 companies are located on Airport property generating over 1,500 total jobs, as well as contributing over \$80 million in direct and indirect expenditures. The Airport's impact is more than just employment. Over 200,000 visitors annually begin their vacations or business trips to the region by passing through the Airport. These visitors contribute over \$540 million to the local South Coast economy by staying at hotels, eating in restaurants, and playing golf or visiting attractions.

The Airport's impact is not limited to just the immediate area around the Airport. Both employees and visitors live and visit throughout Santa Barbara County. For local businesses, the Airport provides a significant convenience in time and money saved by not having to drive to larger airports in other counties. The commercial flight schedule makes reaching destinations in California, the United States and around the world easier than ever before.

We are proud of the Airport's contribution to the community and are committed to ensuring that the residents and visitors have a fully-functional airport that forever retains its aesthetic charm and ease of use.

Best Regards,

Karen Ramsdell

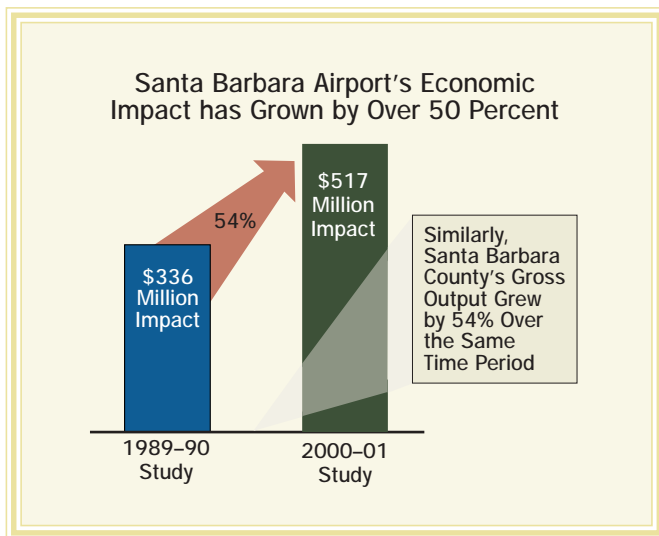
Karen Ramsdell
Airport Director

STUDY PARAMETERS

The economic impact study was undertaken during the Summer 2001 by Booz Allen Hamilton and the University of California at Santa Barbara Economic Forecast Project. Data was gathered through surveys and focus groups of airport users, tenants and others. Additional data was obtained from the Santa Barbara Airport and the Santa Barbara County Economic Outlook 2001. The model methodology follows the U.S. Department of Commerce RIMS II model with necessary adjustments by the study team. RIMS II is widely used by airports in the creation of economic impact models.

A MAJOR CONTRIBUTOR TO THE LOCAL ECONOMY

The Santa Barbara Airport is entirely self-sustaining – no tax dollars are spent in the operation or maintenance of the Airport



THE SANTA BARBARA AIRPORT:

- Generates over 2,000 jobs
- Brings in over 200,000 tourists & business travelers
- Generates over \$35 million in Federal, State and Local taxes



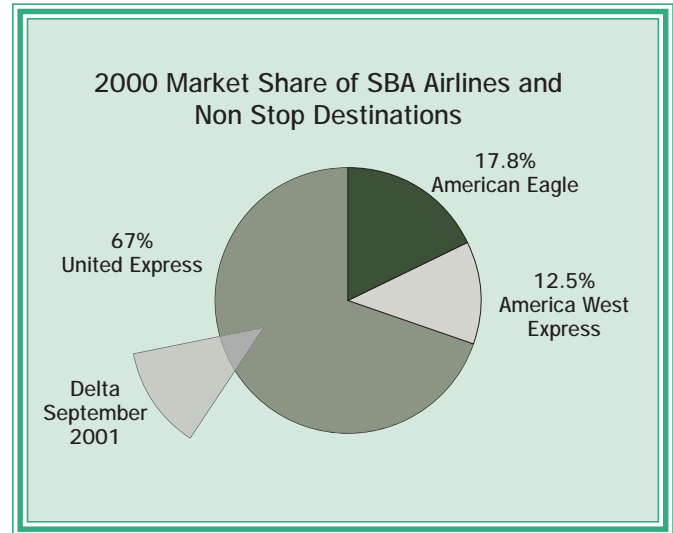
With an economic impact of over half of a billion dollars, the Santa Barbara Airport is one of Santa Barbara County's most important centers of economic activity.

