

Airport Board Finance Committee Meeting Minutes

April 9, 2013

1:32 p.m. Alaska Room

I. Introduction:

Present:

Jeannie Johnson, Airport Mgr.

Patty deLaBruere, Dep. Airport Mgr.

John Coleman, Airport Business Mgr.

Mal Menzies, Airport Board

Laughlin, Airport Board

Ron Swanson, Airport Board

Ken Nichols, Airport Engineer

Tom Williams, Ward Air

Mike Wilson, Coastal Helicopters

Kent Nestler, Civil Air Patrol

Jerry Godkin, Airport Board

Joe Heueisen, Airport Board

Steve Zimmerman, Airport Board

Marc Cheatham, Airport Special Projects Off. Butch

Mike Stedman, Alaska Seaplanes/Air Excursion

Kent Craford, Alaska Seaplanes/Air Excursion

Tim McDonnell, TEMSCO Helicopters

Eric Schultz, TEMSCO Helicopters

Eric Main, TEMSCO Helicopters

II. Recap of Previous Finance Meeting

Ms. deLaBruere, Deputy Airport Manager, discussed what was previously approved at the last few Finance Committee meetings (agenda, p.1). After discussing previously approved motions, the discussion moved on to proposed fee changes.

III. Land Lease Rates

Ms. deLaBruere started the proposed fee change discussion with land lease rates. At last finance meeting, Mike Wilson, Coastal Helicopters, suggested taking the commercial land lease rates and increasing them in phases rather than the one time increase. Commercial land lease rates would be the only land lease rate that would be phased in, the others would change to the proposed rate this year. The three phased approach are as follows: all commercial operators that are not currently paying the commercial lease rate would be reclassified into the commercial lease classification and have a rate of \$0.47sf/yr. starting this year, on January 1, 2014 the commercial land lease rate would increase to \$0.52sf/yr., and on July 1, 2014 the rate would increase to \$0.57sf/yr.

Steve Zimmerman, Airport Board, proposed a motion that the Finance Committee recommend to the Airport Board to approve the recommended land lease rates as proposed by Airport staff (agenda, p.1). Mal Menzies, Airport Board, seconded the motion, and Joe Heueisen, Airport Board, approved the motion.

IV. Terminal Lease Rates

Ms. deLaBruere discussed the terminal lease rates. At the last meeting, the terminal lease rate was proposed to change to 2.2% (or one year CPI). With this increase, this would only generate roughly \$15,000 in additional revenue. This includes the Alaska Airlines as well as all other tenants. If the Airport changed the compounded CPI from 2001 to present, the additional revenue generated would have been roughly \$250,000.

Jerry Godkin, Airport Board, asked if the Finance Committee came to a conclusion on the topic of how the rates would increase to catch up to the rate it should be if the CPI was added annually?

Ms. deLaBruere stated that we did not find a way to catch up at this time. The Airport was just going to move forward. However, next year if the Airport comes to the conclusion that the terminal lease rates need to be increased the Airport will deal with it at that time.

Jeannie Johnson, Airport Manager, stated that the Airport should look at rate increases at year end, rather than mid-year when tenants have already established their budgets for the year. With that stated, the Airport might not put the rate increase at the first of the year, but tenants could anticipate the expected rate increase at the start of the Airport's fiscal year.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to recommend the terminal lease rates as presented by the Airport staff (agenda, p.2). Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

V. Float Pond Tie Down

Ms. deLaBruere discussed the float pond tie down proposed rate change. The Airport Manager previously suggested a change from the previously proposed rate structure to change to a two year phased increase, rather than a one-time rate change. The new proposed rate increase is as follows: privately owned docks on the north and south side of the float pond would increase to \$67.50 per month starting July 1, 2013 and \$90 per month starting July 1, 2014, Airport owned docks on the north and south side of the float pond would increase \$105 per month starting July 1, 2013 and \$150 per month starting July 1, 2014, and privately owned docks in the west finger of the float pond would increase to \$105 per month starting July 1, 2013 and \$150 per month starting July 1, 2014.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to recommend the float pond tie down rates as presented by the Airport staff (agenda, p.2). Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

VI. Filing Fee for Lease Action Request

Ms. deLaBruere discussed an increase fee for filing lease action requests. A lease action requests (assignment, new lease, extension/amendment, collateral assignment, or cancellation) requires the attention of many, including Airport staff members and CBJ staff downtown. This takes a considerable amount of time and resources. The proposed rate is \$100, and this is comparable to what other airports are charging. Estimated annual revenue would be \$1,000.

