Juneau International Airport
Finance Committee Meeting Minutes
February 27, 2012, 9:00 a.m.

Participants:
Airport Board
Pete Carlson, Finance Committee Chair
Tam Cook, Finance Committee
Steve Zimmerman (via phone), Finance Committee
Jerry Godkin, Board Chair (9:45 am)

Staff
Jeannie Johnson, Airport Manager
Patty deLaBruere, Deputy Airport Manager
Marc Cheatham, Special Projects Officer

Public
Mike Wilson, Coastal Helicopters
Tom Williams, Ward Air (8:15 am)

Finance Chair, Pete Carlson called the meeting to order at 9:00 am.

Introduction of attendees. Patty deLaBruere re-iterated that this meeting is intended to be informational only. Discussions to focus on overall budget picture and no action was anticipated at this meeting.

Patty deLaBruere wanted to make sure everyone was aware of the new CBJ accounting system and the problems that staff has had to overcome to get to these budget numbers. This new system has been difficult for the Airport since it has changed/clumped/etc. the way we have done business with our financial model. It will require changes for both the Airport and the City, and to find a balance that will work and enable us to pull accurate reports and ensure proper coding of expenses and revenues. The Airport will continue to work with the City to find its way around the accounting system. If it doesn't work for the Airport and its financial model, we may have to look at alternate accounting systems for the Airport.

Patty went through the FY 11 Close out overview (Attachments #1, #2 and #3 of the agenda) FY 11 shows a deficit year. It looks to be a combination of expenses exceeding budget and revenues falling short. Total deficit was (-237,300). Some of the factors include: Terminal Lease Space Rentals down $106,000, Interest Income down $47,900, and Personnel costs higher than anticipated.

Patty then moved on to the FY 12 projected deficit (Attachments #1, #2 and #3 of the agenda) FY 12 is anticipated to fall short by (-$374,800). The shortfall predicted is a combination of revenue decreases (down $112,300) and expense increases (up $262,500). Some of the contributing Revenue shortfalls include: Terminal Lease Revenues down $67,500, Restaurant Revenues down $32,600, Interest Income Revenue down $48,500. There were some revenue areas such as vending and air carrier terminal leases were up to help offset for a net revenue decrease of $112,300.

Some of the contributing Expense increases include: Terminal Fuel & ARFF fuel cost up $30,600, Wildlife Mgmt Contract (USDA) up $17,000 (reminder that this additional coverage was approved at the July 2011 Board meeting), Airfield Materials & Commodities up $62,400 (higher chemical prices), Airport Security up $35,600 (new contract Jan 2012) Overtime Expenses (Airfield) up $15,000 due to weather events, and Personnel costs (benefits and project time under budgeted).

Patty stated that we will continue to monitor FY 12 and cut wherever possible. She also reminded everyone that there were no increases to Airport Rates and Fees for FY12.

Tam Cook asked if some of the personnel costs went to the capital projects. Patty stated, yes, all time that is spent on a project is charged to the project (and paid for through those funds rather than maintenance and operations) and includes personnel benefits. Patty pointed out that while actual personnel time shows up in the project, it must still be budgeted through maintenance and operations. So all project people (Safety Officer, Architect, Engineer and portions of staff salary; such as airfield, Airport Manager, Special Projects Officer; anyone who works on the project) still show up on the M&O budget, but then is backed out through manpower so that rates and fees are not affected by these project wages.

Steve Zimmerman asked how the Airport covers the two years of deficits; it has to come from somewhere. Patty stated that deficits are covered by any fund balance reserves (retained earnings) that the Airport has (from previous years). She stated that the Airport is waiting to hear what that number is from downtown (City Finance). Jeannie stated that with the new system, they were still trying to pull numbers together. The Airport has a general idea and knows that there was enough to cover the two years of deficit.

Patty introduced the FY 13 and FY 14 proposed budgets (Attachments #1, #2 and #3 of the agenda). She reminded everyone again that this is informational only. Patty stated that the expenses, while up in some areas, were not the biggest factor in the deficit. It was really due to losses and cuts on the revenue side. Both FY 13 & FY 14 budgets project a shortfall at this time; FY 13 (-$608,200) and FY 14 (-$662,500), but Revenues have decreased dramatically.

