Juneau International Airport Board
Finance Committee Meeting
February 26, 2018, 3:30 p.m.
Alaska Room

I. **Introduction** (meeting participants).

II. **FY17 Close-out overview. (See Attachments #1, #2 and #3 for summaries; and Attachments #4 and #5 for details.)** FY17 was projected to have a deficit of ($240,000). Despite predicted deficits for both FY17 (and FY18) the Airport elected to not raise these rates and to cover the anticipated deficit with Airport Fund Balance. Expenses came in slightly less than projected ($105,391) due to savings in both Personnel (overtime) and Materials and Commodities (Supplies). Revenues were also higher than projected by $562,895, largely due to higher Fuel Flowage Fees, Landing Fees and Security Fees collected. The net result was FY17 finished in the black by $428,286. This increased our Airport Fund balance to $5.006M at the end of FY17, less the required 3-month operating reserves, see Section V, below.

III. **FY18 Projected. (See Attachments #1, #2 and #3 for summaries; and Attachments #4 and #5 for details.)** FY18 was updated last year to show a deficit budget of ($438,000), using Airport Fund Balance to balance. Projections: While Expenses are anticipated to be higher by $140,300 (Supplemental Spending authority will be required), Revenues are also projected to be higher than budgeted by $602,100. This increased revenue is without the use of Airport Fund Balance. Similar to FY 17, increased revenues are seen in higher Fuel Flowage Fees, Landing Fees and Security Fees. FY18 is now projected to be in the black by $23,800 (no Airport Fund Balance required to balance).

Finance Committee Motion: *"Approve the FY18 Projected Budget as shown in Attachments #1, #2 and #3, and request Supplemental Spending Authority from the Assembly in the amount of $140,300, for the FY18 Projected Expense increases; funding provided by the FY18 Projected Revenues, and forward to the Airport Board for approval."*

IV. **FY19 and FY20 Proposed. (See Attachments #1, #2 and #3 for summaries; and Attachments #4 and #5 for details.)** FY19 Proposed budget estimates a ($174,300) deficit at this time. FY20 Proposed budget estimates a ($198,900) deficit. The following discusses the major changes in the budget since the FY18 Updated budget.

EXPENSES:
Expenses for FY19 & FY20 show increases projected in the Personnel costs (and related Full Cost Allocation), Supplies and Services/Charges:

PERSONNEL: While there are no negotiated (union) wage increases at this time (economic reopener has been requested by MEBA), general longevity increases are still seen in Personnel costs. Additionally, Workers Compensation costs increased for the Airport by $32,500/year. Health/Wellness benefits increased by $1,328 annually/per fulltime employee. Other benefits remain flat. FY19 Personnel expenses show an increase of $92,300 over the FY18 Updated budget and FY20 Personnel expenses show an increase of $150,900 over FY18 Updated budget.

SUPPLIES: The largest single increase to Supplies is found in the Materials & Commodities for the Airfield. This is related to the use of New Deal deicing chemical for the runway. While we have been phasing in the purchase of New Deal since FY17 (and using up Urea once we knew New Deal would work in JNU), starting in FY19 all runway deicer will be New Deal. It is more expensive than Urea, but less product is used during mixing. More importantly, New Deal meets DEC (and EPA) runoff standards for our Storm Water Pollution Prevention Plan; we will remain in compliance. Because the Airport started phasing in the product into the budget, there is less of an impact by the time we budget FY19/20. Supplies are up by $99,100 in FY19 and $99,400 in FY20 (compared to FY18 Updated).

SERVICES & CHARGES: Major changes to Services and Charges line items are highlighted below. Full Cost Allocation, ARFF division charges and Miscellaneous contract and services account for the projected increase to Services & Charges. Services & Charges are anticipated to increase by $154,200 for FY19, and by $164,400 for FY 20 (compared to FY18 Updated):

FULL COST ALLOCATION: FY19/20 are budgeted to increase $41,400 for services provided by downtown departments (Law, Payroll, Human Resources, Accounting, etc.); now $332,700/year.

ARFF: The Aircraft Rescue & Fire Fighting (ARFF) budget is expected to increase by $35,300 in FY19 and $44,400 in FY20 (compared to FY18 Updated). These are largely due to additional Training and Personal Protective Equipment (PPE) changes required by FAA.

OTHER: Minor increases in contractual services such as USDA Wildlife Biologist (Wildlife Hazard Management Plan), as well as projected increases in a dual maintenance shop facility (wash bay, electrical) will make up the remaining increases seen in the Services & Charges.

Total proposed Expenses are $7,427,700 for FY19 and $7,489,300 for FY18. Overall Expense increases are $363,700 for FY19 and $425,300 for FY20 (compared to FY18 Updated).

REVENUES:

Revenues show marked increases for both FY19 and FY20 due to increased number of historic and projected aircraft. Additionally, Landing Fees and Fuel Flowage Fees were increased starting in FY18 and carry through to subsequent fiscal years. Increases were necessary to cover the increase to ARFF Index C, JPD costs at the passenger screening checkpoint and more importantly, the new runway deicing chemicals projected to go into use starting in FY17.

FUEL FOWAGE FEES (FFF): Increase in the number of gallons anticipate increased FFF revenues of $216,100 for FY19 and FY20 (compared to FY18 Updated).

LANDING FEES (LF): Increase in the number of landed aircraft anticipate increased LF revenues of $363,500 for FY19 and FY20 (compared to FY18 Updated).

SECUIRTY FEES: Increases in jet passenger travel will continue to generate additional security screening passenger fees of $50,400 in FY19 and $77,400 in FY20 (compared to FY18 Updated).

