

**Juneau International Airport
Finance Committee Meeting
February 19, 2014, 9:00 a.m.
Alaska Room**

- I. Introduction** (meeting participants).
- II. FY 14 Projected. (See Attachments #1, #2 and #3.)** This was presented at the January 31, 2014, Finance Committee meeting showing a projected deficit of -\$121,500, well short of the -\$157,920 deficit approved by the Assembly. After receiving final numbers from Aircraft Fire Fighting and Rescue (ARFF) and JPD, the deficit is now projected at -\$119,300. As a reminder, FY 14 had several Rates and Fees increases to meet the predicted expenses, as well as use of \$22,800 in Revenue Surplus to balance. In June/July 2013, the Airport user groups requested to revisit the Rates and Fees increases (previously approved in April). The result was a delay/phase-in of some the rates and cutting the proposed increases to all Fuel Flowage Fees (FFF). With these adjustments, it required the use of an additional \$135,120 in Revenue Surplus to balance (total \$157,920 of Revenue Surplus to balance FY 14). FY 14 is expected to be slightly better than originally budgeted.
- III. FY 15 and FY 16 Proposed. (See Attachments #1, #2, and #3.)** We have received the final budget numbers from all departments. FY 15 proposed budget estimates a -\$255,354 deficit at this time. FY 16 Proposed budget is anticipating a deficit of -\$527,654. When the Rates and Fees increases went into effect for FY 14, there were scheduled phase-in increases to some of the fees for FY 15 including: Commercial Land Lease Rates and Float Pond Tiedowns. These increases have been factored into the Revenue figures for FY 15 and FY 16.

REVENUES

The Revenues are proposed to remain fairly steady for both FY 15 and FY 16. We are still projecting reductions in the restaurant/bar concessions until a long-term contract is in place. We do not anticipate the food/beverage revenues previously generated by Glacier Restaurant since the majority of their lease was square footage and they had a large amount of space (associated with catering, airline catering, school lunch program, etc.).

Staff has factored in some guestimate revenues to account for the entrance of Delta Air Lines, including counter space, landing fees, fuel flowage fees and ramp parking. No other significant changes are expected to impact revenues for FY 15 and FY 16 at this time.

EXPENSES

Expenses for FY 15 and FY 16 show increases projected in the Personnel costs (and related Full Cost Allocation):

PERSONNEL: Negotiated (union) wage increases of 2% for FY 14 and another 2% for FY 15, which carries into FY 16, in addition to general longevity increases will impact this cost center. FY 16 will also see an increase of \$25,700 in Health/Wellness costs that will impact the budget for the total increases to Personnel. FY 15 Personnel expenses show an increase of \$280,300 over the FY 14 Approved budget and FY 16 Personnel expenses shows an increase

of \$405,500 over FY 14 Approved budget. Remember that these increases include a compounded wage percentage increase plus benefit increase for FY 14, FY 15 and FY 16.

FULL COST ALLOCATION: Related to personnel costs, the costs attributable to the City services supporting the Airport (Law, Personnel, Finance, etc.) have increased for FY 15 and FY16 by \$73,200. This reflects a decrease of \$3,800 from the January 31, 2014, meeting.

ARFF: Budget numbers are in for ARFF. FY 15 is proposed to increase \$31,200 (over FY 14 approved), and FY 16 is proposed to increase \$35,400 (compared to FY 14). Increases are anticipated in personnel costs and training. These figures represent 4.7% and 5.4% increases, respectively.

AIRPORT SECURITY (JPD): Proposed budget numbers are in for Juneau Police Department (JPD) at the Airport. FY 15 budget is slightly lower than FY 14. It is predicted that there will be less overtime as regular officers are stationed at the Airport. FY 16 is proposed to be higher again (\$100,000 increase). FY 16 is expected to continue as a transition year with a combination of regular employees with the health and wellness costs, overtime employees and stationing a Sergeant to oversee the airport officers. It is expected to take another year to fully transition (FY17). Staff is proposing to increase the Screened Passenger Security Fees to directly cover these security related costs.

Overall proposed budget expense increase is \$225,200 for FY 15 and \$523,100 for FY 16 as compared to FY 14 Approved.