SERVICES

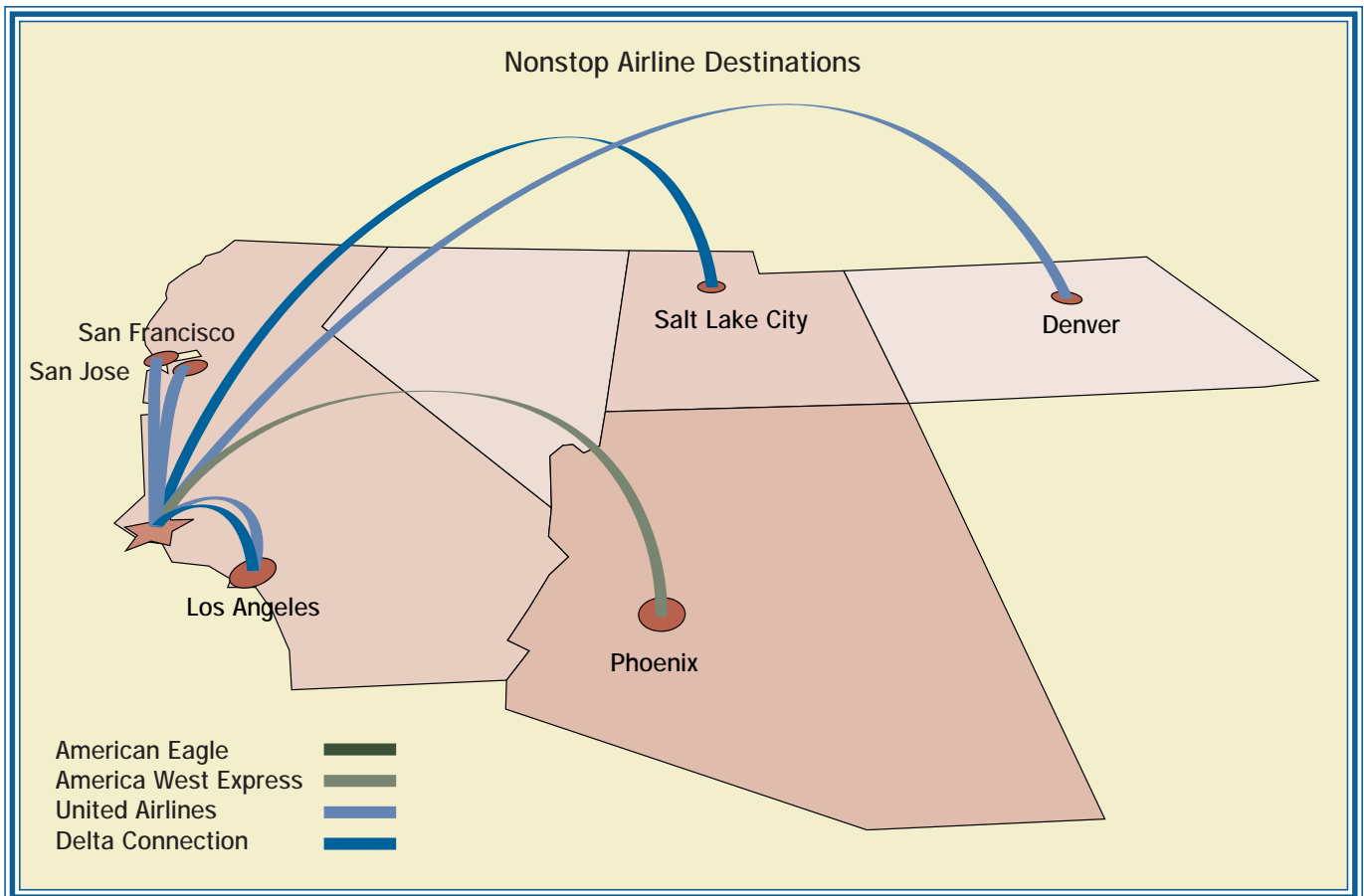
The Santa Barbara Airport is really two distinct businesses. In addition to the transportation services usually associated with airports, the Airport is a major commercial lessor. Most airports do not have the benefit of generating non-aviation revenue to support aviation activities and facilities. The transportation services component of the Airport is conveniently divided into three major areas: General Aviation, Commercial Aviation, and Ground and Freight Services.

- **Commercial Aviation**

Commercial Aviation is the business that most people associate with airports. It is the



passenger service provided by regularly scheduled airlines. In August 2001, four airlines served passengers at the Santa Barbara Airport. The airlines provided service to six non-





of the study, with 67 percent of all nonstop destination flights. This airline provided nonstop service to San Francisco, San Jose, Denver, and Los Angeles. American Eagle, with nonstop flights to LA, had a 17.8 percent market share. America West Express, with flights to Phoenix, had a 12.5 percent market share. Since the study, in September 2001, Delta Connection began providing nonstop flights to Salt Lake City.

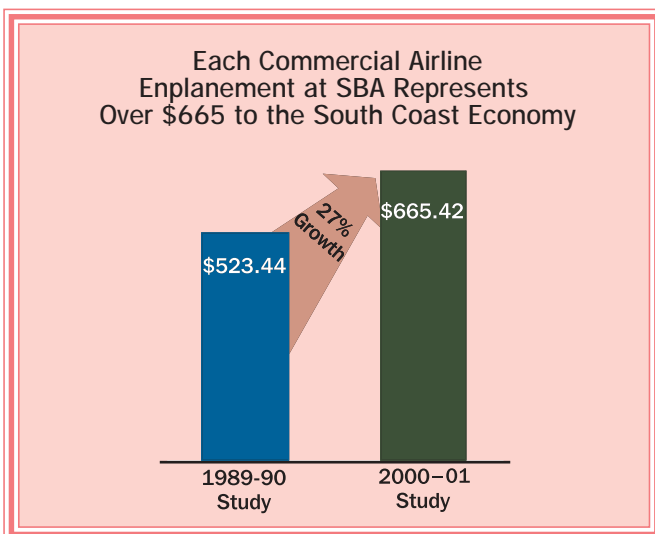
stop destinations with single-connection service to well over 200 destinations. Many of these flights were offered on long-range regional jets with capacities for 50 passengers to major international hubs. In 2001, approximately 725,000 passengers passed through the Santa Barbara Airport.

United had the largest market share of Santa Barbara Airport passengers at the time

The new flights offered by Delta Connection reflect the attractiveness of the Santa Barbara market, the economics of long-range regional jets, and the proactive efforts of Santa Barbara Airport management to attract airlines and acquire service to new hubs. Continued improvement in the economics of longer-range regional jets, the attractiveness of Santa Barbara as a vacation destination, the vigor of the local economy, and the wealth of Santa Barbara County residents are likely to mean expanded services to new hubs in the coming decade.

