

BURBANK BOB HOPE AIRPORT IN FY2013:

Economic Impact Analysis

FINAL REPORT



Los Angeles County Economic Development Corporation
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This research was commissioned by the Burbank-Glendale-Pasadena Airport Authority.

The LAEDC Economic and Policy Analysis Group provides objective economic and policy research for public agencies and private firms. The group focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly in workforce development, transportation, infrastructure and environmental policy.

Every reasonable effort has been made to ensure that the data contained herein reflect the most accurate and timely information possible and they are believed to be reliable.

The report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, endorsements, representations or warranties of any kind whatsoever.

Executive Summary

The Burbank Bob Hope Airport (BUR) is a medium hub airport in Burbank, California. Serving almost 4 million passengers on more than 50,000 commercial flights during the 2013 fiscal year, the airport was fifth busiest in Southern California and ranked 61st in the nation in terms of commercial passenger enplanements. The airport also serves as one of the main portals for private non-commercial flights and landings in the Southern California area. As such, the airport is an important provider in the regional transportation system and generates significant economic benefits to Los Angeles County and its residents.

The Economic and Policy Analysis Group of the Los Angeles County Economic Development Corporation (LAEDC) has conducted an economic analysis of the operations of the airport and the activity related to its ongoing operations, as well as its capital expenditures, during the fiscal year ending June 30, 2013. The results are as follows.

Economic Impact in Los Angeles County

The total economic and fiscal impact in Los Angeles County of the Burbank Bob Hope Airport, which includes airport revenues, the contribution made by on-site tenants and concessionaires, off-site spending of passengers and crew deplaning at the airport, and capital expenditures during the fiscal year, is presented in Exhibit E-1.

- ▶ 12,440 jobs
- ▶ \$663 million in labor income
- ▶ \$1.8 billion in total economic output
- ▶ \$122 million in state and local taxes

It is estimated that the activities attributable to the airport during the fiscal year generated economic output in Los Angeles County of more than \$1.8 billion and supported 12,440 jobs with labor income of \$663 million. ❖



Exhibit E-1
Economic Impact of Activities at Burbank Bob Hope Airport in FY2013

Direct Economic Output (\$ millions):	
Airport operations	\$ 51.8
On-airport ancillary operations (net)	522.4
Estimated visitor and flight crew off-site spending	451.0
Capital expenditures	66.8
Total Direct Output (\$millions):	\$ 1,092
Total Economic Impact:	
Output (\$ millions)	\$ 1,766.5
Employment (jobs)	12,440
Labor income (\$ millions)	\$ 662.9
Total Fiscal Impact (\$ millions):	
State and local taxes	\$ 122.0
Federal taxes	134.9

Source: Estimates by LAEDC

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1 Introduction

The Burbank Bob Hope Airport opened on Memorial Day in 1930 as the United Airport and quickly became the main airport for the growing greater Los Angeles region. In 1940, Lockheed purchased the airport to expand its facilities in preparation for World War II, renaming the airport the Lockheed Air Terminal. Commercial operations continued while the company built war aircraft such as the P-38 Lightning, the B-17 and Hudson bombers.

As World War II ended, major carriers moved south to what would become known as the Los Angeles International Airport (LAX).

Service picked up at Burbank in the 1960s, however, with the introduction of jet airliners capable of using shorter runways. In 1978, a joint airport authority created by the cities of Burbank, Glendale and Pasadena purchased the airport.

It received its current designation in honor of legendary entertainer Bob Hope in December of 2003, and remains today a popular gateway for many of Hollywood's famed entertainers and corporate clients.

Seven commercial airlines operate at the Burbank Bob Hope Airport, serving almost 4 million passengers during the 2013 fiscal year. Additionally, almost 52,000 tons of cargo were moved through the airport, predominantly by UPS and FedEx.

In 2012, the Burbank-Glendale-Pasadena Authority commenced construction of the Regional Intermodal Transportation Center (RITC), housing consolidated rental car facilities and connecting passengers and visitors to local passenger transit services. The RITC is the largest capital project undertaken by the Authority, with cumulative expenditures of more than \$73 million through the end of the 2013 fiscal year.



In this report, the Economic and Policy Analysis Group of the Los Angeles County Economic Development Corporation (LAEDC) estimates the economic and fiscal impacts of the Burbank Bob Hope Airport during the fiscal year ending June 30, 2013. The report is presented in three parts.

Section 2 reviews recent airport activity in the context of the larger industry.

Section 3 provides an analysis of the activity occurring at the airport and its total economic impact in Los Angeles County. This includes the day-to-day operations of the airport, the activity of on-airport businesses and concessionaires, and the off-site activity of tourists and flight crew traveling through the airport, which generates additional impacts in the broader region.