Tom Williams, Ward Air, asked if the individuals that are not on commercial lease rates that will be changing to commercial lease rates get charged this \$100 for lease change action?

Ms. deLaBruere stated that the Airport is making the reclassification and will not charge the tenants when these operators are reclassified.

Ron Swanson, Airport Board, asked if this fee would be imposed to hangar renewals?

Ms. deLaBruere said that tenant hangar renewals will not be charged this fee.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to recommend the Airport establish a new filing fee for lease action requests as presented by the Airport staff (agenda, p.2). Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

VII. Airport Security Screening Fee

Ms. deLaBruere discussed a new security screening fee. This new fee would be imposed, for the most part, to Alaska Airlines. The reimbursement by TSA has continued to decrease with the possibility that the federal government will terminate these grants in the near future. Much of the security is dedicated to the screening checkpoint and the SIDA areas by regulation, but is also required on the airfield general aviation and small commercial. It is recommended that a per-enplaned screened passenger fee be established. Estimated annual revenue would be \$260,000. This new fee has been discussed and approved by Alaska Airlines.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to recommend the Airport establish a new security fee per enplaned screened passenger as presented by the Airport staff (agenda, p.3). Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

VIII. Aircraft Parking and Tie Down Rates

Ms. deLaBruere discussed the aircraft parking and tie-down rates. The rates for parking and tie down have already been established at previous finance meetings, but there was some question to about commercial operator boxes. The Airport Manager pointed out that in the previous meeting the discussion was about the main ramp, but there are also commercial operator boxes located outside the main ramp. The staff recommends removing “main ramp” from the small box and large box categories. This would not affect the areas that are leased by square footage; only tie down areas.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to amend the current aircraft parking and tie down rates by removing “main ramp” language as presented by the Airport staff (agenda, p.3). Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

IX. Fuel Flowage Fees

Ms. deLaBruere discussed fuel flowage fee rate proposed increase. The following fuel flowage fees are proposed: signatory aircraft with a maximum certificated gross weight of 12,500 lbs. or less \$0.185 per gallon, signatory aircraft with a maximum certified weight of more than 12,500 lbs. \$0.16 per gallon, and all non-signatory aircraft \$0.235 per gallon.

Mr. Swanson asked if tenants were signatory or non-signatory?

Ms. deLaBruere stated that all tenants are signatory.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to recommend the Airport increase the fuel flowage fee as presented by the Airport staff (agenda, p.3). Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

X. Landing Fees

Ms. deLaBruere discussed landing fees. The landing fees will mostly affect Alaska Airlines, Fed Ex, and any other large aircraft that lands at the Airport. The proposed increase in landing fees are as follows: signatory aircraft 12,500 lbs. and over, for each 1,000 lbs. or any fraction thereof \$2.38 per 1,000 lbs., and non-signatory aircraft 12,500 lbs. and over, for each 1,000 lbs. or any fraction thereof \$2.98 per 1,000 lbs.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to recommend the Airport increase the landing fee as presented by the Airport staff (agenda, p.4). Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

XI. FY 13/14 Budget

Ms. deLaBruere summarized the FY 13/14 budget. Putting all changes that have been approved from this Finance Committee meeting and previous ones, the Airport still comes up with a \$22,800 deficit. The FY 14 expenses at \$5,872,700 and revenue of \$5,849,900 with a balance of \$22,800. The Airport suggests using Airport Emergency Funds, in the amount of \$22,800, to balance the budget.

Mr. Heueison asked if the Airport has been in contact with Alaska Airlines and they are fine with the presented changes.