• General Aviation

General Aviation is the operation of non-commercial-airline aircraft. This includes private personal aircraft and business aircraft. The use of noncommercial aircraft by businesses has been growing in recent years. September 11 provided additional impetus for new growth in the use of private jets by businesses.



During the time of the study, over 160 aircraft were based at the Santa Barbara Airport. These aircraft had an estimated value in excess of \$47 million and generated over \$500 thousand in annual Santa Barbara County property taxes. General Aviation also contributes significant tax revenues through property taxes, sales and uses taxes, and fuel taxes.

Besides locally-based aircraft, General Aviation is a method of bringing visitors to Santa Barbara County. Based on the 2000-2001 study period, these General Aviation visitors contribute over \$55 million to the local economy annually.

Santa Barbara Airport General Aviation is supported by three local Fixed Based Operators (FBO). These FBOs provide support services for visiting and Airport-based aircraft. These services include providing fuel and aircraft maintenance, flight schools and charter. All told, General Aviation supported nearly 70 direct jobs and generated almost \$10 million in annual corporate revenue.



• Ground and Freight Services

Air travel requires local ground-transportation support, freight handling, and aircraft support. Santa Barbara Airport has a total of 47 support business units, including six ground transportation companies. These companies include taxi cabs, door-to-door shuttle services, limousine services and rental cars.

In 2001, over 83,000 cars were rented at the Airport and more than 250,000 cars parked in Airport parking lots.

In 2000, rental car and ground transportation companies employed nearly 140 people and had a payroll in excess of \$2 million. These companies together had annual revenues approaching \$9 million annually.

While most people think of passenger travel when they think of airports,



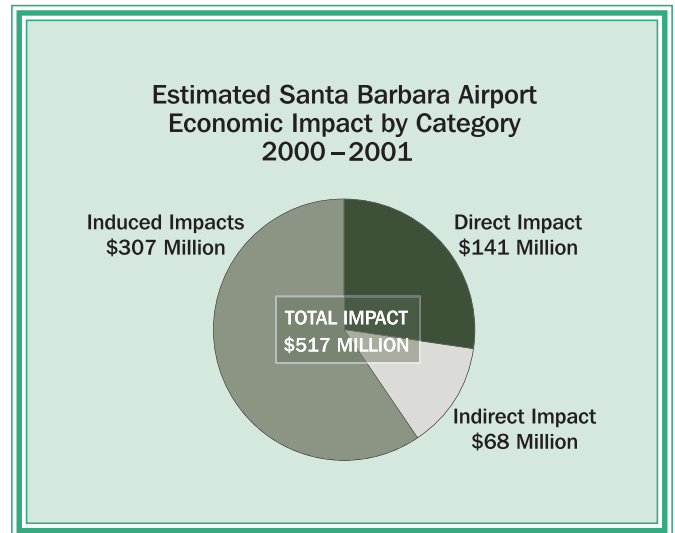
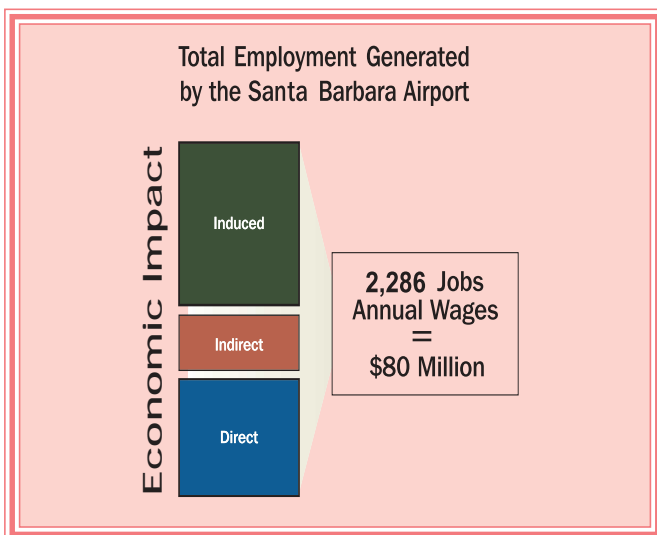
air freight is an important and growing component of American business and Santa Barbara Airport activities. At the Santa Barbara Airport in 2001, this business was growing more rapidly than the commercial passenger business.

In 2000, freight companies generated revenues of just under \$8 million and moved over six million pounds of freight through the Santa Barbara Airport. This is more than double the 1993 volume. This activity employed over 100 people at the Airport in 2000 and generated over \$2 million in annual salaries.

