

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 11-12, 2002

Reference No.: 4.5
Information Item

From: ROBERT L. GARCIA
Chief Financial Officer

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Division Chief
Right of Way

Ref: **2002 ANNUAL AIRSPACE REPORT**

The Division of Right of Way's Airspace and Telecommunications Licensing Program is pleased to report FY 2001-02 income of \$20.1 million. This represents a slight decrease in income from the last fiscal year total of \$20.6 million. Statewide expenses associated with the Program were \$1.8 million versus last fiscal year expenses of \$1.5 million. The expense-to-gross-income ratio, one of the key performance measures of the Program, was 9 %. The Program has set a target goal for the expense-to-gross income ratio at 10% or less. Attached is a chart depicting the Program's income and expenses for the last eight years.

Airspace income rose in all districts except for District 4 (San Francisco Bay Area) which experienced a decline of almost 20%. The most profitable airspace sites in the State have historically been short-term parking lot leases in downtown San Francisco. The Department's Seismic Retrofit program has resulted in the closure of a number of these lots. Also impacting District 4 revenues was the Central Freeway legislation, now Streets & Highways Code Sections 72.1 and 401.1 (enacted as SB798 - Burton, 1999/2000 Legislative Session, Chapter 559, Statutes of 1999), which required the transfer of a number of highly profitable airspace sites along Route 101 (Central Freeway) to the City and County of San Francisco. The ongoing seismic retrofitting of the West approach to the Bay Bridge will further exacerbate the situation by necessitating the use of many of our most profitable airspace sites in conjunction with this project. Lastly, the downturn in the economy has resulted in a higher than expected vacancy rate for office buildings, and consequently less demand for parking in that area. It is expected that airspace revenues in District 4 will continue to decline and will be severely depressed for several more years.

Airspace revenue was \$18.5 million with the Telecommunications Licensing component generating revenues of \$1.6 million.

Annual wireless license fees are due each July 1. Depending on when the carriers actually pay their fees, the revenue as reported can be skewed from year to year. This year was no exception in that the reported revenues in FY 2001-02 are \$740K less than last year. Wireless revenue as reported last year is not considered to be an accurate reflection as it is considered to be too high. The Department continues to approve installations of wireless sites within freeway rights of way and the number of sites has increased every year since the Program's inception.

At the end of the fiscal year there were 571 occupied airspace sites throughout the State. Of the 571 sites, 108 are wireless sites. Possessory interest taxes, paid by airspace tenants to the local cities and counties, totaled approximately \$4.8 million. While we have not quantified the benefits, we believe the Department has realized substantial savings by utilizing airspace sites for maintenance stations and equipment yards.

Finally, the Department acknowledges the efforts, interest, and expertise provided by the Airspace Advisory Committee (AAC) and looks forward to an ongoing beneficial working relationship.

Attachment

AIRSPACE STATEWIDE-INCOME/EXPENSES

June 30, 2002

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
North Region								
Airspace Income*	\$1,244,520	\$1,070,056	\$1,290,013	\$1,295,303	\$1,676,252	\$1,438,285	\$1,373,823	\$3,706,335
Wireless Income				\$0	\$0	\$18,030	\$47,366	\$0
Expenses	\$93,542	\$145,799	\$94,466	\$98,097	\$104,811	\$119,707	\$143,751	\$149,857
Net	\$1,150,978	\$924,257	\$1,195,547	\$1,197,206	\$1,571,441	\$1,318,578	\$1,277,438	\$3,556,478
District 4								
Airspace Income	\$6,339,970	\$6,989,579	\$7,007,878	\$7,499,263	\$11,095,323	\$10,005,158	\$11,816,109	\$9,569,976
Wireless Income				\$373,681	\$751,603	\$528,265	\$1,754,022	\$600,819
Expenses	\$319,931	\$445,391	\$450,156	\$459,824	\$483,344	\$527,903	\$447,786	\$529,651
Net	\$6,020,039	\$6,544,188	\$6,557,722	\$7,039,439	\$11,363,582	\$9,477,255	\$13,122,345	\$9,641,144
Central Region								
Airspace Income	\$144,115	\$146,681	\$150,362	\$154,383	\$191,313	\$136,196	\$105,687	\$171,437
Wireless Income				\$0	\$0	\$81,865	\$49,517	\$77,269
Expenses	\$16,806	\$21,795	\$30,909	\$43,851	\$56,571	\$35,934	\$50,503	\$75,231
Net	\$127,309	\$124,886	\$181,271	\$110,532	\$134,742	\$100,262	\$104,701	\$173,475
Southern Region								
Airspace Income	\$2,874,430	\$3,093,264	\$2,760,694	\$3,006,845	\$3,797,527	\$3,214,911	\$3,698,033	\$3,698,726
Wireless Income				\$17,500	\$165,797	\$422,184	\$442,547	\$795,176
Expenses	\$512,105	\$550,625	\$427,732	\$400,949	\$452,683	\$432,641	\$385,858	\$564,063
Net	\$2,362,325	\$2,542,639	\$2,332,962	\$2,605,896	\$3,510,641	\$2,782,270	\$3,754,722	\$3,929,839
District 11								
Airspace Income	\$1,336,205	\$1,075,548	\$890,340	\$982,563	\$1,263,188	\$1,005,290	\$1,213,536	\$1,335,759
Wireless Income				\$62,509	\$38,568	\$62,558	\$84,633	\$160,541
Expenses	\$299,635	\$255,009	\$108,701	\$84,302	\$121,780	\$216,189	\$211,869	\$255,257
Net	\$1,036,570	\$820,539	\$781,639	\$898,261	\$1,179,976	\$789,101	\$1,086,300	\$1,241,043
Statewide								
Airspace Income	\$11,939,240	\$12,375,128	\$12,099,287	\$12,938,357	\$18,023,603	\$15,799,840	\$18,207,188	\$18,482,233
Wireless Income				\$453,690	\$955,968	\$1,112,902	\$2,378,085	\$1,633,805
Expenses**	\$1,558,995	\$1,611,255	\$1,286,571	\$1,373,341	\$1,597,410	\$1,680,241	\$1,526,151	\$1,799,409
Net	\$10,380,245	\$10,763,873	\$10,812,716	\$11,565,016	\$16,426,193	\$15,232,501	\$19,059,122	\$18,316,629

NOTES:

*Reflects lump sum payment of \$2.1M from new PERS lease

**Statewide expenses include HQ overhead for airspace activities.