Ms. deLaBruere said that the Airport has presented the proposed changes to Alaska Airlines and they are ok with the proposed modifications.

Mr. Menzies asked if Alaska Airlines had any comments about these increases?

Ms. deLaBruere answered that the Airport has discussed this with them, and have answered all their questions.

Mike Stedman, Alaska Seaplanes/Air Excursions, stated that Alaska Airlines can just raise their rates and it is no problem. However, the small operators can't do that, and these changes add up and come out of the profit of the operator. What is the City doing in regard to their employees and cutting the expenses of the Airport? Are the Airport employees taking a 2% pay cut or one day of a pay period?

Ms. Johnson stated that unfortunately the Airport is not cutting this budget, but rather the Airport has to add expenses due to security regulations. In addition, there is a \$250,000 deficit from last year that is being put onto this budget. It's up to the Airport Board to request cuts in Airport staff. However, this Airport has run so lean for so many years and you can't run an organization well without staff and maintenance up keep.

Mr. Heueisen stated that a lot of the things the Airport can do to control expenses are being done. The Airport is not acquiring additional items that it wants, to keep costs down.

Kent Craford, Alaska Seaplanes/Air Excursions, added that the ferry is an unseen competition that all operators have to deal with. Other government organizations are subsidizing the ferry system as this government organization increases rates. The point is the higher the rates, the harder the operators will have to operate at this Airport.

Mr. Heueisen stated that the Airport understands that this is tough and are working toward adding concessions and more leasable property to offset these rates.

Mr. Craford added that Alaska Seaplanes/Air Excursions is in a tight spot politically with the ferry system. Most of their customers rely on the ferry in some form and don't want to be the bad guy by stirring up issue.

Mr. Swanson noted that the Airport understands that the ferry system is impacting operators and maybe the Airport Board should send a letter explaining the impact the ferry system has on the Airport and the Airport tenants.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to approve the projected FY 13 and updated FY 14 budgets as presented by the Airport staff (agenda, p.4), including the use of \$22,800 in Airport Emergency Fund to balance FY 14, and after approval, forward the budget on to the Assembly for adoption. Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

XII. Regulations Process

Ms. deLaBruere discussed the changes in the regulation process. Other than the parking rates and fees, all proposed motions will go into the draft updated regulation (attachment #5), and if the Airport Board approves the regulation, it will go into a 21 day public comment period. After the public comment period the Airport Board will review the public's input and either passes the regulation on to the Assembly or reviews the regulation and re-present for another public comment period.

Mr. Zimmerman proposed a motion that the Finance Committee recommend to the Airport Board to approve the draft regulation presented by Airport staff that sets Airport rates and fees. Mr. Menzies seconded the motion, and Mr. Heueisen approved the motion.

XIII. Conclusion

Ms. deLaBruere stated that there is still one item left on the agenda, which is water and sewer. It is the recommendation of the Airport that this discussion take place at a later time.

Eric Schultz, TEMSCO Helicopters, asked if the Airport had a map or layout that shows where the sewer line runs at the Airport and how close it is to the TEMSCO Helicopters building?

Ms. Johnson stated that the Airport will provide TEMSCO Helicopters an updated asbuilt of the sewer system that is located closest to the TEMSCO Helicopters building.

Mr. Swanson asked if TEMSCO Helicopters building was on a septic system?

Mr. Schultz confirmed that TEMSCO Helicopters is currently on a septic system.

Mr. Heueisen asked where the Airport stands on the parking rate increase?

Ms. deLaBruere explained that the parking rate increase is part of the packet to be presented to the Airport Board tomorrow night. It is presented as a separate item from the regulation changes. The Airport is looking to have the parking rates increased by May 15, 2013, unless the Airport Board says otherwise. In addition, Republic Parking stated that they will need a week or so to get signs made and change their software.

Mr. Heueisen proposed a motion to adjourn the Finance Committee meeting. The motion was seconded by Mr. Zimmerman. The Finance Committee meeting adjourned at 2:19 p.m.