ECONOMIC IMPACT

• Channels

The Santa Barbara Airport creates and economic impact through three channels: Airport economic activity, general aviation and tourism. Before proceeding, a definition of economic impact is needed: economic impact is the incremental impact on Gross County Product of Santa Barbara County. That is the incremental impact on the value of the goods and services produced in the County. This is distinct from spending. For example suppose someone purchases a \$2 cup

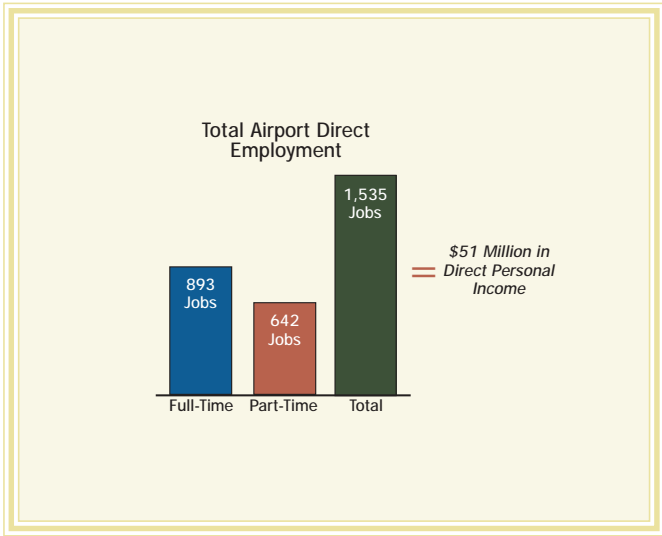


of coffee in the County. If the cost of supplies (coffee, water, cup, etc.) is \$1.50, then the incremental impact is fifty cents.

Each channel of economic impact has three sources of impact; **Direct**, **Indirect** and **Induced**. The first source, the Direct Impact, is immediate economic results of business activity that originates at or because of the Santa Barbara Airport. The Indirect Impact is the local economic results of what businesses involved with the Airport spend for local goods and services. The Induced Impact is the economic impact of successive rounds of spending that originate with the direct and indirect impacts related to the Santa Barbara Airport and aviation. This is the important “multiplier effect.”

Airport Economic Activity

The first channel of economic impact is through the economic activity that occurs at the Airport. The direct impact of this channel includes the direct jobs and salaries created to perform that economic activity. The indirect impact of this channel is the economic activity or spending created by those jobs and salaries.



General Aviation

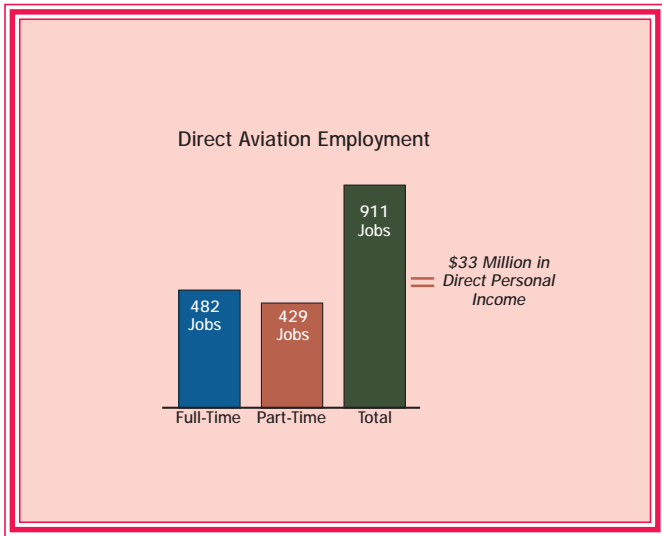
Santa Barbara Airport’s second channel of economic impact is through General Aviation. This aspect of Airport operations is discussed more thoroughly later when the economic impact is summarized (page 7).

Tourism

The final channel of economic impact created by the Santa Barbara Airport is through tourism. The Airport is a portal for visitors to Santa Barbara County. The spending by these visitors is a major source of economic activity in Santa Barbara County. In fact, in August 2001, this was the largest source of economic impact of the Airport.

The total economic impact of the Santa Barbara Airport was approximately \$517 million per year in the 2000 - 2001 study period.

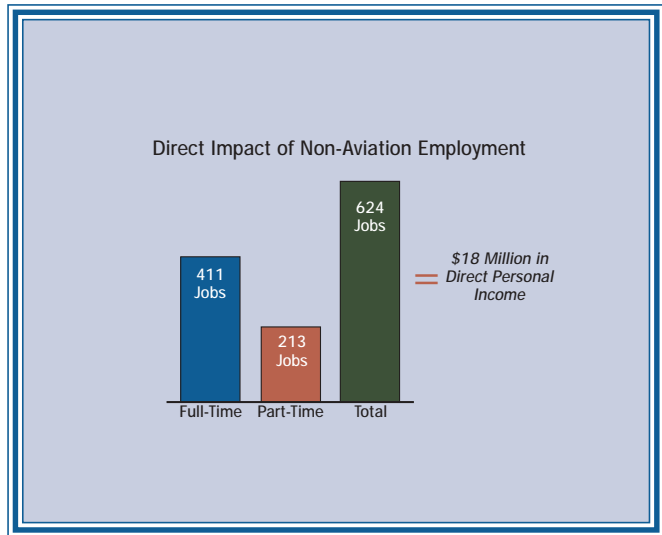
- Airport employment and payroll was responsible for \$180.6 million.
- Tourism was responsible for \$336.4 million.
- General Aviation was responsible for \$31.1 million.

