

ATTACHMENT #1



**JUNEAU INTERNATIONAL AIRPORT
MEMORANDUM**

TO: Mayor Bruce Botelho
City Manager Rod Swope

FROM: Dave Palmer, Airport Manager

DATE: April 4, 2008

RE: **CRUISE SHIP PASSENGER FEE PROCEEDS FOR CBJ'S AIRPORT**

Attached is the case to support the expenditure of cruise ship passenger fee proceeds to pay for direct and indirect costs attributable to the cruise ship industry at the City and Borough of Juneau Airport. This is submitted at the request of the Airport Board.

The Airport plays a critical role in the cruise and tour industry here, but we've failed to consider applying passenger fee funds to the Airport. (Blame the city manager at the time!)

Please forward this request to the Finance Committee for consideration. I know that it is late in the budget year to make a new request and in no way does the Airport want this request to compete with allocations already proposed for FY08-09. Within the cruise ship passenger fee fund, there is a reserve accumulating. It may be reasonable to support the Airport's request with these funds just this year, in part, to recognize that these Airport impacts and services have been provided since the fund was initiated eight years ago.

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CRUISE SHIP PASSENGER FEE SUPPORT FOR JUNEAU INTERNATIONAL AIRPORT

Background

The Juneau International Airport (JNU) serves and supports the cruise ship industry, its customers, crew, supporting businesses and partners. The cruise ship industry is a significant economy in Juneau and provides quantifiable benefits. It also brings impacts and needs, and some are reasonably allocated to JNU.

The CBJ Assembly adopted Ordinance 2000-01am imposing a passenger fee to pay for services and infrastructure usage by cruise ship passengers and to mitigate impacts of increased utilization of CBJ services by cruise ship passengers.

The cruise ship industry has offered interpretations that suggest the expenditure of the passenger fee funds should be limited to direct services to the industry, to improve or enhance safety or for improvements to efficiencies for the services used by cruise ship passengers.

Historically, the Assembly has allocated passenger fee proceeds to a variety of related uses, not just for general government support assigned to the industry, but also for direct costs to build and maintain facilities that serve the cruise passengers engaged in tours, adventures, and excursions. Examples are harbor improvements for the charter and tour boat operators in Auke Bay, Douglas and North Douglas Harbor improvements, and park and trail improvements and facility maintenance.

Originally, general government expenses for services to the industry and for support to cruise ship passenger needs were computed by a formula that included the ratio of cruise ship passengers to population and budget.

While many city services were included in this formula for the last eight years, such as Emergency Medical Services, Libraries, Law Enforcement, Parks and Recreation, Streets, Finance, and the City Manager's office, the Airport was not included and with one exception, fees have not been directed to the Airport. This was an oversight. The Airport plays a key role in supporting and servicing the extensive cruise ship industry in Juneau. Examples of services or impacts appropriate for passenger fee uses are: Air Medivac, Customs and Border Patrol, flight seeing, and direct services to passengers and crew who use the Airport.

The impacts of flight seeing have been recognized by the Assembly in many venues, including the funding of studies related to noise and helicopter operations and collaborative efforts to address community concerns. For years the Airport has participated in these collaborative efforts.

Unaddressed in this major effort has been the Airport facility itself.

Allocation of Costs

Some impacts and services to the industry at the Airport are easily quantifiable, but others are not. When all factors are considered, a general formula addressing the percentage of cruise ship passenger enplanements to the total enplanements is the best representative of budgetary impact.

- The direct number of cruise ship passenger and crew enplanements is **21,850**.

- Total JNU enplanements last year were approximately 400,000. Cruise ship passengers to total enplanements as a percentage is **5%**.
- The 2009 Airport budget is **\$4,800,000**.
- 5% of \$4,800,000 is **\$240,000**

While this is a simplified method, it is representative of the overall impacts. Additional details follow:

Utilization, Services and Impacts

Roughly 1,000,000 cruise ship passengers visit Juneau each year. One hundred four thousand or about 10% are flight seeing customers who enjoy tours or services directly supported by the Airport (this does not include ERA Helicopter customers based off-airport). Helicopter tour customers begin and end their flight experience at the Juneau International Airport. Helicopter tour companies operating at the Airport are Coastal Helicopters, NorthStar Trekking, and Temsco Helicopters.

