

MINUTES of
AIRPORT BOARD MEETING
April 23, 2020, 8:00 a.m.
TELEPHONIC MEETING

I. **CALL TO ORDER:** Chair Jerry Godkin called the meeting to order at 8:05 a.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.	Rob Edwardson, CBJ Assembly
John Coleman, Airport Business Mgr.	Rorie Watt, CBJ Manager
Catherine Fritz, Airport Architect	Jeff Rogers, Finance Director
Kris Ritter, Airport Architect Assoc.	Kathleen Jorgensen, Controller's Office
Scott Rinkenberger, Airport Sup't	Teresa Bowen, CBJ Law
Beth Weldon, CBJ Mayor	

Public Present:

Amy Fuller-Lyman, Alaska Airlines	David Epstein, Public
Mike Wilson, Coastal Helicopters	Charles Murphy, KINY Radio
Kristi Elliott, Hummingbird Hollow Gifts	Kent Craford, Alaska Seaplanes
Jeremy Hsieh, KTOO	Tom Williams, Ward Air
Holly Johnson, Wings Airways	

III. **NEW BUSINESS:**

A. **CARES Act Grant (Attachment #1).** Airport Manager Patty Wahto said this meeting is to discuss the Federal Aviation Administration (FAA) CARES Act grant. The \$2t CBV bill that was passed by Congress a few weeks ago, included \$10b given for FAA Airports Division. This is separate from everything else going on with airlines, small businesses, etc. It is unique to airports. The FAA worked out formulas. One of the reasons the airports were able to work through this so quickly is that they already have mechanisms in place with all the data they have with the grants and grant assurances and all the financials they keep on every airport nationwide. They were able to take that \$10b and work it through the formula and the process very quickly. She said the CARES Act grant is separate from the Airport Improvement Program (AIP) grant that the airport gets. This is coming out of the U.S. Treasury general fund. Juneau Airport is slated to receive \$21,736,343 based on that formula. The Airport submitted an application to make sure it was in the queue. After talking with the FAA, the Airport has until the end of the week to get the grant updated. They are trying to get this money scheduled for the grant payments. This will allow them to move forward with the AIP grants that will be on the heels of this funding. The options are:

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Option 1. *The quickest option is to use all of the CARES Act funds for operational expenses, such as payroll, utility bills, or payment of debt service.*

Option 2. *Use CARES Act funding on development or land acquisition projects. There are more prerequisites and requirements for construction projects, so this grant will not be issued as quickly; or*

Option 3. *Use some of your CARES Act funding on operational expenses and some on airport development. The project has to be identified when the grant is submitted. It has to be far enough in the process that environmental has been done. It is not a reimbursement for past projects or past awarded grants. There are a lot of restrictions for this option.*

Option 4. *Do not take any money at all and tell the FAA, "No thank you".*

The money from this grant has to be expended in four years. If it is not expended in four years, it will go back to the FAA.

There are a few requirements, regardless whether there is one plane or more, the airport and airport terminal must still be maintained and do all functions of the airport. The FAA made maintaining staffing up to 90% as a requirement of the grant. They want to make sure the airports are maintained and open regardless of the number of flights or passengers. They also did not want another way of flooding the market with additional unemployment.

In looking at the options, staff was looking at Option 3, which is a mix of operational revenue and capital development. To legally and lawfully use the funds, there are restrictions through the CFRs and through grant assurances. It will be very difficult for the Airport to use \$21.7m in operations legally. Ms. Wahto said the Airport would get the biggest bang for the buck by doing some capital side as well as using a big chunk of it to offset the operational losses. The Airport is running in the red right now. FY 20 was scheduled to be almost \$300,000 in the hole. The Airport Fund Balance (AFB) was going to be used to help that out. FY 21 was scheduled to be almost \$523,000 in the hole. So staff was already planning to use the AFB to balance those budgets.

Ms. Wahto worked with the FAA to see what the impact of COVID 19 is to the budget. FY20, based on down traffic, down passengers, in addition to the almost \$300,000 fund balance, the Airport is looking at another \$1.3 million in losses through the end of June. Again, this is a guess and is based on percentages of several years of past revenues and added a multiplier to those. For FY21, in addition to the \$523,000 of AFB, she guessed it would be an additional \$2.4m of impact from COVID. Continuing on into FY22, it is estimated to be another \$1.8m shortage. Another item is the rates were planned to

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increase in FY22 and most of that was airline related. If this wasn't done, the shortfall will be upwards of another \$733,000 of lost revenue. This adds up very quickly. By the time the Airport gets to the four-year cap, assuming the Airport is not at 100%, the cost will be almost \$11m just from the cost of COVID.