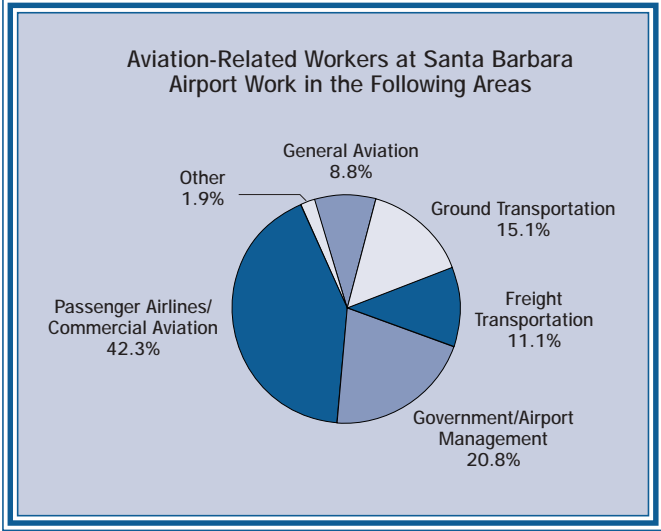
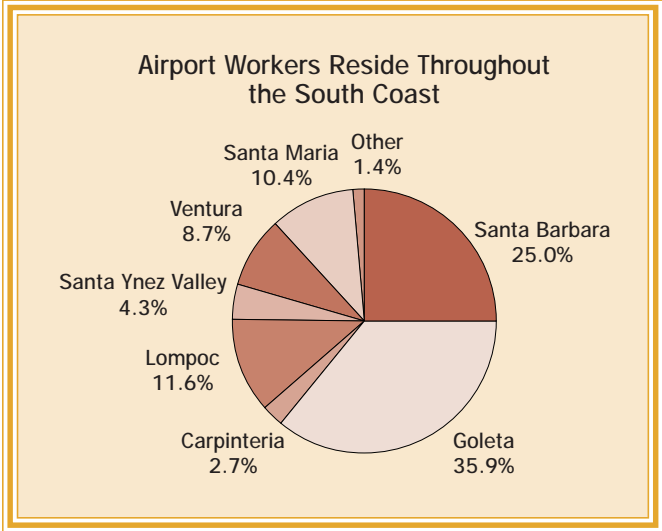


• Airport Employment and Payroll

Over 900 individuals were employed at aviation-related jobs at the Santa Barbara Airport during the study period. In addition, there were another 624 non-aviation related jobs on the Airport. Combined, these 1,535 jobs generated over \$50 million in salaries. They also placed the Airport and its tenants as one of the largest employers in Santa Barbara County.

The analysis here is primarily related to aviation related jobs. In addition to the direct 911 aviation related jobs at the Santa Barbara Airport, there were 431 indirect jobs and





320 induced jobs. The 911 direct jobs generated a payroll of \$33.2 million, for an average annual salary of \$36,500. By comparison, the average annual salary in Santa Barbara County in 2000 was \$32,821. The 751 induced and indirect jobs generated a payroll of \$19.7 million. These jobs had a significantly lower average annual salary of \$26,300.

In summary, in the 2000 - 2001 study period, the Santa Barbara Airport was the source of 911 direct aviation jobs, 624 non-aviation related jobs on the airport, 751 indirect and induced jobs resulting from the aviation jobs. The respective total salaries were

\$33.2 million, \$17 million, and \$19.7 million.

The total Santa Barbara County economic impact from aviation related activity at the Santa Barbara Airport was \$149.5 million. This amount is a sum of \$53 million in payroll, \$86.1 million in business expenditures, and \$10.4 million in taxes.

- **General Aviation**

A less visible but important economic impact generated by visitors to Santa Barbara County is via General Aviation. General Aviation includes all uses of aircraft except the commercial airlines.





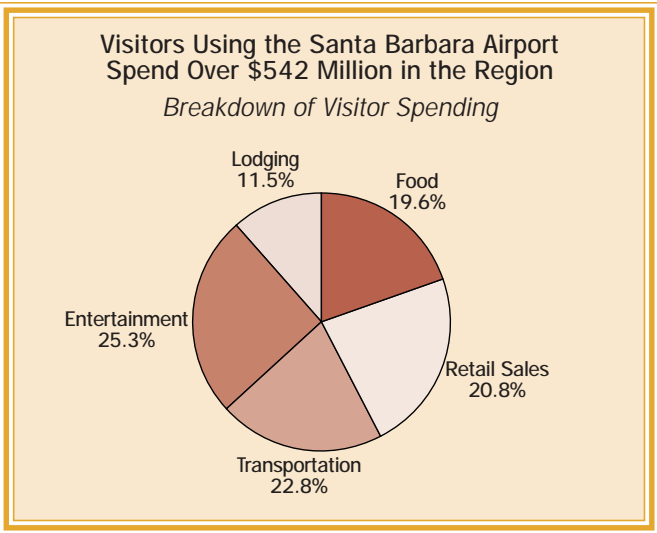
During the study period, the bulk of Santa Barbara Airport General Aviation visitors were day visitors, and about two-thirds of these were for leisure rather than for business. Very few were for overnight business or leisure. However, the impact of these visitors was significant; \$31.1 million including \$4.2 million in tax revenue.

