

**Juneau International Airport
Finance Committee Meeting
March 2, 2010, 11:00 a.m.
Aurora Room**

I. Introduction (meeting participants)

II. FY 11 & 12 Proposed Budget Revisited. (Attachments #1 through #10) There have been a few adjustments to both the FY 11 & 12 Expenses and Revenues since the last meeting including final ARFF figures.

1. There have been some adjustments to the both the Expenses and Revenues for FY 11 & 12 since our last meeting. Based on direction from the Finance Committee, Revenues have increased due to new terminal space leasing, concession projections and some proposed fee increases. FY 11 shows a balanced budget while FY 12 is showing a slight deficit. Adjustments are detailed below:

EXPENSE (changes):

- A. PERSONNEL: Since our last meeting, Human Resources informed the Airport that a couple of reclassifications/changes had been in review since last year. The result was some increases in Personnel costs which will amount to \$12,300 increase for FY 11 and \$12,500 increase for FY12.
- B. ARFF: The Fire Department submitted their final proposed budgets for FY 11 & 12. They came in slightly lower than staff's estimates resulting in a \$17,100 decrease for FY 11 and a \$17,400 decrease for FY 12.
- C. FEDERAL CHANGES/REQUIREMENTS: Two changes have affected one line item of the budget. As of June 1, 2009, all persons accessing the Airport perimeter were required to undergo Security Threat Assessments (STA) and be badged (not just have a proximity card for access). This mandate means that we are processing and badging about 43% more people at the Airport. Therefore the cost of additional badges, processing and STA is an additional expense to the Airport, but also corresponding revenues as well. Just the additional badges equates to \$4,000 annually for both FY 11 & 12. The second part of this change is the TSC (Transportation Security Clearinghouse) is the contracting agency for the TSA for the Fingerprint Criminal History Checks (CHRC) and the Security Threat Assessments (STA). As of January 2010, new charges went into effect for the costs associated with the STA vetting process. Costs were established several years ago for the CHRC, but costs for STAs were not an issue until the TSC started charging for new and continual processing costs of STAs. The Airport now needs to recoup these additional costs too. The easiest way for JNU Airport to do this is to raise fees for badge issuance and renewals (rather than an additional, separate fee). This overall expense:revenue should be expense:revenue-neutral to the budget. The increased cost on the Expense side for the STA processing is estimated to \$8,000 for FY 11 & 12. See Revenue discussion below.

REVENUES (changes):

- A. STATE-SHARED REVENUE: Projected flat for FY 11 & 12 and commensurate with forecasted landings and corresponding fuel pumped at the airport.
- B. FUEL FLOWAGE FEES: Again, projected flat for FY 11& 12, commensurate with forecasted landings.
- C. LANDING FEES: Projected flat for FY 11 & 12, based on projections from Alaska Airlines.

D. RENTALS:

1. Restaurant Concessions: CPI increases have been calculated in per terms of the lease (1.2% increase in FY 11 and 3% estimated increase for FY 12).
2. Rental Car Percentage: Anticipates a slight increase for FY 11 and compounded 5% increase for FY 12.
3. Rental Car Storage Fees: Proposed rate increase of \$10/space/month beginning January 1, 2011, based on completion date of east end of terminal and staging area. Proposed rate change would increase revenues by \$12,800 in FY 11 and \$25,700 in FY12.
4. Advertising: A new advertising contract RFP will be going out shortly and should be in place by Fall of FY 11. Staff anticipates an increase of \$9,000 in FY 11, and \$14,000 in FY 12.
5. Gift Shop: A 5% increase is projected for FY11 & 12 for increases of \$2,000 and \$4,100, respectively.
6. Airfield Ground Leases: FY 11 & 12 includes the increase to USFWS maintenance contract (snow removal) for additional revenue of \$8,900 each year.
7. Air Carrier Terminal Lease: Additional revenue for the additional space to the new bag claim, bagwell and departure lounge areas has been calculated based on completion dates. Additional revenue anticipated is \$16,800 in FY 11 and \$21,300 in FY 12.
8. Other Terminal Leases: Revenues from the new community room, tenant lease space and departure lounge concessions have been added in using basic square footage rates of \$24.87/sq.ft. and \$31.01/sq.ft. currently in our regulation. Basic rate increases for the new areas would generate an additional \$ 107,600 in FY 11 and \$138,600 in FY 12.