Section 4 provides an analysis of the total economic and fiscal impacts in Los Angeles County of capital improvement expenditures during the fiscal year. ❖

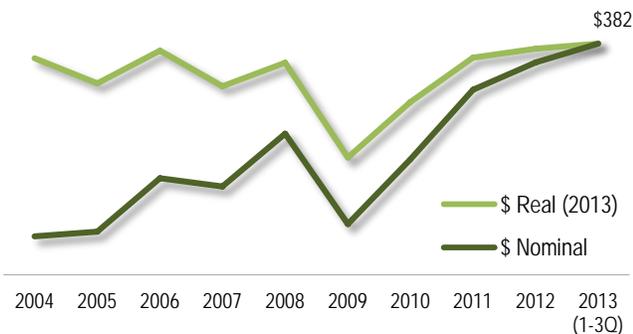
2 Aviation and the Burbank Bob Hope Airport

With both direct and connecting flights across the country and nonstop flights to New York, in addition to regional commuter service, the Burbank Bob Hope Airport offers travelers an alternative to other airports in the region. Passengers may choose this airport for several reasons, including convenience, proximity to their residence or final destination, the ease (and speed) of navigating through a smaller airport, or even the fact that it is the only airport with a train station on-site in all of Southern California.

The Great Recession negatively affected the demand for air travel all across the U.S., and rising fuel prices continue to put upward pressure on airfares. As a result, commercial airline carriers have responded with measures to increase revenues while controlling costs. These measures include airline mergers, capacity reductions, baggage fees and increases in fares.

Post-recession, airfares have increased, in both nominal and real terms, and are now above pre-recession peak levels seen from 2004 through 2008. Exhibit 2-1 shows the annual average airfare for U.S domestic flights from 2004 through the third quarter of 2013, the most recent data available.

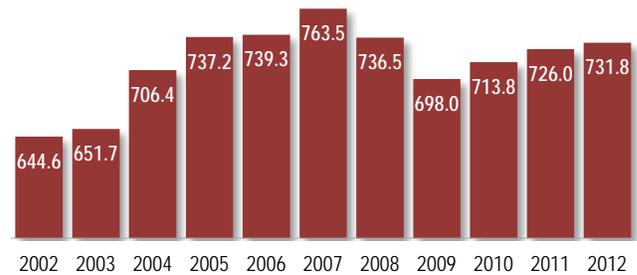
Exhibit 2-1
Annual U.S. Domestic Average Airfare



Source: Bureau of Transportation Statistics

As airfares rose and post-recession real incomes fell, the annual number of commercial air passengers in the U.S. declined from pre-recession peak levels when enplanements across the U.S. reached 763.5 million passengers, as shown in Exhibit 2-2.

Exhibit 2-2
Total Enplanements at Commercial Service Airports in the U.S. (millions)



Calendar years
Sources: ACAIS, FAA Airports

Enplanements (the number of passengers departing the airport) fell by 65.5 million from peak through trough in 2009, a drop of 8.6 percent over two years. Since then, however, growth in air travel in the nation has been recovering slowly, with an increase of 33.8 million passengers during the past three years.

Capacity reductions have helped airlines contain costs and increase profitability by reducing the number of flights. According to the FAA, domestic scheduled passenger flights reduced in number by 13.9 percent between June 2007 and June 2012.

The Burbank Bob Hope Airport ranks fifth in terms of passenger enplanements when compared to other commercial service airports in the region for the 2012 calendar year and 61st across the nation, as shown in Exhibit 2-3.

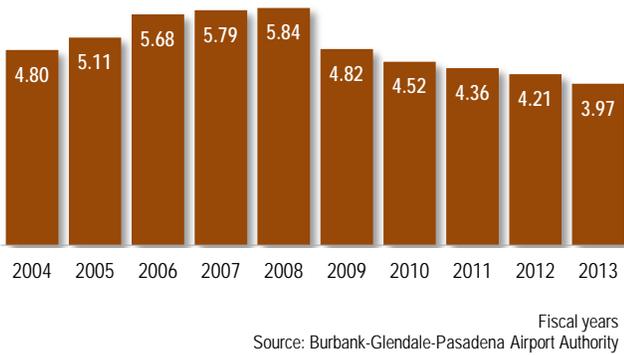
Exhibit 2-3
Commercial Service Airports in Southern California (2012)

Airport	Enplanements	Nat'l Rank
Los Angeles International Airport	31,326,268	3
San Diego International Airport	8,686,621	28
John Wayne Airport	4,381,172	38
Ontario International Airport	2,142,393	60
Burbank Bob Hope Airport	2,027,203	61
Long Beach Airport/ Daugherty Field	1,554,846	70
Palm Springs International Airport	867,720	93
Santa Barbara Municipal Airport	370,600	137
McClellan-Palomar Airport	48,474	271

Sources: FAA, ACAIS

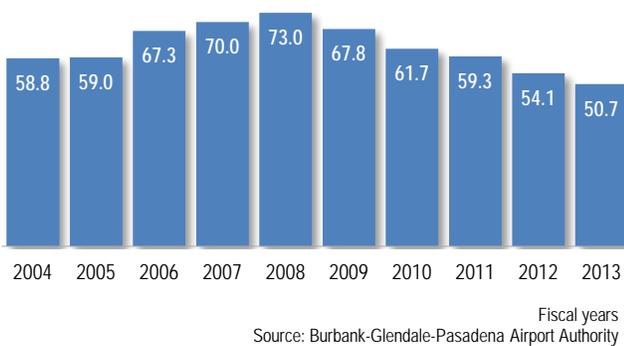
Still, the Burbank Bob Hope Airport has not been immune to these industry-wide challenges as it has seen its passenger numbers and carrier flight operations decline. From the peak in 2008 to 2009, passenger traffic fell by 17.4 percent. While passenger traffic has been showing slow improvement nationally over the last two years, the total annual passenger count (both arriving and departing) at the Burbank Bob Hope Airport has continued to decline.