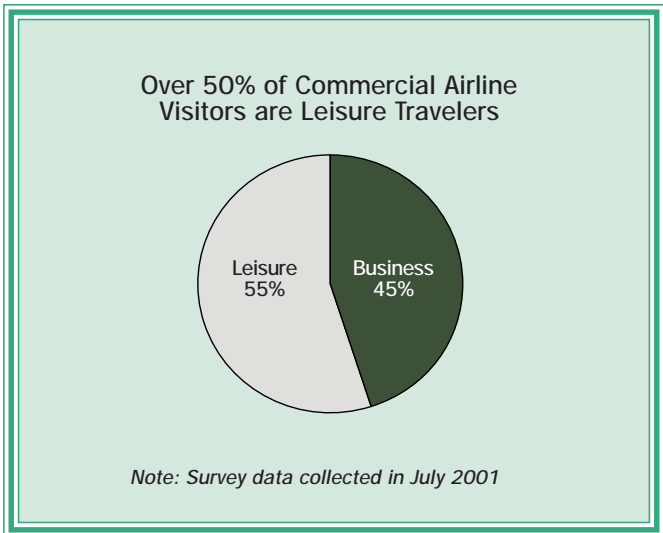
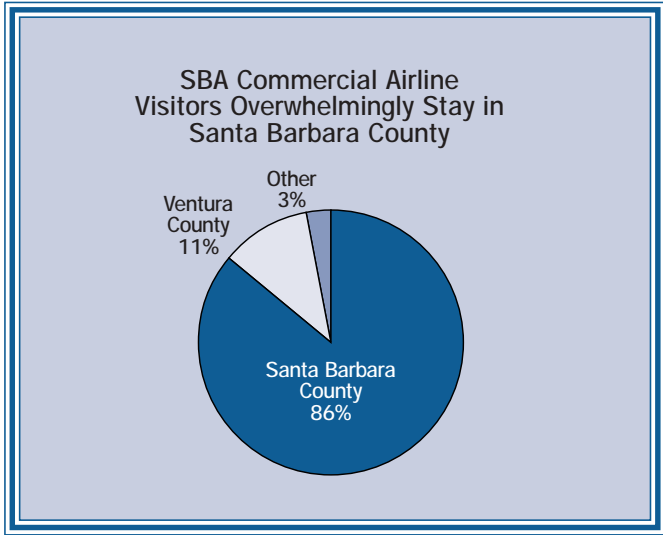
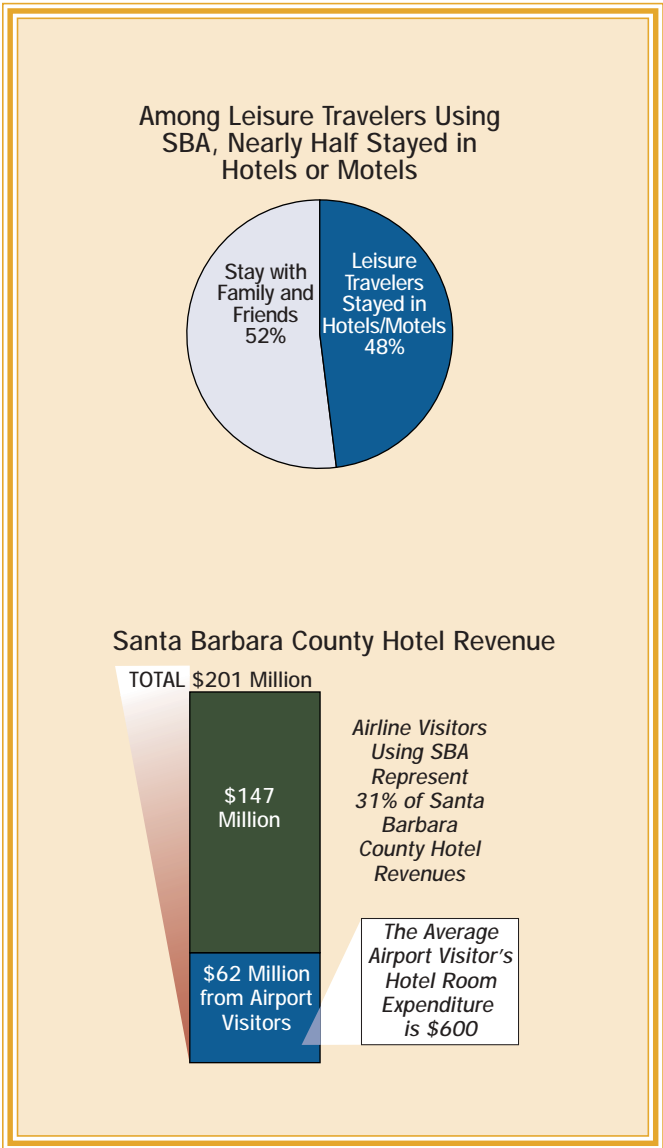
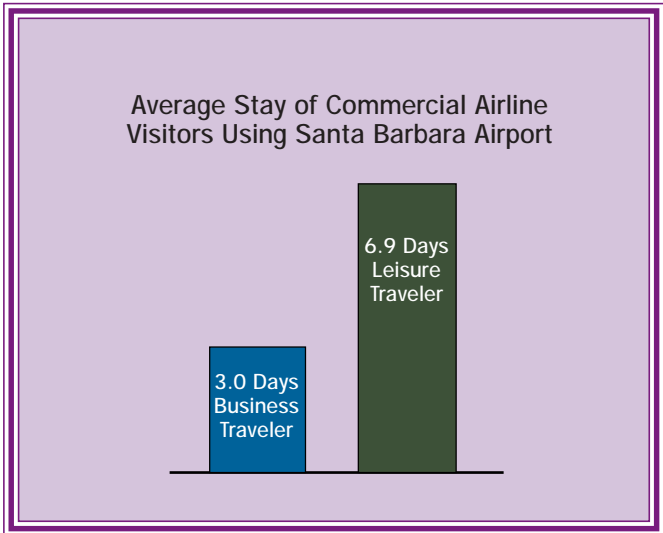
• **Tourism**

Santa Barbara Airport’s largest impact on the Santa Barbara County economy comes from the County visitors that arrive via the Airport. Over 200,000 County visitors pass through the Airline Terminal each year, and these visitors come to spend. In the 2000 - 2001 study period, they spent \$542 million, creating 14,106 jobs and a local economic impact of \$336.4 million. Each Commercial Airline visitor represented over \$665 to the local economy. This is up 27 percent from a study done in 1989-1990.