Option 3, takes that \$11m and locks it, which would leave \$10.7m. This was discussed with the FAA. Parts of the Snow Removal Equipment Building (SREB) are not eligible for grants; the FAA thought this was an excellent choice. This project is far enough along in the process – through schematic design and environmental. They preliminarily agreed to this project. Anything else may bog down the process. The Airport is continuing on with the Taxiway Project and the Terminal Project, while still fitting in with the State mandates. The FAA wants projects to continue.

Ms. Wahto said that Attachment #1 outlines different levels of the Snow Removal Equipment Facility (SREF) – the wash bays, the offices. It would do the whole thing and all of Airfield Maintenance would move into the facility. This would vacate the old shop and it could be used or leased out and generate some money.

Catherine Fritz, Airport Architect, said the attachment outlines the scope, budget and schedule of completing the Snow Removal Equipment Facility (SREF), of which the Airfield Maintenance Shop has always been a component of. This is the final component, except some outdoor storage that can be done over time. The remaining work is for two program areas – equipment maintenance work bay called the grease and lube bay, which would be adjacent to the existing bay; a lighting shop, which is an area to repair the airfield lighting; the other roughly half of the building is crew support, which is the training and meeting room, break room, the snow desk and the Maintenance Supervisor's offices, first aid, kitchenette, Wildlife Patrol's office and the things supporting the crew operations. Most of these things occur in the old building, just to a much smaller degree. The maintenance bay is a fraction of the size that is programmed. From the start, the building was taken as a whole and the pieces were planned over time.

If all of the spaces planned for are built, it is about 20,000 square feet at a cost of \$450 per square foot general construction costs, which is based on an average of what it cost to build the SREB, the wash bay and the Sand/Chemical Building. The additional associated costs with construction were discussed, which include design services. The total cost is expected to be about \$12m.

If this money comes through quickly, it is as simple as a design contract amendment as the Airport has a design team hired through a competitive process years ago. Then the project would move into bidding and award and the construction could be complete by the spring of 2022.

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There are possibilities of doing less than the full scope, which will cost more over time. But this is a way to move forward by doing what you can. This will help our Airfield operations. The existing facility will have to be maintained.

One option would be to look at this in two phases: to build the half that deals with equipment maintenance or build the half that builds crew support. This would be more than half of the budget because there are not cost efficiencies if you break it apart. It is felt that it would be about 55% of the total cost or \$7.8m.

The second option would be to construct the entire shell, the foundation, the structural system, the wall framing and the roof, which would cost \$6-7m. Depending on the money available, systems would be installed, which might include concrete slabs inside; the lighting and electrical power, and the heat source. The main thing to consider is that the space might not be useable because if it can't achieve a minimum level of completion, an occupancy permit will not be issued by the Building Department and the crew will not be able to use the facility. The way that shell only projects are typically successful is when you have funding now and you have a high degree of confidence that additional funding is coming in a short time. If you don't have a high level of confidence, it is very hard to justify spending money on something that can't be used.

She asked everyone to keep in mind that there are some generalities and that this has been done in a very short period of time. Because the project is known well and there is a long history with it, there is a high degree of confidence that \$12m is a good figure for completion and something less than \$12m would absolutely be used to the fullest extent possible with the maximum benefit possible to get the Airfield facility moved to the SREF.

Ms. Wahto said that at an Assembly Finance Committee meeting, the Assembly asked the Airport to look at ways that there could be some savings that trickle down to the City as a part of this grant. The City has put forward a sales tax on some future projects. There is a \$3 million capital match for the part that the State has backed out of. The Airport has used about \$1.6m, with \$1.4m for future use. This might be another way of being able to help the City.

Amy Fuller Lyman, Alaska Airlines, said that they received the packet yesterday and asked for time to review and ask questions. She said that the staff recommendation does not seem to cover any reducing of the burden in the near future. She understood payroll could be covered, which would then lead to a reduction in rates and fees for the next 6 to 12 to 18 months while the full passenger count recovers. She said that the project is a good project, but it does not help the whole ecosystem of the airport, airlines and various tenants cover their bases. She wanted that to be taken into consideration. She also understood that the funds help the City not have to go into the tax base, but it needs to help more than that. It needs to help the whole range of tenants and those who support

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the airport. She said if there are details on what it could do for rates and charges in the near future, she would love to see that. If not, she would hope that there would be a few days for questions to be asked and answered.

