

MINUTES of
AIRPORT BOARD FINANCE COMMITTEE MEETING
August 5, 2014
Alaska Room, 2:00 p.m.

I. **CALL TO ORDER:** Chair Joe Heueisen called the meeting to order at 2:04 p.m.

II. **ROLL CALL:**

Members Present:

Joe Heueisen

Robert Mackey

Member Absent:

Mal Menzies

Staff/CBJ Present:

Patty deLaBruere, Airport Manager

John Coleman, Airport Business Mgr.

Marc Cheatham, Deputy Airport Mgr.

Travis Dybdahl, Accounting Technician

Ken Nichols, Airport Engineer

Public Present:

Kathy Smith, Alaska Airlines

Mike Wilson, Coastal Helicopters

Tom Williams, Ward Air

III. **BUSINESS: Water and Sewer:** Airport Manager Patty deLaBruere said that the rates and fees were established in 2004, at which time the Airport became a sub-utility. The rates and fees were based on a guesstimate as there were no meters and nothing that segregated the airfield. The only ones that were needed at that time was the Airport terminal and the Airport shop. Public Works installed the official meters and usage was far higher than expected. The Airport is losing money and rates need to be increased just to recoup what is being paid to the City. The Airport also knew that the City would be increasing rates and fees for the water and sewer. The Airport waited to see what the rates would be so that there could be one meeting. Many staff members have been involved to find out what losses are occurring and what the increases will be over the next few years. There will be five increases of 6.5% for water beginning on January 1, 2015 and then every July thereafter for four years. The sewer increase will be 8%. The Airport needs to raise the rates in two different areas:

1. The water/sewer usage is included in the rent in the terminal and the Airfield shop. Those are automatically built into the budget.
2. The Airport also needs to find out what the rates need to be it can recoup the costs to break even.

Deputy Airport Manager Marc Cheatham said that the Airport has to pay water and sewer for every drop that goes through the two meters (located on Cessna Drive and Livingston Way). Mr. Cheatham reviewed Attachment 1. Ms. deLaBruere said the rate was initially set low believing it would all be taken care of when the meters were installed. But since

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it took ten years to install the meters, the Airport had no way to look at it to find out what was really being charged. Ms. deLaBruere said the Airport has tenants who do not use sewage – TEMSCO Helicopters has a septic field and the Field Maintenance shop primarily uses water for urea. The Airport is getting charged for sewer for TEMSCO because there is no subtraction meter. There are a couple of years where Public Works did not charge for the tenant use. The Airport owes Public Works money but staff is trying to work out the amount. The two years' costs are around \$83,000. A subtraction meter for the urea will be installed before this winter.

Mr. Cheatham explained Attachment 2 showed the water/wastewater current year's revenue, expense and total losses; revenue, expense and total losses after January 1 rate increase if no rate change is made to the Airport charges; and revenue, expense and total revenue if the Airport matches the City rate increase. Ms. deLaBruere said there are other fees associated with the water and sewer that the Airport has to charge within the rates: the hydrant checks (\$10,000 per year beginning 2014), something in place for the portion of the utility on Airport property and not the responsibility of the tenant (where the tenant hits the stub and where the water comes down from the main road is Airport responsibility).

Attachment 3 included water and sewer discussion items, which included utility maintenance, infrastructure costs, annual rate increase, two meter charges, sewer variance, subtraction metering, past debt and disbanding the sub-utility. Ms. deLaBruere said that Public Works currently bills the tenants but does not charge the Airport. She said there may be a fee charged for billing at some point, which would have to be transferred to each tenant. Kathy Smith, Alaska Airlines, noted there is a precedence of other cities billing airport tenants for utilities, which may be helpful for the Airport.

Airport Engineer Ken Nichols noted that some of the infrastructure is very old and the Airport does not have money for replacement. He said the utility usually takes care of this and it is not built into the sub-utility now. He recommended, whether the Airport keeps the sub-utility or not, making sure that the capital replacement cost is built into the formula. Ms. Smith said that Alaska Airlines is in support of this to be a cost recovery/user pay to the extent including private and commercial users. They should pay for what they use. It should be simple and accurate. It is in the Airport's best interest. The cost to users should be based on what they use. If the Airport subsidizes the costs, it has to have it somewhere else. On the terminal rental rates, the bigger users that lease a lot more space should pay on what they use.

Mr. Cheatham said that the Airport would need to attach an additional 20% to the increase Public Works is charging in order to recoup the infrastructure costs. He said this needed to be addressed with Public Works. He suggested adding .5% for both water and sewer to the first increase only, which would bring in additional funds for infrastructure. Ms. deLaBruere said the Airport has to come up with rates and fees as nothing will happen with the sub-utility for the next six to eight months or more. Other things like

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subtraction meters, removing TEMSCO from the bill, etc., can be worked on in the meantime. The hydrants can be budgeted out between the terminal and the airfield. *Robert Mackey moved to recommend to the full board that the sub-utility be disbanded as defined in Section 8 of Attachment 3. The motion passed by unanimous consent. Robert Mackey moved that the Committee recommends to the Board that as of January 1, 2015, the Airport adopts the current water and sewage rates of the City. The motion passed by unanimous consent.* Ms. deLaBruere said she wants all affected tenants to get copies of what their charges will look like based on their current usage showing the current rate, what it will be January 1st, July 1st, etc. Mr. Mackey asked to get the minimal requirement for a maintenance improvement to the Finance Committee.

Ms. Smith asked for a report on how the summer activity is shaping up and how the concessions program is going. Ms. deLaBruere said she did not have the numbers for the concessions program but noted they are doing better than they thought they would. She said there is a lot of traffic with the diversity of food, products and now alcohol sales. Ms. Smith said the concession business is a way to stop rate increases to other tenants. Ms. deLaBruere said the concession is a very compact business in both spaces doing a lot of business. The addition of Delta will bring in more revenue. Delta will be paying for their built-out spaces on the first floor through the winter months.

IV. **ADJOURN**: *The meeting adjourned by unanimous consent at 3:05 p.m.*