Cuts/decreases on the revenue side were from: a cut to the TSA/LEO (Law Enforcement Officers stationed at the security screening checkpoint) reimbursement program (Federal cuts). This is also an area to watch since the Airport has been told that this reimbursement program may go away completely. At one time, TSA paid the security in full and not all airports have benefited from this revenue. Still, the Airport has projected a budget shortfall of $183,400 in FY 13 and $193,000 in FY 14 (if this program closes, the impact to the budget would be approx. $330,000, annually). This revenue shortfall is a huge portion of the projected budget shortfall. Additionally, CBJ Marine Passenger Fees contributions will be terminated for the Airport. FY12 is the final year that the City will allow the Airport to collect under the current program direction/ management (it does not fit the use of the funds). This revenue cut will impact the budget by approximately $160,000 annually (FY13 & 14). This is another huge component of the projected revenue shortfall. The board was advised of this revenue termination last year. Also, Terminal Lease (new space) is projected remain down (at this time). The budget for both FY 13 & FY 14 reflects the $67,500 shortfall continuing into the next two budget cycles.

Tam Cook asked about going downtown to request other money in lieu of the CBJ Marine Passenger Fees in order to assist the airport. Jeannie stated that it would be likely that if we had a capital project related to cruise ship use at the Airport, we could apply, but it was not likely for maintenance and operations. Tam thought maybe we could ask for a different (color) pot of money.

Jeannie also explained that the Airport is working with Alaska Airlines and our DC Lobbyist on the TSA/LEO reimbursement money. Jeannie will be going to DC in March and this is one of the items on her list. The Airport is pursuing this.

Patty went on to discuss FY 13 & 14 Expenses. There have been some increases: ARFF costs have increased $55,600 (FY13) & $63,500 (FY14) (personnel costs), (new) Security contract has increased $71,400 (FY13) & $81,000 (FY14), Terminal Personnel PT which was previously left vacant will be filled for an increase of $29,600 (FY13) & $30,300 (FY 14), a necessary Software Upgrade to Security access system $25,000 (FY 13), Fuel cost increases $25,000 (FY13) & $30,000 (FY14) and some increase in Personnel costs (benefits and longevity).

Tom Williams asked about the ARFF index increase and how/when that would affect the budget. Patty stated that they have been working closely with Alaska Airlines to watch for the increase and that they would certainly give us plenty of warning. Jeannie stated that it has a much bigger impact including additional ARFF equipment which would be larger than what the fire station could house, so additional improvements would be necessary. Patty stated that they are also looking for information on the Q400s, but it may be awhile. Tom stated that any increases to ARFF should be on the shoulders of Alaska Airlines since they require the increase; it is to their benefit. Patty stated that this came up before and as a reminder, ARFF was pulled out of the 85/15 allocated split and put in at 95/5. She reminded that the argument to include the GA/135 operators in the equation was that, even though it is required for 121 operations, most of the response has been to 135 and GA operators and they too benefit from fulltime ARFF.

Patty presented Attachment #4 which lists some of the revenue increases that could result if certain fees were introduced or increased. It is only a sample of revenue generating ideas. The Airport does not intend to discuss these in detail at this meeting. This attachment is informational only at this time; for consideration at subsequent meeting(s).

Patty reiterated that after analyzing FY 11 and FY 12, the combination of overcutting the budget and lack of projected revenues has left the Airport with budget shortfalls for two years. Further cuts are not possible and some expense line item cuts (that we continue to track) are not sustainable. There were no rate increases last year.

For budgeting purposes, the financial model breaks out the shortfall as follows:

FY 13
$ 66,000 GA/135 portion
$541,700 Air Carrier (121)

FY 14
$ 74,000 GA/135 portion
$588,000 Air Carrier (121)

At this time, the Airport is presenting the budget for initial review and discussion. Staff makes no recommendations at this time, but will propose options at the next meeting.

Tom Williams asked if staff could provide the FY 10 budget actuals as a comparison to these budgets.

Next Finance Meeting: **TUESDAY** March 6, 2012, 9:00 am in the Juneau Room
Note: this meeting is in the smaller meeting room adjacent to down escalator)

Meeting adjourned at 10:05 am