E. OTHER/MISC.: Consistent with FEDERAL REQUIREMENTS (Expenses), above, staff is anticipating additional revenue due to increased badging numbers and is also proposing increased badge fees commensurate with the increased badge (STA) fees charged to the Airport. The resulting revenues of an additional \$4,000 for the additional number of badges plus the additional \$8,000 for and increase badges prices (due to STA processing charges) would offset the anticipated fee increases (Expenses, above).

2. Bottom Line. The FY 11 budget is (basically) balanced **based on proposed rates and fees increases as presented below**. The FY 12 budget shows a deficit of \$59,564 at this time. Staff recommends submitting the budgets as presented at this time with the knowledge that the FY 12 budget will be revisited next year (Jan/Feb 2011) and assessed at that time. The financial model will be available at the meeting to show rate increases generated by the model to balance FY 12.

Staff recommends the Finance Committee approve the FY 11 & 12 budgets, as presented, and to forward to the Airport Board for their March 10, 2010, Airport Board meeting for subsequent submission to the Assembly.

III. Proposed Rates and Fees Regulation Changes. Portions of the proposed FY 11 & 12 revenue budgets are contingent upon the following Rates and Fees Regulation changes:

1. Revise Non-Aviation Land Lease Rates: Tenants affected-- ACS, AEL&P, Avis (storage area), Delta Western (garage site only), Hertz (storage area). Because these rates are not linked to Airfield Lease rates, Non-Aviation Land Lease rates are currently at, or only slightly above Airfield rates. ANC & FAI set "Auxiliary" lease rates 33% higher than "Aviation."

Staff recommendation (annual revenue increase \$8,900):

Replace 07CBJAC 10.020(e)(2) Non-aviation Land Lease Rates in its entirety with "*Non-aviation land lease rates shall be set through competitive bid or other process, but shall not be less than the highest Airfield land lease rate plus 25%.*"

2. Badge Fee Increase—Initial Issue

Current fees associated with issuing badges are: Initial Badge Fee \$10, Badge renewal Fee \$10, Deposit \$50 (refundable), Fingerprint Fee (\$45). So far, the cost of performing the Security Threat Assessment (STA) by the Transportation Security Clearinghouse (TSC), which is done on every badge applicant and annually thereafter, has not been passed on to the applicant. Staff recommends a \$5 increase to the Initial Badge Fee and the Renewal Badge Fee. The \$15 badge fee will help to recoup the estimated cost of staff time, equipment & supplies, and the additional STA charges. Staff also recommends a minor wording change to explicitly include the GA badges, which are a recent addition to the security program as of mid-2009.

Staff recommendation (annual revenue increase \$8,000):

1. Add "..., *General Aviation AOA badges*,..." to 07CBJAC 10.020(o)(1).
2. Replace 07CBJAC 10.020(o)(1)(A) with "*Initial Issuance (\$15) & Deposit (\$50) \$65*"
3. Replace 07CBJAC 10.020(o)(1)(B) with "*Renewal (Annual) \$15*)"

4. Rental Car Ready Lot Rate

Staff expects to have the rental car ready lot returned to the east end of the terminal at the end of 2010. We expect to have about 130 spaces again, and it will be paved and striped. With the dirt areas paved, and elimination of potholes, we expect to see improved access for vehicles in this area. Staff considers this location prime real estate, and would like to charge accordingly. Last increase, \$20 in 2003.

Staff recommendation (annual revenue increase \$15,600):

Replace 07CBJAC 10.020(f)(1) with:

"\$60 per space, per month or any fraction thereof."

IV. Other Items of Discussion.

V. Next Finance Committee Meeting: Scheduled for March 9, 2010 @ 11:00 a.m.