Exhibit 2-4
Passenger Traffic at Burbank Bob Hope Airport
(millions)



In terms of flight activity, the number of commercial carrier flight operations, or takeoffs and landings, are down as well, as shown in Exhibit 2-5.

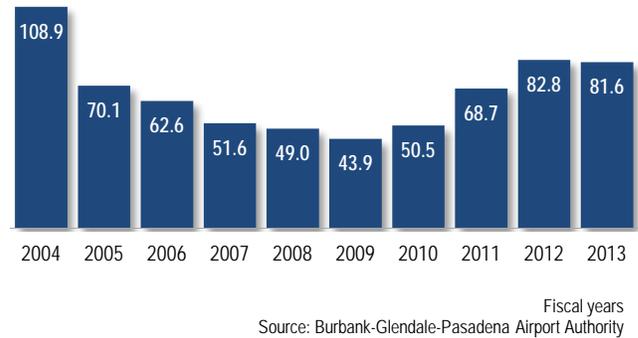
Exhibit 2-5
Air Carrier Operations at Burbank Bob Hope Airport
(Takeoffs and landings in thousands)



The mix of flight operations has also changed over the past decade. While air carrier flight operations once represented over half of all takeoffs and landings at the Burbank Bob Hope Airport, post recession their share of total activity has fallen from its peak in 2009 of 60 percent down to 38 percent in 2013.

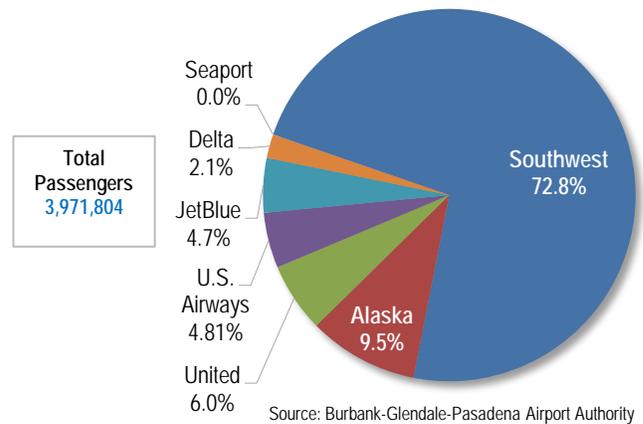
At the same time, flight operations excluding air carriers, such as air taxis, general aviation, military itinerant, and civil and military local, have been showing post-recession gains, as shown in Exhibit 2-6.

Exhibit 2-6
Non Air Carrier Operations at Burbank Bob Hope Airport
(Takeoffs and landings in thousands)



Southwest Airlines is the largest commercial carrier at the airport, moving almost three-quarters of all passengers in the fiscal year. The distribution of these passengers by commercial airline carriers is displayed in Exhibit 2-7.

Exhibit 2-7
Burbank Bob Hope Airport Passengers by Carrier
FY2013



Alaska Airlines was the second largest carrier at the Burbank Bob Hope Airport with nearly ten percent of the market share. Seaport Airlines reported a small number of passengers, as the commercial carrier began service at the airport in May, 2013.

The most popular routes of passengers flying from the Burbank Bob Hope Airport are to destinations in the

west and southwest regions of the U.S. The busiest routes are shown in Exhibit 2-8. These nine routes accounted for 90 percent of all enplanements in the fiscal year. ❖

Exhibit 2-8

Busiest Domestic Routes (July 2012 – June 2013)

Destination	Passengers (000s)
Oakland	401.7
Las Vegas	348.0
Phoenix	280.3
Sacramento	208.8
San Jose	191.3
Seattle	129.3
Denver	115.8
San Francisco	78.7
Portland	73.4

Source: Bureau of Transportation Statistics, RITA



3 Annual Activity at the Burbank Bob Hope Airport

The annual activity of the Burbank Bob Hope Airport includes the operations of the airport and its property, the on-site concessionaires and tenants, and ancillary off-site activity resulting from the spending of passengers and crew who travel through the airport. In this section, the total economic and fiscal activity generated by the airport in the 2013 fiscal year is estimated.

Direct Activity

Direct activity associated with the airport is taken in three parts: the revenues of the airport, the activities of other on-site companies, and the off-site ancillary spending of passengers and flight crew who inject tourism dollars into the local economy.



Airport Operations

The Burbank Bob Hope Airport is owned and operated by the Burbank-Glendale-Pasadena Airport Authority, a separate government agency created by a joint-powers agreement between the cities of Burbank, Glendale and Pasadena. The Authority contracts with TBI Airport Management, Inc. to provide airport management services, which include airport administration, maintenance and operations.

During the 2013 fiscal year, the Burbank Bob Hope Airport handled 50,700 commercial flights, carrying 4 million passengers and almost 54,000 tons of mail and cargo. This activity generated operating revenue of \$45.0 million, and incurred operating expenditures of \$49.2 million, as summarized in Exhibit 3-1.

Operating revenues in FY2013 included \$18.1 million in parking fees, \$14.0 million in rent paid by airport tenants, and \$8.3 million paid in concession fees.