Ms. Wahto said the FAA has extended the date for their answer until tomorrow. She said they thought the FAA thought that most Airports would take it just for the purposes of operations expenses. They want to get them out the door. She wanted to explore other options with the Board. She understood that pulling a project in might not be the right thing, but it gives the Airport the opportunity to try to do something that could generate other rent later. The money slows down having to increase rates and fees. In FY22, the rates and fees were scheduled to be raised by over \$700,000, mostly on the back of the air carriers. This funding will either not have those increases charged or charge them in a slower course over a few years while using this funding. This funding is to keep airports and tenants solvent, but at the same time, abating rent must be fair across the whole airport and not going lower than fair market value. Rent as far as land lease rates, terminal rents, etc., cannot be lower than fair market value and you have to demonstrate that the fair market value has decreased because of COVID. It is not something that happens right away. The Airport can work with tenants on deferred rents and fees, but the Airport can only go for deferred rents without interest through December of this year. They will take a look again to see how the economy has bounced back.

Holly Johnson, Wings Airways, said that they had been airport tenants for close to three decades. This is the first time in history that they will most likely not be making any revenue for 19 months. They asked for the Board's consideration in supporting local business as these are challenging times and there are tough decisions ahead. They appreciate any support to their business that the Airport can provide.

Kristi Elliott, Hummingbird Hollow Gift Shop, noted the hardship with the move and being closed much of December and January, and now being closed much of March and April, they have only been in business for about 1.5 months this year. Like all the other small planes and the travel industry, they are very dependent on travelers coming through the airport. They do not have much of a clientele past that. Anything that the Board can do for small business will be greatly appreciated. She also brought to the Board's attention a letter (Attachment #2) that she sent out the day before. She said that they were told that the FAA could not fund a permanent location in the airport. After 2021, when their contract is up, she assumed that they will be out of business and perhaps the airport will not have a gift shop. Reading through the CARES Act grant, she thought this was a viable solution for creating a gift shop in the airport without having to use FAA funds. She hoped this could be a consideration for the \$21m and wanted to make it a talking point.

Mayor Beth Weldon said she appreciated the dilemma the tenants are in and, obviously, the City will probably support the most flexible option that can be chosen. While she

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appreciated work on building the sand shed, she is also very sensitive to the business owners at this time. With all due respect, their problem is right now. Anything that can be done to use the CARES grant to help the operations and pass the savings on to the Airport tenants right now would be greatly appreciated.

Kent Craford, Alaska Seaplanes, echoed the comments made by Alaska Airlines. Alaska Seaplanes would like to see the funds reserved to support Airport operations and, at least at this time, not allocate any funds to capital projects. He said Ms. Wahto had thrown out a potential loss revenue of \$11m over the next four years. He said this crisis is only six weeks old, which is a very short amount of time to, with any confidence, begin predicting what the next four years is going to look like. It could be \$11m or more. If \$10m is spent on the SREF, that leaves only \$11m. He said he didn't think stock could be put in the estimate. He felt it would be very unwise to commit the Airport funds to a new \$10m project. He said they respectfully request the Board accept the grant to support operations; avoid committing itself to any capital projects right now; and, as suggested, do what can be done to support businesses on the airport that are struggling right now. The idea that it can't be used to offset fees is a bureaucratic syllogism. Maybe these dollars cannot be used, but the dollars can be used to support payroll and other costs at the airport and that means that frees up money that is already in our bank accounts and budgets and that money does not have to be spent and, therefore, fees and charges can be reduced. All money is fungible. The idea that we can't start to look at some options like that, that those should be foreclosed, he thought was really irresponsible. He thought everyone needs to take a breath and talk about the options. Emergency meetings on the phone may not be the best way to do that. There is some time and it should be used.

Tom Williams, Ward Air, echoed Alaska Airlines' and Mr. Craford's concerns. He appreciated the Airport trying to make full utilization of these funds and be able to maximize the benefit to the Airport. He agreed it was too premature to allocate more than half of the funds to a capital project which precludes any changes to the operation and maintenance needs going forward. If the grant were to allow the Airport to say it could "spend up to this amount" on projects and "up to the full amount in operations and maintenance" and give it that flexibility, he would support that language. However, if that sort of flexibility is not in the cards, he would have to support Mr. Craford's recommendation to simply devote it to operations and maintenance costs until it is known what those costs will be. He said inasmuch as the Airport has looked toward taking overcharges of the rates and fees which drives their fund balance, he would hope that going forward they would not dip into that because it is not known what those challenges will be down the road. Absent any flexibility in this grant, if the Airport is committed to spend \$7m-11m on the project, he would oppose that and simply direct it to operations and maintenance.

