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To: Honorable Mayor and Members of City Council
Cc: Bob Harrison, City Manager
From: Robert Peterson, Airport Director
Date: Thursday, October 1, 2020
**Subject: CONSIDERATION TO DEFER TERMINAL BUILDING AND
AIRLINE LANDING FEE RATE INCREASES UNTIL JANUARY 1, 2022**

History

On December 3, 2018, City Council approved Resolution 2018-136, which included an annual three percent (3%) increase in airline landing and terminal building fees for 2019, 2020, and 2021.

Situation

The transportation industry has been severely impacted by the Coronavirus pandemic, where airports nationwide have witnessed record low passenger activities. These impacts have had a ripple effect on a variety of businesses that serve the airline industry including rental car companies, vehicle parking contractors, airport concessions, and ground transportation services. Domestic air travel has declined approximately 73 percent and international travel has decreased by 90 percent compared to 2019 data (as reported by Airlines for America).

Specifically, on May 22, 2020, Hertz Global Holdings filed for Chapter 11 bankruptcy in order to deal with the impacts of the pandemic and to strengthen the organization's capital structure. Alaska Airlines also reported in 2020's second quarter a net loss of \$214 million compared to the second quarter of 2019, which had a net gain of \$262 million. Due to the decrease in passenger ridership, Alaska reduced their flight schedule to one flight per day between May and August of 2020. As the transportation industry slowly recovers from the pandemic, Alaska reinstated a second flight beginning August 1, 2020, in which Yakima's flight schedule will remain with two flights until early 2021.

The airport administration office continues to monitor key performance indicators to determine how the transportation industry is slowly recovering during the Coronavirus pandemic. The following performance measures have been recorded from January 1, 2020 through August 30, 2020:

Transportation Sector	2019	2020	Variance
Airline Passenger Ridership:	91,196	39,994	(51,202)
Airline Load Factors:	72%	45%	(27%)
Passenger Vehicle Parking:	\$446,775	\$121,507	(\$325,268)
Car Rental Companies:	\$969,029	\$342,451	(\$626,578)
Rented Vehicles:	13,663	3,893	(9,770)
Air Cargo Landing Weight:	12,542,282	11,551,989	(990,293)

In response to the economic challenges during the ongoing Coronavirus pandemic, it is recommended that Council consider deferring the 2021 three percent (3%) increase in airline landing and terminal building fees for one year to be reinstated on January 1, 2022.

This change will have an approximate 0.7% impact on the airport's 2021 budget and will help airlines as well as car rental companies recover from historic low demands.