Operating expenditures were \$15.5 million in contracted airport services (including TBI Airport Management), \$4.0 million in salaries and benefits for employees, \$4.8 million on repairs and maintenance (including supplies and materials), and \$14.1 million in depreciation expenses.

Exhibit 3-1
Direct Airport Operations (FY2013)

Operating Revenue (\$ millions):	
Parking fees	\$ 18.1
Tenant rent	14.0
Concessions	8.3
Landing fees	3.1
Other operating revenue	1.4
Total Operating Revenue	\$ 45.0
Non-Operating Revenue (\$ millions):	
	\$ 6.9
Operating Expenses (\$ millions):	
Contracted airport services	\$ 15.5
Salaries and benefits	4.0
Rescue services	2.0
Repairs and maintenance	4.8
Utilities	1.7
Professional services	2.2
Other operating expenses ¹	19.0
Total Operating Expenses	\$ 49.2

¹ Includes depreciation expense of \$14.1 million
Source: Burbank-Glendale-Pasadena Airport Authority Basic Financial Statements, June 30, 2013

On-Airport Ancillary Activity

As a hub of economic activity, the Burbank Bob Hope Airport encompasses more than the operations of the airport authority and its management company. With

hundreds of employees and thousands of passengers traveling through the airport on a daily basis, the airport houses myriad on-airport support businesses, such as domestic airlines, cargo airlines, rental car companies, airport tenants that provide services to airlines, retail outlets, food and beverage establishments, and public agencies that are involved in air traffic control and provide security as well as emergency services.

Concessionaires, including rental car companies, retail services and food and beverage establishments earn significant revenues and pay the Authority for the privilege of providing passenger services to patrons traveling through the airport. Revenue by concession activity is summarized in Exhibit 3-2.

Exhibit 3-2
Airport Concessionaire Revenues

	(\$ millions)
On airport car rental	\$ 43.1
Off airport car rental	5.0
Food and beverage	9.7
News and gifts	3.6
Advertising	1.3
Total Gross Concession Revenues	\$ 62.6
Concession fees	8.3
Net Concession Revenues	\$ 54.4

Source: Burbank Bob Hope Airport

As noted above, concession fees paid to the Authority reached \$8.3 million in the 2013 fiscal year. To avoid double-counting of this fee in both concessionaire impact and the airport’s own revenues, concession revenues are reduced by this amount. Net concession revenues were therefore \$54.4 million.

In addition to concessionaires, the airport acts as a landlord for numerous other tenants who provide a variety of services, including airline ground crew, fixed-base operators such as MillionAir and Atlantic Aviation, security, non-commercial flight operators such as Net Jets and AvJet, aviation services such as Burbank Airwash and Immaculate and logistics providers such as FedEx and UPS. The airport also hosts operations of state and federal agencies such as the FAA, TSA and the DEA, and emergency personnel.

These tenants contribute to the regional economic activity attributable to the airport. To estimate the value of this activity, the employment level of each tenant was reviewed using airport badge counts. Since not all employees were on site full time, discussion with airport



personnel assisted in adjusting the number of badges to more accurately represent employment.

Still, total employment related to on-airport businesses may not be fully represented by badge count data. For example, employees who work in establishments located in publicly accessible areas of the airport do not require badges. These would likely be included in concessionaire estimates above, but there may be smaller providers that are excluded from both concessionaires and tenants. These might include such smaller passenger support as shoe shine services or coffee carts. Other activity that has not been included includes temporary or contract employees since their impact cannot be accurately estimated.

Estimates of tenant employment by industry sector are shown in Exhibit 3-3.

Exhibit 3-3
Ancillary On-Airport Employment Estimates

	Employment	Percentage
Manufacturing	5	0.3
Transportation and warehousing	1,300	69.0
Information	20	1.0
Real estate and rental	5	0.1
Professional, scientific technical	20	1.0
Administrative and waste services	60	3.3
Educational services	20	1.1
Other services	190	10.0
Government	270	14.3
Total	1,890	100.0

Sources: Burbank Bob Hope Airport; Estimates by LAEDC

Most employees work in transportation-related industries, which include not only airlines but also airport support services such as cabin service, and freight handling and aircraft maintenance. Other measureable employment is found in other services (which includes parking garages) and in the public sector (which includes the TSA).

Since tenant revenues are proprietary information, estimated tenant employment is used to derive tenant operational revenues.

Visitor and Flight Crew Off-Site Spending

More than 2 million passengers deplaned at the Burbank Bob Hope Airport during the 2013 fiscal year. Many of these were tourists or business visitors who incurred ancillary spending while in the region on activities such as ground transportation, restaurants, souvenirs and more.

Visitors fall into one of four categories. The first category includes residents of Southern California. The second and third categories include visitors from other parts of the country who have arrived for leisure or business, respectively. The final category is of international visitors to Los Angeles.

The distribution of visitors by origin was estimated based upon the May 2008 Bob Hope Airport Customer Satisfaction Assessment Report and data provided by Sixel Consulting. Sixel estimated that non-local visitors to the Burbank Bob Hope Airport accounted for 45 percent of deplanements. The Customer Satisfaction Report estimated that of non-local deplanements, international passengers accounted for 0.6 percent, domestic leisure passengers accounted for 56.3 percent, domestic business passengers accounted for 28.3 percent, and domestic travelers who combined business and leisure accounted for 15.4 percent. Assuming that this distribution has not materially changed since 2008, the distribution of the deplanements in the 2013 fiscal year yields visitor counts as shown in Exhibit 3-4.