Total proposed Revenues are $7,253,400 for FY19 and $7,290,400 for FY20. Overall Revenue increases are $627,400 for FY19 and $664,400 for FY20 (compared to FY18 Updated. Remember, FY18 required the use of Airport Fund Balance to balance, but based on projected revenues will no longer require it to balance the budget).

Budget Shortfall Suggestions and Discussions. The breakdown of the deficit is as follows between the user groups:

FY 19 ($174,300 deficit)
$208,000 GA/135 portion
($ 33,700) Air Carrier (121) ~*CREDIT*

FY 20 ($198,900 deficit)
$214,700 GA/135 portion
($ 15,800) Air Carrier (121) ~*CREDIT*

The split between Air Carrier (121) and GA/135 is an 85/15 ratio. The above breakdown shows an inequity of allocations for the two types of operators within the financial model. In other words, the 135/GA still has a slight deficit in their share of costs regardless of the bottom line of the budget.

Over the past few years, the percentage of deficit has not changed much; the GA/135 portion of the deficit has remained about the same.

As we have seen over the past several years, the Airport has finished their operating budget in the black. FY17 again ended in the black, and while FY18 is projected to have additional expenses, it too is projected to finish in the black.

There are two ways to address the proposed deficit budgets for FY19 and FY20.

1. Adjust all, or a portion, of the GA/135 deficit by raising GA/135 fee-specific revenues to balance. To balance FY19 using FFF increase to the GA/135, it would require a $0.12/gallon increase (from $.22 to $.34/gal). While this does balance the budget for FY19, the inequity (credit) to the 121 air lines is greater and would result in a credit (this is due to the shared non-signatory fees and how they are allocated), hence, another deficit to overcome for the GA/135 users. This method may become very complex for the amount of the deficit.
2. Apply Airport Fund Balance and monitor the deficit in the second half of the biennial budget (FY20) for rate increases. This seems to be the most reasonable based on the past few years of budget history. This would mean that the budgets, as presented would move forward using Airport Fund Balance to balance.

Airport Staff recommends the following motion:

Finance Committee Motion: *"Approve the FY19 and FY20 Proposed Budgets, as shown in Attachments #1, #2 and #3, with the use of $174,300 of Airport Fund Balance for FY19, and the use of $198,900 of Airport Fund Balance for FY20, and forward to the Airport Board for approval."*

V. Airport Fund Balance & Operating Reserve. At the August 2013 Finance Committee meeting and the September 2013 Airport Board meeting, the Airport created a three-month operating reserve through the Airport Fund Balance. This would be revisited each budget cycle to ensure the revenue surplus was maintained at the three month total. Based on the FY19 proposed budget, the operating reserve in the fund balance would require $1.857M. This is an increase to the $1.766M previously established in FY18.

With the close-out of FY17 in the black by $428,286, the Airport Fund Balance is now at $5.006M (plus a nominal increase anticipated for FY18 close-out). The Airport also approved the use of $394,875 ($400K) of Airport Fund Balance for FFY16 Capital Improvement Project (CIP) Match, but these will get reimbursed once collection of the Passenger Facility Charge (PFC9) have been posted (2018) . The use of previously appropriated Airport Fund Balance funds for balancing budgets were not used, and therefore, no longer applicable to the bottom line Fund Balance. The 3-month operating reserve requirement for FY19 is now $1.857M. This all means that the Airport Fund Balance would be $2.749M ($3.149M once CIP match is reimbursed) after applying the 3-month operating reserve. The use of Airport Fund Balance in the amounts of $174,300 for FY19 and $198,900 for FY20 would still show available Airport Fund Balance of $2.376M.

VI. SEE ATTCHED ADDENDUM #1

VII. Other items for discussion.

VIII. Next Finance Meeting: <u>TBD</u>

Juneau International Airport Board
Finance Committee Meeting
February 26, 2018, 3:30 p.m.

ADDENDUM #1

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Add new section VI. before "Other Items for Discussion" and "Next Finance Meeting" sections.

VI. **Passenger Boarding Bridge (PBB) Gate 2 Forward-Funding.** On February 23, 2018, the FAA notified JNU Airport that the Airport Improvement Program (AIP) Entitlement funds would likely not be ready for release until mid- to late-April for the PBB. This is over a month later than anticipated for this grant. This delay has been based on the Federal budget authorization.

This grant delay will also delay the critical construction season. Based on the above discussions for Airport Fund Balance, the Airport would have enough funds to forward-fund the requested AIP grant of $1,801,875. The match to this would still come from the 1% Sales Tax ($120,125). While there is a chance that the award may show up early, the Airport would like to move forward on this project without delay, therefore, forward fund the PBB project until the AIP grant award is received. At that time, the grant will be appropriated and the Airport Fund Balance funds will be transferred back to the Airport account.

The Airport would like to *introduce* both appropriating ordinances: 1) FAA AIP grant, and 2) the Airport Fund Balance funds (forward-funding) at the March 5 Assembly meeting. This would be in anticipation of the March 13 Airport Board meeting for approval. The Airport Fund Balance could then be appropriated at the April 2 Assembly meeting and the project can proceed quickly. The FAA AIP grant appropriation could sit in the queue for the second Assembly meeting (public hearing) until the grant is in-hand.

Finance Committee Motion: *"Approve the use of $1,801,875 of Airport Fund Balance to forward fund the Passenger Boarding Bridge Gate 2; and approve the use of $120,125 in 1% Sales Tax funding as local match; and approve the anticipated Federal Aviation Administration Airport Improvement Program grant in the amount of $1,801,875, which upon receipt and final appropriation will reimburse Airport Fund Balance account."*