Floatplane tour operations by Wings Airways initiate tours primarily from the Juneau Harbor, but all aircraft are based and supported at the Juneau International Airport, which maintains the floatplane pond, roads, taxiways and parking areas.

Direct costs anticipated include the maintenance and upgrades for the Temsco access road, reimbursement for drainage improvements for the Coastal Helicopters ramp, and planning efforts to address congestion issues for NorthStar Trekking.

Air Medivac

The Assembly has recognized impacts and has appropriated passenger fee proceeds to fund both CBJ emergency services and to pay Airlift Northwest's additional staffing costs and uncollectible debt costs related to cruise ship passengers. A City Manager's report to the Passenger Fee Proceeds Committee states that 35% of all air medivac flights in the summer carry cruise ship passengers. Airlift Northwest flights, aircraft, and crew are based at the Juneau International Airport.

It is appropriate to use passenger fee proceeds to mitigate impacts and to maintain a portion of Airport Rescue Firefighting (ARFF) services at the Airport just as proceeds have been utilized to support other emergency services off the Airport.

Emergency Response

In the event of a cruise ship emergency, the Airport becomes a vital hub and essential component to the cruise ship industry's emergency plans. The Airport has played a key role in evacuating passengers and facilitating emergency responses. Aviation support, search and rescue and communications and logistics are based at the Airport. Ongoing emergency planning, staffing, training, and facility and equipment maintenance are essential components of this task, and the allocation of passenger fee proceeds is reasonably supported.

U.S. Customs and Border Patrol

Customs and Border Patrol (CBP) offices and employees are based at the Juneau International Airport terminal. While CBP has a seasonal satellite office at the Harbor, CBP personnel, vehicles, records

and operations are located at the Airport. According to CBP, 70 percent of their time is used serving the cruise ship industry, passengers, or crew. There are no scheduled international flights to Juneau.

In 2007, CBP cleared 52 cargo shipments inbound for cruise ships, they processed several hundred cruise ship passengers and crew, and served 120 cruise ships in Hoonah (via Wings of Alaska flights). The cost of the CBP offices in the Airport Terminal, parking, overhead, maintenance and janitorial services have been provided by the Airport at no cost due to federal regulation, resulting in increased rates to other tenants.

CBP estimates the annual value of offices and services to the industry to be \$100,000 annually.

In addition, the Airport has spent \$75,000 out of pocket constructing CBP offices at the terminal.

Direct Services to Passengers

Estimates by the Airport and the Cruise industry agree that approximately 21,850 cruise ship passengers enplaned at the Airport last year. (The industry estimates between 2,700 and 4,000 crew members and 15,000 to 22,000 passengers transit the terminal.) The Airport's passenger terminal remodel is incorporating design changes to improve efficiencies in baggage handling for tour groups, improve tour bus parking, and set aside "meet and greet" areas for tour groups. Now, tour group luggage clogs the terminal floor space.

Security costs related to passengers have increased. Several years ago, the Assembly approved the use of cruise ship passenger fee proceeds to reimburse for added security capital costs (\$150,000) when TSA mandated a terminal remodel that removed revenue producing space.

Summary

Methods of computation may vary, but it is clear that the City and Borough of Juneau's International Airport is critical to safety and efficiencies of the cruise industry, including major vendors that partner with the cruise lines. A simple but justifiable methodology is to allocate to the cruise ship passenger fee, a percentage of cruise ship passengers to the total number of passengers who enplane at JNU.

A more detailed analysis of flight seeing passengers and allocation of components of the budget for airfield, terminal, ARFF, and other specific components actually increases the impact computation, but for this purpose, allocations outlined above are justifiable and easily computed and monitored and constitute the Airport's recommendation to the Assembly:

Annual Reimbursement

For impacts and costs attributable to services and facilities: **\$240,000**

One Time Reimbursement

For capital costs to construct U.S. Customs and Border Patrol offices 70% of \$75000	\$ 52,500
Temsco Road Repair 2008-2009	\$ 20,000

Prepared by: Dave Palmer, Airport Manager