Santa Barbara County visitors arriving through the Santa Barbara Airport spent approximately 25.3 percent of their total spending on entertainment. They spent 22.8 percent on transportation and 20.8 percent on retail sales. About 11.5 percent was spent on lodging and food accounted for the remaining 19.6 percent. Airline visitors accounted for 31 percent of Santa Barbara County Hotel Revenues. The average Santa Barbara Airport visitor that stayed in a hotel or motel spent \$600 on lodging.

A portion of this study involved a survey of passengers at the Airline Terminal. From this survey, we found that about 55 percent of visitors were here for leisure, and 48 percent of these visitors stayed at hotels or motels. About 86 percent of surveyed travelers stayed in Santa Barbara County, with the bulk of the remaining travelers staying in Ventura County. Leisure visitors stayed an average of 6.9 days, while business travelers stayed an average of 3.0 days.

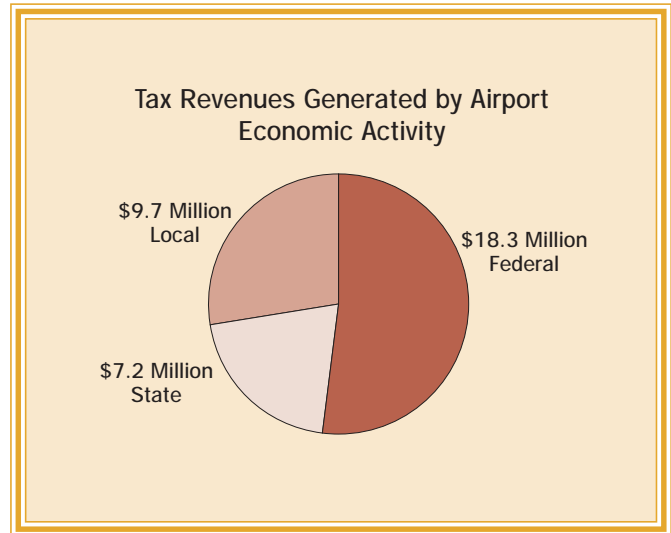




GOVERNMENT

The Santa Barbara Airport is owned and operated by the City of Santa Barbara. The Airport has impacts on various other government agencies. Fiscal impacts through taxes are the most immediate. However, some government agencies find the Airport facilities well suited for their operations, and they maintain a presence at the Airport. The California Department of Justice has a forensics lab at the Airport. The Santa Barbara City Fire Department provides on-site Aircraft Rescue and Firefighting services. The Federal Aviation Administration (FAA) provides air traffic control services on-site. The U.S. Forest Service operates an air attack base at the Airport.

Taxes on Santa Barbara Airport operations and operators have the most impact on governments. Airport tenants and owners pay over \$500,000 in property taxes each year. These taxes support schools, law enforcement, fire and rescue, and other services throughout Santa Barbara County. Airport tenants also pay nearly \$4.1 million in sales tax annually. A portion of these tax receipts, 87 percent, goes to the County of Santa Barbara and supports County provided services, such



as health, law enforcement, and social services. The remaining 13 % goes to the City of Santa Barbara to support City provided services, such as law enforcement and fire and rescue.

The taxes discussed so far have been only the direct taxes paid by Santa Barbara Airport operators. Other taxes accrue to governments as a result of the Airport. These taxes derive from visitors and economic activity associated with the Airport. These tax revenues total over \$35 million annually. They include payroll taxes, sales taxes, aircraft property taxes, and visitor occupancy taxes.



METHODOLOGY FOR THE 2000-01 SANTA BARBARA AIRPORT ECONOMIC IMPACT STUDY

Introduction

In early 2001, the Santa Barbara Airport contracted with Booz Allen Hamilton and the University of California at Santa Barbara Economic Forecast Project to conduct an economic impact study of the Airport's role and economic contribution to the South Coast Region.

The previous economic impact study for the Airport had been completed approximately 10 years earlier representing the time-period of 1989/1990. The current study includes many of the same inputs as the earlier study, but has been adjusted to reflect changes to current economic impact study methodologies as well as changes to the aviation industry.

The following sets forth the general approach to the Study. Because of the need to assure confidential treatment of data of airport tenants and others, we are not able to identify data associated with specific companies or individuals.

Overall Approach

The study approach measured the impact of both passenger and business spending on the local economy.

Local Businesses and Airport Tenants

The first series of interviews and surveys was designed to measure the business impact of individual corporations involved in the transportation of passengers and air cargo.

Most of these impacts were measured through direct surveys of businesses on or near the airport. The surveys were conducted during the Summer of 2001, by UCSB staff. Surveys were conducted by mail, fax, telephone and personal visit. Approximately 120 unique surveys were sent to airport tenants and other nearby aviation-related businesses. The survey included all tenants and did not distinguish between aviation-related tenants and other airport tenants. Of the approximate 120 surveys, 57 were returned with enough information to be useful in the study. Additional tenant information was obtained from Airport records. In each category of tenant surveyed, estimates were made by UCSB as to non-respondents data based upon discussions with Airport staff, other tenants and on general knowledge of the South Coast.

The surveys addressed specific questions concerning: number of employees, residence of employees, local revenues and expenditures, including payroll and other information related to the economic contributions of the local businesses.

