

AIRPORT BOARD
AGENDA
March 19, 2020, 7:30 p.m.
Valley Library Conference Room, Riverside Drive
Conference Bridge Line (907) 789-2014

I. CALL TO ORDER

II. ROLL CALL

III. UNFINISHED BUSINESS

A. **Airport Finance Committee Budgets.** The Airport Board Finance Committee met February 21, 2020, March 4, 2020 and March 12, 2020, to discuss the FY19 Close-out Budget, FY20 Projected Budget, and the FY21 and FY22 Proposed Budgets.

1. **FY19 Close-out Budget. (Attachments #1, #2 and #3).** FY19 was originally projected to have a deficit of (\$136,000). The anticipated deficit was to be covered with Airport Fund Balance (AFB). The budget closed with slightly less expense and slightly higher revenues. Expenses/Revenues are essentially flat, and the projected use of AFB was not required. FY19 Expenses closed at \$7,507,020 and FY19 Revenues closed at \$7,508,318; with the year end at \$1,298 in the black. See *Attachments #1, #2 and #3*.

2. **FY20 Projected Budget. (Attachments #1, #2 and #3; and #8, #9 and #10).** FY20 was updated last year to show a bottom line deficit budget of (\$234,500), using Airport Fund Balance (AFB) to balance.

FY20 Projected Expenses are estimated to be \$12,800 lower than the updated budget. FY20 Projected Revenues are anticipated to be \$68,500 lower than budgeted. The bottom line shortage of FY20 revenue to expenses is now projected to be (\$290,200). The Finance Committee approved the additional use of AFB to cover the deficit. See *Attachments #1, #2 and #3. Please note that these figures for FY20 are also reflected in Attachments #8, #9 and #10.*

3. **FY21 and FY22 Preliminary Budgets. (Attachments #1, #2 and #3)**
FY21 & FY22 were preliminarily presented as deficit budgets.

FY21 & FY22 Expense increases are seen in Personnel costs, Contractual Services, Full Cost Allocation and Insurance, as compared to FY20 Updated Expenses. Most of these costs are outside the control of the Airport; set through union negotiations, contracts or federal compliance.

Total proposed Expenses are \$7,896,800 for FY21 and \$8,098,500 for FY22. Overall Expense increases are \$273,600 for FY21 and \$475,300 for FY22 (compared to FY20 Updated).

FY21 and FY22 Revenues are not only lower compared to FY20 Updated Revenues (loss of rents during terminal reconstruction), but over lower than required to balance their respective expenses.

Total preliminary proposed Revenues are \$7,374,000 for FY21 and \$7,364,900 for FY22. Overall Revenue decreases are \$14,700 for FY21 and \$23,800 for FY22 (compared to FY20 Updated). See *Attachments #1, #2 and #3*.

B. Balancing FY21 and FY22 Budgets (Attachments #4 through #10). At the March 12, 2020 Finance Committee meeting, the Committee passed a budget which: 1) Applied \$282,100 in AFB to FY21, and \$365,000 in AFB to FY22; 2) changed user group allocations from 85/15 (121 carrier/GA-135 users) to 86/14; and 3) applied several rates and fees increases to both FY21 and FY22 for the balance after applying AFB and allocation changes. Staff was also asked to come up with alternate budget balancing suggestions to bring before the Airport Board, including use of AFB for all of FY21. As staff worked on fee increases in the model, it was apparent that all land lease revenues were in one line and allocated as 85/15, rather than put into their respective user group (121/GA-135). Staff has corrected this revenue in the model which now shows separate land lease revenues for GA/135 users, 121 users, and revenue neutral non-aviation (land side) users (which is allocated at the 85/15). The result is that the deficit budget shows the large carriers (121) users carry the deficit in full.

85/15

FY 21 deficit	522800
GA/135 portion	-125740
Air Carrier (121) portion	648540

FY 22 deficit	733600
GA/135 portion	-98610
Air Carrier (121) portion	832210

The Airport has approximately **\$1.54M of usable AFB funds** going into FY21/22.

Staff has worked up two alternative options to balance the FY21/22 budget:

1. Apply 100% Airport Fund Balance to FY21 deficit of (\$522,800), and increase rates and fees for the entire FY22 deficit of (\$733,600) as shown in ***Attachment #4*** Summary of Increase and ***Attachment #5*** Rates and Fees Regulation (not effective until July 1, 2021 except Security Fees would be effective May 1, 2021). Due to how rates and fees are calculated, a small amount of \$6,600 would still need to be covered through AFB for FY22.
2. Apply approximately 50% Airport Fund Balance (\$260,700) to FY21, 50% Airport Fund Balance (\$362,800) to FY22; and increase rates and fees for the remaining balances of FY21 and FY22 as shown in ***Attachment #6*** Summary

of Increases and **Attachment #7** Rates and Fees Regulation (effective dates of rate increases outlined within).

UNKNOWNNS: *Staff realizes that there are several unknowns that will impact the budgets. COVID-19 pandemic and, to a lesser extent, the firefighting foam (PFAS) contamination outcome and remediation. The Airport cannot anticipate the total impact at this time. Staff will track time, expenses and revenue losses.*

Based on the unknowns, it is likely that additional AFB or other funds will be needed to help with lost revenues or additional expenses. At this time, staff recommends Option 2, above, using 50% AFB for both FY21/22 and increased rates/fees for both years. **Attachments #8, #9 and #10** summarize this recommended option. *Note, this recommendation is different than what was proposed at the March 12, 2020, Airport Finance Committee meeting.*

C. **Board Motions.** Staff recommends the following motions:

1. **Board Motion:** *“Approve the FY20 Projected Budget as shown in Attachments #8, #9 and #10, with the use of Airport Fund Balance in the amount of \$290,200 to offset anticipated revenue shortfalls, and forward to the Assembly.”*

2. **Board Motion:** *“Approve the Rates & Fees Regulation changes, as shown in Attachment #7, for increases to the FY21 and FY22 Proposed Budgets, and to begin the public Regulation Process.”*

3. **Board Motion:** *“Approve the FY21 and FY22 Proposed Budgets, as shown in Attachments #8, #9 and #10, with the use of \$260,700 of Airport Fund Balance for FY21, and the use of \$362,800 of Airport Fund Balance for FY22, and forward to the Assembly for adoption.”*

IV. TIME AND PLACE OF NEXT MEETING:

A. Airport Board, 6:00 p.m., April 14, 2020, Meeting Location To Be Determined

V. ADJOURN