David Epstein, public, thought there needs to be something in it for both the tenants and the Airport. He said he heard what others are saying. He was a proponent of building as

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much of the new building as the Airport can. One option he offered up was taking a look at modifying the current maintenance area to bridge this along, it was noted that just in the first six weeks of this and the crystal ball is not perfect, there is likely to be another shot of relief that comes down the line. If there is not, let's use some of the money to optimize what the Airport has now, if that is a feasible option.

Mike Wilson, Coastal Helicopters, referred the Board to the letter (Attachment #3) sent by the Airport Tenants & Users Group, which asked for rent abatement. He said he did not know about the grant assurances and all of the regulations the Airport has to abide by, but one paper regarding the CARES Act and the COVID response says "the decision to abate rent is a local decision. Rent abatement should be tied to the changed circumstances caused by the public health emergency." He echoed what Alaska Airlines, Alaska Seaplanes, Ward Air and all the others have said, this event is affecting the companies and tenants now. It is not something they want to deal with, but they have to. He thought the CARES Act should be used for operations and expenses, and explore rent abatement and fee reductions as much as possible.

Angela Rodell said that Option 1 lists a lot of things including payroll, utilities, payment of debt service. She asked Ms. Wahto if this was her understanding of the type of things that the FAA says the CARES Act fund will reimburse. Ms. Wahto said the options were directly quoted from the FAA. Ms. Rodell asked about deferment versus abatement; deferment means you have to pay the money back by December and abatement means the money does not have to be paid back. Ms. Wahto agreed. At this time, the FAA has told the Airport that the deferments can only go up until December and that is on a case-by-case basis. There are other CARES Act monies for airlines and small businesses. The money is allowed for operational uses or as outlined in the other two options. Ms. Wahto could not speak to what other part of the CARES Act does. Ms. Rodell said she appreciated the work that Ms. Wahto and her staff have done to try to put these options together and look at them from a variety of lenses in order to meet a very quick turnaround.

She said she would support pursuing Option 1, rather than the staff recommendation of Option 3. She said there is no sense of the impacts to the operations budget for the Airport at this time or about how much will be used. She would like the time and flexibility to use it for an operational side. In using Option 1, it will allow time to possibly defer tenant payments to December to help tenants. She also thought it would provide an opportunity to work with the City on debt service and help the City potentially with relief of sales tax collections, which will be down considerably. She felt Option 1 gives the most flexibility over the next four years. If all \$21m is not used, it is not used. In terms of serving the most people and still keeping the Airport in really good condition, Ms. Rodell felt the best option is Option 1.

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Board Member Al Clough echoed Angela's comments. The only way he could support a capital project would be something that could literally get on the street in the next few weeks and not next year. The only reason he would consider it would be to get the jobs out there and get some money into the economy. If the Airport has to go through the normal process of planning and contracting, etc., it seems a pretty heavy lift.

Board Member Dennis Harris said as much as he would like to see the building completed, he also wanted to be on the side of flexibility. He knew that tenants would love to have reduced rent, but FAA rules require the Airport to charge the market rate. Even if it is deferred, they will end up paying the market rate as the Airport has no choice. One of the things he hoped the money could be spent on would be on security to get the traffic out front under control. It is still not under control late at night. It is still wall-to-wall traffic and no one can get through. He would like to see some of the money put into early morning and late evening traffic control. He said the Airport will need the reserve to make up for the loss of landing fees and fuel flowage fees from Alaska Airlines traffic. The president of Delta said it will take three years for the airline industry to recover from this. He didn't think there will be much business or personal traffic until there is a vaccine. He said the Board needs to understand that interstate travel will be greatly reduced, and did not think it would increase. He did not want to send money downtown as the Airport has never had enough to do the security.

Board Member Jodi Garza was also in support of Option 1. She said the real impact has not been seen locally or federally. She agreed it will go on for many years. The purpose of the fund is to prepare a response to the impact of COVID 19. She read that the funds can be retro-applied back to January 20, so there could be some savings to the current fiscal year that the Board should consider as well.

Board Member Chris Peloso agreed with the other Board members that the \$21m should be used for operations.

Angela Rodell moved that the Airport Board approve the application of the CARES Act funding for operational expenses in the amount of \$21,736,343 in FAA CARES Act funding. The motion passed by unanimous consent.

- IV. **ADJOURN**: *Dennis Harris moved to adjourn. The meeting adjourned by unanimous consent at 9:21 a.m.*