In certain cases, the tenant could not or would not furnish all the necessary data. In those cases, estimates were made based on surveys that were completed, as well as through the use of accepted estimation techniques, including those used by the U.S. Census Bureau in similar situations.

Once the surveys were collected, each category of data was aggregated and the U.S.

General Aviation

Department of Commerce, Bureau of Economic Analysis, Regional Input-Output Multiplier System II (RIMS II) model was applied. The study team purchased the appropriate multipliers for Santa Barbara County from the Bureau of Economic Analysis.

Passenger Surveys

The second component of the economic impact study is the measurement of visitor spending. In order to understand the importance of local visitors to the region that use the Airport, UCSB surveyed 867 departing passengers at the Airport in July 2001. Over the course of seven days, all departing flights were surveyed at least once. Passengers were randomly selected and asked to complete a short questionnaire. Questions asked included information about their length-of-stay, hometown, and several different categories of spending patterns.

Similar to the tenant surveys, all the data was aggregated and total figures were developed. As we received a wide-variety of responses, certain average figures were modified to reflect industry trends. For example, a review of the data suggested that most respondents did not put down the cost of lodging per person, but an aggregate total, when most leisure and some business travelers have more than one person per hotel room. This caused an unusually high lodging expenditure figure. The study team corrected for this by estimating the number of persons per room based on knowledge of leisure and business travel patterns.

The response rate from the passenger surveys and the tenant surveys was generally very good. The response from the general aviation community was very low, and frequently responses merely contained comments concerning the respondent's view of the airport. In order to overcome some of these issues, we worked with the fixed-base operators at the Airport. Again, the response was mixed, both in terms of the level of cooperation and the quality of information received. Airport officials also attempted to intercede on the study team's behalf with only marginally better success. Thus, while the team was able to capture certain statistics about general aviation – certain taxes paid — the study, for the most part, captured general aviation's economic impact through other sources. For example, fuel purchases by general aviation aircraft at SBA were attributed to the revenues of the local fixed-base operators.

The study team did replicate a methodology from the 1989/90 study to estimate the visitor impact of general aviation on the community. The methodology assumes general aviation activity generates a certain level of local visitors and uses average-daily expenditures to annualize the impact of visitors arriving by general aviation to Santa Barbara. The study team did include this impact in the overall model, but was careful to monitor its impact so as to not unreasonably alter the final output.

The study team remains convinced that general aviation plays a large role and contributes to the South Coast economy.

Taxes

Taxes generated by economic activity at the Airport play a very important role in helping to fund Federal, State and local government spending. The study did make estimates of tax revenues generated because of economic activity associated with the Airport.

Federal taxes were generated from salary data for employees at the Airport and in the lodging/visitor sector. An overall tax rate of 24 percent was applied against total wages. Tenant data on the issue was sparse and was not estimated above what was reported because the data was not complete enough to build a tax estimate. State and local taxes were derived in a similar fashion. Occupancy taxes also were included in the model.

Determining the Model Output

All data was aggregated by category and calculated by the RIMS II model. Three types of broad outputs were measured:

- 1) Direct Impact;
- 2) Indirect Impact; and,
- 3) Induced Impact

Direct Impact

Direct impact represents the economic results of employing workers, purchasing local goods and services. In the case of this study, the data focused on the direct spending and economic activity associated with aviation. It is a measure of the number of jobs created and the value of local goods and services produced as a result of the existence

of the Santa Barbara Airport. Airport-visitor spending also was included in the direct impact calculation, although accounted for separately.

Indirect Impact

These impacts are created by both businesses located on-airport and off-airport that directly serve the airport users. The purchases of materials and supplies, and goods and services produced locally by these businesses, as well as those located off-airport but whose revenues are derived directly from airport activity, create indirect jobs and output.

The level of indirect jobs and overall output was estimated using multipliers for the Santa Barbara region. These multipliers are the RIMS II multipliers obtained from the U.S. Bureau of Economic Analysis.

Induced Impact

These impacts measures the result of successive rounds of spending that originates with the direct and indirect impacts discussed above. Induced impacts are generated from personal income spending either by airport direct jobholders, whose spending of their personal income induced further round of spending in the local community, or by indirect jobholders, who also spend their incomes within the local community. Although the most difficult to calculate, the induced impacts produce the greatest economic impact, as every dollar of spending is recirculated in the local economy.

Each Day, the Santa Barbara Airport Contributes Over \$1.4 Million into the Local Economy

6:00 AM One of the busiest times at the airport, within a 60 minute period, six flights leave SBA destined for Denver, Los Angeles, Phoenix, San Francisco and San Jose. On a typical day, 260 passengers depart at this time.

9:00 AM Many of the more than 1,500 people employed at the airport or that work for a company that is an airport tenant have arrived at their jobs.

NOON With flights from all the airlines arriving within the next hour, some of the nearly 600 daily visitors who pass through SBA have arrived.

3:00 PM Several of the 190 daily general aviation operations touchdown, bringing business people and vacationers to the region. Close to 60 overnight visitors arrive daily on general aviation flights at SBA.

6:00 PM As the day's business draws to a close, businesses located on the airport have spent over \$81,000 on goods and services.

9:00 PM At nearby hotels and resorts, visitors are spending some of the \$1.48 million spent locally every day from visitors who use the Santa Barbara Airport. These visitors help create over 2,200 direct jobs in the region.

MIDNIGHT Federal, State, and Local tax authorities have collected over \$85,000 in sales and use taxes because of economic activity generated by the airport.

For additional information, please contact:

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