Spending patterns for local and non-local overnight visitors vary, as does spending for leisure and business travelers. For example, local visitors are not likely to spend the night in nearby lodging, and are less likely to rent a car. Business travelers are likely to spend more on accommodations. (In this analysis, it is assumed that passengers who combined business with leisure would have the same spending patterns as those who flew into Burbank Bob Hope Airport solely for leisure purposes.) International visitors are known to spend more per person on retail purchases than both other groups of visitors.

Data published by *TNS TravelAmerica* in 2012 was used to estimate expenditure patterns of non-local domestic visitors brought into the Los Angeles area via Burbank Bob Hope Airport, and data published by *Visit California* and the California Business, Transportation and Housing Agency in *Overseas and Mexican Visitors to California* in 2012 was used to estimate the local expenditures of international visitors.

Expenditures of Southern Californians are excluded from the analysis since these are returning residents and their spending is already considered part of the local economy.

In addition to visitor spending, flight crews of passenger and cargo airlines stay overnight in the Burbank area, then operate another flight out of the area the following day. The spending by flight crews and their airlines contributes to the economic impact of the region.

On average, 84 crew members stay overnight in the Burbank area. To estimate the total local spending of crew members, *per diem* rates established by the U.S.

Exhibit 3-4

Distribution of Passengers by Origin (FY 2013)

Southern California	1,099,207
Non-local domestic leisure	628,254
Non-local domestic business	247,972
International	11,924
Total	1,987,357

Source: Burbank-Glendale-Pasadena Authority and Sixel Consulting; Estimates by LAEDC

General Services Administration for airline crew members in the Los Angeles area are used.

Given these considerations, off-site spending attributable to passengers and flight crew deplaning at the airport is summarized in Exhibit 3-5.

Exhibit 3-5
Visitor and Flight Crew Off-Site Spending by Category

	(\$ millions)
Lodging	\$ 150
Transportation	134
Food and beverages	91
Entertainment	38
Retail	26
Other	12
Total Visitor and Overnight Flight Crew Spending	\$ 451

Sources: Burbank-Glendale-Pasadena Airport Authority; Estimates by LAEDC

Total off-site visitor and flight crew expenditures attributable to the Burbank Bob Hope Airport are estimated to have been \$451 million in the 2013 fiscal year. Because this represents an increase in revenues for local businesses, it is considered to be a direct impact. ❖

Total Economic and Fiscal Impact

The three components of direct activity—the revenues of the airport itself, on-site activity of concessionaires and tenants, and off-site spending of passengers and crew deplaning at the airport—combine to produce a considerable economic impact in Los Angeles County, which is presented in Exhibit 3-6.

Exhibit 3-6
Economic Impact of Ongoing Activities at Burbank Bob Hope Airport in FY2013

Direct Economic Output (\$ millions):	
Airport operations	\$ 51.8
On-airport ancillary operations (net)	522.4
Estimated visitor and flight crew off-site spending	451.0
Total Direct Output (\$millions):	\$ 1,025.2
Total Economic Impact:	
Output (\$ millions)	\$ 1,647.9
Employment (jobs)	11,710
Labor income (\$ millions)	\$ 616.1
Total Fiscal Impact (\$ millions):	
State and local taxes	\$ 117.7
Federal taxes	133.6

Source: Estimates by LAEDC

It is estimated that the activities at the airport during the fiscal year generated economic output in Los Angeles County of almost \$1.65 billion and supported 11,710 jobs with labor income of \$616 million.

This economic activity is estimated to have generated \$117.7 million in state and local taxes and \$133.6 million in federal tax revenues during the 2013 fiscal year. The disaggregation of taxes by type is shown in Exhibit 3-7.

Exhibit 3-7
Fiscal Impact of Airport Activities by Type

State and Local Taxes (\$ millions):	
Property taxes ¹	\$ 43.3
Sales taxes	41.6
Income taxes	20.1
Social insurance	2.0
Fees, fines and other taxes	10.8
Total State and Local Taxes	\$ 117.7
Federal Taxes (\$ millions):	
Social insurance	\$ 58.1
Personal income taxes	44.8
Corporate profits taxes	19.2
Other fees, fines and taxes	11.5
Total Federal Taxes	\$ 133.6

¹ Includes estimated assessments on private and commercial aircraft and unsecured assets on airport property totaling \$6.3 million

Sources: HdL Coren & Cone; Estimates by LAEDC

Of state and local government revenues, \$43.3 million was earned from property taxes paid by households and businesses (which includes an estimated \$6.3 million paid on aircraft and unsecured property housed on airport property), \$41.6 million was earned from sales taxes, and \$20.3 million was earned from personal and corporate income taxes. Fees, fines and other taxes of \$10.8 million include \$1.9 million in parking taxes paid to the City of Burbank. Of the property tax revenue, the City of Burbank collected an estimated \$4.5 million on the assessed valuation of private and commercial aircraft based at the airport during the fiscal year.

Of federal taxes, \$58.1 million was earned in social insurance, \$44.8 million in taxes on personal incomes, and \$19.2 million in taxes on corporate profits.

