

MINUTES of
AIRPORT BOARD SPECIAL MEETING
March 19, 2020
Valley Library Conference Room, 7:30 p.m.

I. **CALL TO ORDER:** Chair Jerry Godkin called the meeting to order at 7:30 p.m.

II. **ROLL CALL:**

Members Present:

Dennis Bedford	Jerry Godkin	Chris Peloso*
Al Clough*	Dennis Harris*	Angela Rodell
Jodi Garza		

Staff/CBJ Present:

Patty Wahto, Airport Mgr.*	John Coleman, Airport Business Mgr.
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Public Present:

Kent Craford, Alaska Seaplanes	Tom Williams, Ward Air
Mike Wilson, Coastal Helicopters*	Amy Lyman-Fuller, Alaska Airlines*
	*via phone

III. **APPROVAL OF AGENDA:** Airport Manager Patty Wahto noted that an Addendum to the agenda was distributed as Attachments #11, #12 and #13.

IV. **UNFINISHED BUSINESS:**

A. **Airport Finance Committee Budgets.** Ms. Wahto reported 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 proposed 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 at just under \$1,300 in the black.

2. **FY20 Projected Budget. (Attachments #1, #2 and #3; and #8, #9 and #10 and #11, #12 and #13).** 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 slightly lower and Revenues are anticipated to be lower as well. The bottom line shortage of FY20 revenue to expenses is now projected to be (\$290,200) using the AFB. 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 and #11, #12 and #13.*

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

FY21 and 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 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 #13). 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

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Dennis Harris declared a conflict of interest. No City Attorney was present at the meeting. He asked if staff had spoken to the taxi operators. Ms. Wahto said that there will be a three-week public comment period after the Board approves the Rates and Fees and not go through the regulation process until next winter/spring since it would not take place until 2021. Tom Williams asked if the land leases allocation error had been in the model since it was created. Ms. Wahto said she could not tell when this change was made.

Ms. Wahto said the operating reserve has \$1.5 million of useable unrestricted fund balance. In reference to a question on the COVID19 impacts on JNU, the Airport has \$1.9 million in reserves for reasons like this. It is hoped that when all of this settles down, it will be gathered all together to decide how to move forward. The budget needs to be passed knowing that it will need to be adjusted later. The motion from the March 12 Finance Committee meeting will not go through this meeting. What will be looked at and proposed will have an impact of raising rates and will fall on the 121 operators and not the GA/135. It doesn't mean that they won't have other expenses, but it will not be from raised rates. Due to the change in the model, there is no need to raise GA/135 rates.

When discussing expenses, Chair Godkin said that no City Departments have been asked to reduce their expenses. Ms. Rodell said that the Committee was told that the expenses controllable by the Airport have not increased. Increases are not at the request of the Airport.

Ms. Wahto said the 121 operators have the share of the deficit. She said there are two alternatives: 1) 100% use of Fund Balance in FY21 deficit of (\$522,800) and raise rates in FY22 for the deficit of (\$733,600) as shown in Attachment #4 and #5; or 2) 50% Fund Balance in (\$260,700) to FY21 and (\$362,800) to FY22, and increased rates/fees to FY22 as shown in Attachment #6 and #7. The unknown items are COVID-19 and PFAS. The Airport cannot anticipate the total impact at this time. Staff will track time, expenses and revenue losses. The Airport also has to look at the impact of COVID-19 to the airlines.

Amy Fuller-Lyman, Alaska Airlines, said that the summer is going to be bad and very unpredictable. She supports using 100% of the Fund Balance in FY21. She understood the fee increase in FY22 could potentially be larger, but they are currently looking at the short-term now.

Ms. Wahto said there is currently an unrestricted Fund Balance of \$1.54M available to use – whether it is for projects or operations that the Board and tenants decide to use or for this situation. In addition to that, there is another \$1.9 of reserves to be used for

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changing conditions or unusual circumstances. She thought no one ever thought this would have to be used, but this is exactly what this was set aside for.

Angela Rodell moved to 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 this to the Assembly for their consideration. The motion passed by unanimous consent.

Kent Craford, Alaska Seaplanes, asked about the formula issue on allocation of the land lease revenue, and asked if Ms. Wahto had any idea of how long this had gone on. Ms. Wahto stated as above, she could not answer that. Mr. Craford noted in the second Finance Committee meeting and despite the change with the allocation and the 135 operators being held harmless in the new rates and fees proposal, he remained consistent in supporting use of the Fund Balance in getting through what is likely going to be a horrible year. He added that if he understood the allocation formula error correctly as to how the land lease revenue has been applied between the 135 and 121 tenants, it would seem likely that this has been happening for some time. If it is \$125,000 in FY21 and \$90,000-sum in FY22, it was likely similar amounts for the last year and years prior. This could represent a very significant historical over taxation of the 135 operators. He urged the Board, the Finance Committee and the staff to spend some time to talk about it and discuss the model. It is old, stale and inherited. He said they are hopeful that the \$50 billion from Congress trickles down to airport from the Feds.

Tom Williams, Ward Air, seconded Mr. Craford's testimony. He thought it was time for the carriers and the Airport to get together and work with the Manager to simplify the model so that everyone can understand it.

Angela Rodell moved to approve the FY21 and FY22 Proposed Budgets, as shown in Attachments #11, #12 and #13, with the use of \$522,800 of Airport Fund Balance for FY21, and the use of \$6,600 Airport Fund Balance for FY22, and forward to the Assembly for adoption. The motion passed by unanimous consent.

V. **TIME AND PLACE OF NEXT MEETING:**

A. Airport Board, April 14, 2020, 6:00 p.m., meeting location to be determined. Ms. Wahto reported that the CBJ, during the COVID 19 period, is requesting meetings be held in the larger area, and possibly in the Assembly Chambers with call in ability. In order to do this, it would have to change to Thursdays for a period of time beginning in April.

VI. **EXECUTIVE SESSION:** None.

VII. **ADJOURN:** *Angela Rodell moved to adjourn. The meeting adjourned by unanimous consent at 8:21 p.m.*