- IV. Budget Shortfall Suggestions and Discussions (Attachment #10).** The Airport is suggesting a combination of revenue increases and Revenue Surplus use to balance FY 15 (and into FY 16). See Airport Revenue Surplus funds (Item V. below). As the draft budget stands today, the financial model breaks out the shortfall as follows:

FY 15 (\$255,354 deficit)
\$ 85,891 GA/135 portion
\$169,463 Air Carrier (121)

FY 16 (\$527,654 deficit)
\$126,316 GA/135 portion
\$401,338 Air Carrier (121)

DISCUSSION (see Airport Rates and Fees Regulation, Attachment #10):

AIRPORT SECURITY SCREENING FEES. Staff looked at the model to see which cost centers the deficit impacted. Expense increases were seen in Security and Airfield cost centers. Staff calculated the number of hours (summer vs. other months) that security is required at the checkpoint as compared to the total security costs. The proportional share of the Part 121 operations was separated out from the remaining security costs (which are already accounted for with the model allocations). The air carrier portion was then credited by the TSA reimbursable amount as well as the revenues from the current SECURITY FEE (currently \$1.00 per screened passenger). This left a balance remaining of approximately \$21,600 for FY 15 and \$86,400 for FY 16. To make up the difference, the Security Screening Fees would need to increase to \$1.08 for FY 15, and \$1.32 in FY 16. Staff proposes

increasing the Security Screening Fee to \$1.08 in the Rates and Fees regulation and implement this change as of June 1, 2014, but re-evaluate FY 16 next year. This implementation date was discussed with Alaska Airlines on February 13, 2014. (See Airport Rates and Fees Regulation proposed changes.) These revenue increases would only impact (and credit) the Part 121 portion of the budget.

FUEL FLOWAGE FEES AND REVENUE SURPLUS: As stated above, the Fuel Flowage Fees originally adopted in FY14, were revisited in July 2013. It was agreed to keep these at the FY 13 rate (for the FY 14 budget year) and review the rate increases for FY 15. Staff suggests implementing increases to the Fuel Flowage Fees as well as using a portion of the Revenue Surplus fund to balance. FY 15 budget deficit can be balanced in one of two methods:

Method 1: 50/50 Split of Revenue Surplus, plus FFF increases (Attachments #4, #5 and #6). This method would take the \$255,354 budget deficit and apply a straight 50% (approx.) of Revenue Surplus funds, then divide the remaining balance using the 85/15 split allocation to compute the FFF. In this scenario \$128,487 in Revenue Surplus is applied to the total deficit for FY 15, and then the balance and fees for each user group is allocated as follows:

Air Carrier/121: \$107,837

- ▶ \$21,600 Security Fees (increase to \$1.08/per screened, enplaned passenger)
- ▶ \$86,237 FFF (increase to \$0.155/gallon, up \$0.03)

GA/135: \$19,030

- ▶ \$19,030 FFF (increase to \$0.17/gallon, an increase of \$0.015)

No further increases for FY 15.

Method 2: Pro-rata Split of Revenue Surplus, plus FFF increases (Attachments #7, #8 and #9). This method would take the \$255,354 budget deficit and apply the 85/15 allocation (as originally shown above, in this section). Then take half (approx.) of the original budget deficit and compute the credit for each user group based on an 85/15 pro rata share. In this scenario \$124,462 in Revenue Surplus is applied and the balance, as well as calculated FFF for each user group is:

Total deficit of \$255,354 allocates out to: $85\% = \$169,463 / 15\% = \$85,891$

Half (approx.) of the \$255,354 balance is \$124,462 credit. Applying the 85/15 allocation: Air Carrier/121 would receive a credit of \$105,793 and GA/135 would receive a credit of \$18,669.

Air Carrier/121: \$169,463

- ▶ \$21,600 Security Fees (increase to \$1.08/per screened, enplaned passenger).
- ▶ \$105,793 Pro rata share of Revenue Surplus
- ▶ \$42,070 FFF (increase to \$0.14/gallon, up \$0.015)

GA/135: \$85,891

► \$18,669 Pro rata share of Revenue Surplus

► \$67,222 FFF (increase to \$0.21/gallon, an increase of \$0.055)

No further increases for FY 15.