Industry Distribution of Impacts

The variety of industry sectors impacted by activities occurring at the airport and by the visitor spending of tourists and overnight flight crews is wide. Total economic impacts spill across industries through indirect and induced effects. The distribution of the total

employment impact among industry sectors is presented in Exhibit 3-8.

Of the 11,710 jobs generated, almost one-third were in the transportation and warehouse sector, and another 28 percent were in accommodation and food services. However, virtually all industry sectors receive a positive economic impact from the activities attributable to the Burbank Bob Hope Airport, including retail trade, real estate and rental activities, administrative services and health and social services.

A description of the industry sectors is provided in the Appendix. ❖

Exhibit 3-8

Economic Impact of Airport Activities By Industry Sector

	Jobs	Output (\$ millions)
Mining	25	\$ 14.8
Utilities	10	7.8
Construction	60	8.8
Manufacturing	55	94.9
Wholesale trade	85	18.2
Retail trade	625	49.9
Transportation and warehousing	3,790	598.2
Information	180	65.1
Finance and insurance	250	61.1
Real estate and rental	435	133.2
Professional, scientific, technical	315	49.6
Management of companies	50	9.9
Administrative and waste services	580	43.0
Educational services	130	10.6
Health and social services	530	55.9
Arts, entertainment and recreation	320	28.1
Accommodation and food services	3,305	284.1
Other services	610	59.9
Government	365	57.7
Total	11,710	\$ 1,647.9

Source: Estimates by LAEDC

4 Capital Expenditures at the Burbank Bob Hope Airport

The Burbank Bob Hope Airport spends millions of dollars annually on capital expenditures to maintain, renovate and build new facilities. In addition to capital expenditures related to the ongoing improvement of existing airport facilities, the Authority is in the process of completing a multi-year \$112 million Regional Intermodal Transportation Center (RITC).

This section reviews the direct expenditures of capital improvements during the fiscal year and estimates their economic impact in Los Angeles County.

Direct Activity

A number of capital expenditure projects were in progress at the Burbank Bob Hope Airport during the 2013 fiscal year, including rehabilitation of the aircraft rescue and firefighting station exterior, Phase IV of the digital video surveillance system, auto and truck purchases, runway rehabilitations, noise monitoring system projects, and continued additions to construction underway on both common use noise monitoring system projects and the RITC.

The RITC is scheduled to be completed by mid-2014. The 520,000 square foot structure will be a consolidated center for nine car rental companies and more than 1,000 parking spaces to more conveniently serve the needs of passengers. Connecting to the terminal via a covered elevated walkway, the RITC will also allow passengers to easily connect to local and regional transit options through its bus facility and proximity to the Bob Hope Airport Train Station, which is served by Metrolink and Amtrak.

Capital improvement expenditures during the fiscal year are summarized in Exhibit 4-1.

Exhibit 4-1
Burbank Bob Hope Airport Capital Expenditures FY2013

	\$ millions	Percentage
RITC	\$ 54.6	81.7
Other capital improvement projects	12.3	18.3
Total Capital Expenditures	\$ 66.8	100.0

Source: Burbank Bob Hope Airport



During the 2013 fiscal year, total capital improvement spending on all projects was \$66.8 million. Approximately 82 percent of all capital expenditures are related to the construction of the RITC. ❖

Economic and Fiscal Impact

The spending related capital improvements in the 2013 fiscal year produced a considerable economic impact in Los Angeles County, as shown in Exhibit 4-2.

Exhibit 4-2
Economic Impact of Airport Capital Expenditures

Capital Improvement Expenditures (\$ millions):	\$ 66.8
Total Economic Impact:	
Output (\$ millions)	\$ 118.5
Employment (jobs)	730
Labor income (\$ millions)	\$ 46.9
Total Fiscal Impact (\$ millions):	
State and local taxes	\$ 4.3
Federal taxes	8.8

Source: Estimates by LAEDC

It is estimated that the capital improvement spending of \$66.8 million during 2013 fiscal year supported 730 jobs with total labor income of \$46.9 million in Los Angeles County. The total output impact is estimated to have been \$118.5 million in Los Angeles County.

This activity is estimated to have generated \$4.3 million in state and local tax revenues, and \$8.8 million in federal tax revenues. The disaggregation of taxes by type is shown in Exhibit 4-3.

Exhibit 4-3
Fiscal Impact of Capital Improvements by Type

State and Local Taxes (\$ millions):	
Property taxes	\$ 1.1
Sales taxes	1.2
Income taxes	1.4
Social insurance	0.1
Fees, fines and other taxes	0.0
Total State and Local Taxes	\$ 4.3
Federal Taxes (\$ millions):	
Social insurance	\$ 4.2
Personal income taxes	3.4
Corporate profits taxes	0.9
Other fees, fines and taxes	0.3
Total Federal Taxes	\$ 8.8

Source: Estimates by LAEDC

Industry Distribution of Impacts

Just as the impact of ongoing operations at the airport affected many industries, the impact of the capital

expenditures also spills across industries through indirect and induced effects, as shown in Exhibit 4-4.