Note that these increases would also carry into FY 16, thus lowering the deficit for that budget year as well.

Both of these methods assume that one half of the deficit would use Revenue Surplus to balance.

- V. Revenue Surplus Account.** At the August 2013 Finance meeting and the September 2013 Airport Board meeting, the Airport set up the Revenue Surplus Account for the Airport (formerly known by several names such as Cash Balance, Reserves, Airport Fund Balance, etc.). This was formally set at a three month operating reserve through the revenue surplus account. This would be revisited each budget cycle to ensure the revenue surplus was maintained at the three month total. Based on the FY 15 budget proposed, the Revenue Surplus Account would *currently* require \$1.53M. This is just slightly higher than the \$1.5M previously established. The FY 16 budget would *currently* require \$1.6M.

Last spring, the Airport estimated the Revenue Surplus balance at the close of FY 13 to be \$1.9M. According to the City CAFR, this amount at FY 13 close-out (June 30, 2013) was \$2.064M; just slightly higher than predicted. FY 14 is projected to use \$119K (\$119,300) to balance the budget, thus estimating the Revenue Surplus at \$1.94M at the end of FY 14. Staff has proposed using Revenue Surplus funds for one-half of the FY 15 deficit to balance the budget (rounded up to approx. \$130K). This would leave a \$1.81M Revenue Surplus at FY 15 year-end and carry additional Revenue Surplus into FY 16.

- VI. Motions.** If the Finance Committee agrees with the methodology presented, several approvals would be required. The Finance Committee would need to approve the increase of the Airport screened passenger fee, the use of some of the Revenue Surplus funds to help balance the FY 15 budget, the increases to the Fuel Flowage Fees for all user groups and adjust the fees in the Airport Rates and Fees Regulation. Staff is also asking for the change in language in the Airport Rates and Fees Regulation to reflect a non-signatory rate for terminal leases at 25% above signatory rates. The Committee would also need to approve the proposed budgets for FY 15/16.

MOTION 1: *Motion to approve the increase of the Airline Fee for Airport Security Screening to \$1.08 per screened, enplaned passenger, and to add language to the Air Carrier Terminal Lease Rates to reflect a non-signatory terminal lease rate that of 25% more than the published signatory rates.*

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MOTION 2A: *Motion to approve the increase of Signatory Fuel Flowage Fees for aircraft with a maximum certificated gross weight of 12,500 lbs. or less to \$.0.17/gallon; and, for aircraft with a maximum certificated gross weight of more than 12,500 lbs. to \$.155/gallon; and, correspondingly the increase to Non-signatory Fuel Flowage Fees to \$.215. Additionally, approve of the use of \$128,487 in Revenue Surplus to supplement the FY 15 budget in order to balance.*

~ AND ~

MOTION 3A: *Motion to approve the proposed FY 15 and FY 16 budgets as presented in Attachments #4, #5 and #6, showing the modified increases to Fuel Flowage Fees and the use of Revenue Surplus funds as outlined in Motion 2A.*

~OR~

MOTION 2B: *Motion to approve the increase of Signatory Fuel Flowage Fees for aircraft with a maximum certificated gross weight of 12,500 lbs. or less to \$.0.21/gallon; and, for aircraft with a maximum certificated gross weight of more than 12,500 lbs. to \$.14/gallon; and, correspondingly, increase the Non-signatory Fuel Flowage Fees to \$.265. Additionally, approve the use of \$124,462 in Revenue Surplus to supplement the FY 15 budget in order to balance.*

~AND~

MOTION 3B: *Motion to approve the proposed FY 15 and FY 16 budgets as presented in Attachments #7, #8 and #9, showing the modified increases to Fuel Flowage Fees and the use of Revenue Surplus funds as outlined in Motion 2B.*

NOTE: Approved motions will be forwarded on to the Airport Board for approval and subsequent public (regulation) process/Assembly approval, including the Airport Rates and Fees Regulation, as amended and approved through Finance Committee motions.

**VII. Other items for discussion.**

**VIII. Next Finance Meeting: TBD**