Exhibit 4-4
Economic Impact of Airport Capital Expenditures By Industry Sector

	Jobs	Output (\$ millions)
Mining	5	\$ 0.9
Construction	380	62.6
Manufacturing	5	7.4
Wholesale trade	10	2.2
Retail trade	40	3.5
Transportation and warehousing	10	1.3
Information	5	2.2
Finance and insurance	20	5.0
Real estate and rental	15	6.9
Professional, scientific, technical	90	13.3
Administrative and waste services	35	2.1
Educational services	10	0.6
Health and social services	40	4.2
Arts, entertainment and recreation	10	0.5
Accommodation and food services	30	1.8
Other services	30	2.7
Government	5	0.5
Total	730	\$ 118.5

Source: Estimates by LAEDC

Of the 730 jobs generated, more than half were in the construction sector, as is expected. Other industry sectors realizing economic benefit include professional, scientific and technical services, retail trade, accommodation and food services health and social services, and administrative and waste services. ❖

Appendix

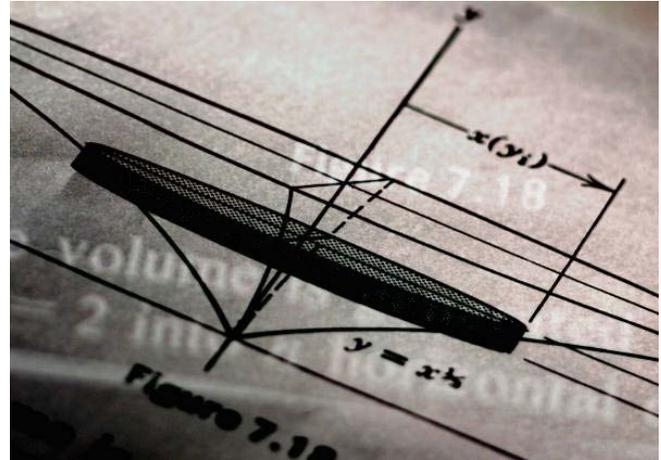
Methodology

Economic impact analysis is used to estimate the overall economic activity, including the spill-over and multiplier impacts, which occurs as a result of a particular business, event, or geography.

The initial economic impact of the activity occurring at the Burbank Bob Hope Airport is the revenues earned by the airport and its on-site businesses, which results in an injection of funds into the region which circulates from the airport to the owners and employees of establishments that help supply them with goods and services for purchase.

The total estimated economic impact includes *direct*, *indirect* and *induced* effects. *Direct activity* includes the materials purchased and the employees hired by the airport and its on-site concessions and tenants, such as ticket agents, engineers, maintenance workers, administrative, management, parking attendants, and so on. *Indirect effects* are those which stem from the purchases made by the airport and its tenants, such as employees of the office supply store that sells paper, envelopes and filing cabinets to the airport, and the insurance agent that sells coverage to Paradise Shops and other tenants. *Induced effects* are those generated by the household spending of employees whose wages are sustained by both direct and indirect spending, such as those on groceries, rent, vehicle expenses, health care, entertainment, and so on.

The approach used here is to use the revenues of the Burbank Bob Hope Airport, as well as capital improvement expenditures, during the fiscal year ending June 30, 2013. Further direct activity is the off-site spending of overnight visitors who travel through the airport, including flight crew, who purchase goods and services during their stay. Spending patterns are derived as described in the narrative.



Indirect and induced impacts are estimated using models developed with software and data and from the IMPLAN Group, LLC. The economic region of interest is Los Angeles County.

The metrics used to determine the value of the economic impact include employment, labor income and the value of output. *Employment* numbers include full-time, part-time, permanent and seasonal employees, and the self-employed, and are measured on a job-count basis regardless of the number of hours worked. *Labor income* is a measure of all income received by both payroll employees and the self-employed, including wages and benefits such as health insurance and pension plan contributions. *Output* is the value of the goods and services produced. For most industries, this is simply the revenues generated through sales; for others, in particular retail industries, output is the value of the services supplied. Unless otherwise noted, estimates for labor income and output are expressed in 2013 dollars.

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Description of Industry Sectors

The industry sectors used in this report are established by the North American Industry Classification System (NAICS). NAICS divides the economy into twenty sectors, and groups industries within these sectors according to production criteria. Listed below is a short description of each sector as taken from the sourcebook, *North American Industry Classification System*, published by the U.S. Office of Management and Budget (2012).

Agriculture, Forestry, Fishing and Hunting: Activities of this sector are growing crops, raising animals, harvesting timber, and harvesting fish and other animals from farms, ranches, or the animals' natural habitats.

Mining: Activities of this sector are extracting naturally-occurring mineral solids, such as coal and ore; liquid minerals, such as crude petroleum; and gases, such as natural gas; and beneficiating (e.g., crushing, screening, washing and flotation) and other preparation at the mine site, or as part of mining activity.

Utilities: Activities of this sector are generating, transmitting, and/or distributing electricity, gas, steam, and water and removing sewage through a permanent infrastructure of lines, mains, and pipes.

Construction: Activities of this sector are erecting buildings and other structures (including additions); heavy construction other than buildings; and alterations, reconstruction, installation, and maintenance and repairs.

Manufacturing: Activities of this sector are the mechanical, physical, or chemical transformation of material, substances, or components into new products.

Wholesale Trade: Activities of this sector are selling or arranging for the purchase or sale of goods for resale; capital or durable non-consumer goods; and raw and intermediate materials and supplies used in production, and providing services incidental to the sale of the merchandise.

Retail Trade: Activities of this sector are retailing merchandise generally in small quantities to the general public and providing services incidental to the sale of the merchandise.

Transportation and Warehousing: Activities of this sector are providing transportation of passengers and cargo, warehousing and storing goods, scenic and sightseeing transportation, and supporting these activities.

Information: Activities of this sector are distributing information and cultural products, providing the means to transmit or distribute these products as data or communications, and processing data.

Finance and Insurance: Activities of this sector involve the creation, liquidation, or change of ownership of financial assets (financial transactions) and/or facilitating financial transactions.

Real Estate and Rental and Leasing: Activities of this sector are renting, leasing, or otherwise allowing the use of tangible or intangible assets (except copyrighted works), and providing related services.

Professional, Scientific, and Technical Services: Activities of this sector are performing professional, scientific, and technical services for the operations of other organizations.

Management of Companies and Enterprises: Activities of this sector are the holding of securities of companies and enterprises, for the purpose of owning controlling interest or influencing their management decision, or administering, overseeing, and managing other establishments of the same company or enterprise and normally undertaking the strategic or organizational planning and decision-making of the company or enterprise.

Administrative and Support and Waste Management and Remediation Services: Activities of this sector are performing routine support activities for the day-to-day operations of other organizations, such as: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

Educational Services: Activities of this sector are providing instruction and training in a wide variety of subjects. Educational services are usually delivered by teachers or instructors that explain, tell, demonstrate, supervise, and direct learning. Instruction is imparted in diverse settings, such as educational institutions, the workplace, or the home through correspondence, television, or other means.

Health Care and Social Assistance: Activities of this sector are operating or providing health care and social assistance for individuals.

Arts, Entertainment and Recreation: Activities of this sector are operating facilities or providing services to meet varied cultural, entertainment, and recreational

interests of their patrons, such as: (1) producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) preserving and exhibiting objects and sites of historical, cultural, or educational interest; and (3) operating facilities or providing services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

Accommodation and Food Services: Activities of this sector are providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

Other Services (except Public Administration): Activities of this sector are providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grant-making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services. ❖

Study Authors

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Vice President, Economic and Policy Analysis

Dr. Cooper leads the Economic and Policy Analysis Group whose work involves research in regional issues such as economic impact studies, regional industry analysis and forecasts, workforce development analysis, and issue studies related to the *L.A. County Strategic Plan for Economic Development*. Her fields of expertise include development economics, environmental economics, regional analysis and urban sustainability.

Prior to joining the LAEDC, Dr. Cooper was a co-founder of a start-up company in Hong Kong concentrating on equity transactions software and computer accessories manufacturing, which expanded production into the special economic zone of Shenzhen, China and distributed products throughout the United States and Asia. With her business partner, she also established the first authorized Apple Computer retailer in China. She has been a lecturer at California State University, Long Beach and at the Pepperdine Graziadio School of Business and Management.

Dr. Cooper is a citizen of the United States and Canada. She earned a Bachelor of Arts in Economics from

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Shannon M. Sedgwick

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In her current capacity as an Associate Economist at the LAEDC, Ms. Sedgwick develops subject-specific information and data interpretation for economic impact, demographic, transportation, industry and issue studies. She performs research, data collection and organization, analysis and report preparation. Her work focuses on demographics, industry clusters and workforce development in the form of occupational analysis. Ms. Sedgwick is also proficient at conducting geospatial analysis and has experience working with RIMS II multipliers.

Ms. Sedgwick joined the LAEDC team in June of 2008 as an Economic Research Assistant for the Kyser Center for Economic Research. In that role she assisted both Economic Research and the Consulting Practice of the LAEDC with data collection and research, managing multiple data sets covering the State of California, Southern California, its counties and their sub-regions. In addition to writing sections of LAEDC's Economic Forecasts, she was responsible for the "Business Scan" containing a collection of Los Angeles County economic indicators; the annual "L.A. Stats" report, containing the most frequently requested statistics for Los Angeles and its surrounding counties; and was a regular contributor to the weekly economic newsletter, "e-Edge."

Before joining the LAEDC, Ms. Sedgwick managed an industrial and steel supply company located in the Inland Empire. There she identified and targeted a diverse customer base, and analyzed product and customer patterns in the local industrial market to successfully increase revenues.

A Southern California native, Ms. Sedgwick received her Bachelor of Arts in Economics from the University of Southern California (USC) with a minor in Architecture. She has been a member of the national and the Los Angeles Chapter of the National Association for Business Economics (NABE) since 2008.

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Somjita Mitra joined the Economic and Policy Analysis Group as an Economist in June 2013. She is involved in planning, designing and conducting research and analysis for consulting clients and local businesses and governments, as well as for LAEDC's internal departments. Her focus is in regional analysis, economic impact studies and the industrial and occupational structure of local economies.

Before joining the LAEDC, Dr. Mitra was an Economist for a local economic research and litigation consulting company evaluating economic damages, estimating lost profits, identifying key economic issues and developing

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Dr. Mitra received her Bachelor of Arts in Economics and Political Science from the University of California, Los Angeles and her Master of Arts in Politics, Economics and Business as well as her Ph.D. in Economics from Claremont Graduate University. Dr. Mitra enjoys volunteering in the local community and is actively involved in both women's welfare and animal rescue organizations. ❖



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