Juneau International Airport
Finance Committee Minutes
January 31, 2014, 9:00 a.m.
Alaska Room

I. **Introduction.** The following were in attendance:

Joe Heueisen, Airport Board	John Coleman, Airport Business Mgr.
E. Robert Mackey, Airport Board	Kevin Lyons, Airport M&O Supt.
Mal Menzies, Airport Board	Ken Nichols, Airport Engineer
Jerry Godkin, Airport Board	Travis Dybdahl, Accounting Tech.
Ron Swanson, Airport Board	Tom Williams, Ward Air
Patty deLaBruere, Airport Manager	Mike Wilson, Coastal Helicopters
Marc Cheatham, Deputy Airport Mgr.	

II. **FY 13 Budget.** Airport Manager Patricia deLaBruere said the official numbers for FY 13 showed the Airport came in over budget by $302,000. The prediction for the short-fall was for $306,000. The Surplus Revenues were applied to this short-fall. She noted that Juneau Police Department (JPD) numbers (received January 30, 2014) and Airport Rescue/Fire Fighting (ARF/F) numbers have not been received yet. This will show up on FY 14 and work toward projections for FY 15 and FY 16.

III. **FY 14 Projected.** Ms. deLaBruere said that the FY14 budget is on target. The expenses and revenues are in line with projections. This was after the Rates & Fees were passed to go into effect on July 1 and then removed the fuel flowage fees from the Part 121 and 135/GA. The projected budget before the fuel flow fees were removed was almost $158,000 in the black. The projected deficit is on target at this time. Another issue is personnel costs, which will be impacting the budget. The costs in FY 14 have been counteracted with some other expense savings. The personnel costs increased 2% in FY 14, another 2% in FY 15 and, of course, that carries into FY 16. Along with this, the union contracts changed and the way things are figured for sixth and seventh day work for overtime has blown the Airport out of the water. Luckily, it has mellowed out in January. The prediction for overtime was $75,000 for the airfield. The current cost is a little over $100,000 for the November/December timeframe. The union change in overtime will need to be figured out and incorporated into FY 15 and FY 16. She felt everything was right on target for FY 14. Board Member Ron Swanson asked about the excess urea Sitka was trying to sell. Ms. deLaBruere said this had gone higher in the DOT chain and they decided it needed to stay with the State airports as there are a couple that use urea. When asked about the union issues, it was noted that the crew had joined in the union in late August [2013] and the nuances of the contract only came to light in November. Ms. deLaBruere said the Airport had not been involved in the negotiations of the contract as there were no union members at the Airport during the negotiation period. She said the City follows the union wages for everyone in the City, but it was how it affects the overtime that made the big hits.

IV. **FY 15 and FY 16 Proposed.** Ms. deLaBruere said that expenses remain the same for FY 15 and FY 16 except the personnel and the Full Cost Allocation (FCA) costs. In discussing Fuel Flowage Fees, Ms. deLaBruere said that at one time there was a sales tax on the fuel, which would equate to $.30 per gallon. Because the fuel is specific to the Airport and the funds need to remain with the Airport, a fuel flowage fee has been charged in lieu of the tax. The current fees are $.155 and $.12, which is what the Airport is charging. The expenses may change a little bit with the addition of JPD and ARFF. The revenues are a little bit short in FY 15 and a little more short in FY 16. No suggestions will be made at this time. It has been estimated that Delta will bring in $37,000 for landing fees based on their 800 and the fuel flowage fees for 200 gallons of fuel, $2,000 to $3,000 in lease spaces. Tom Williams suggested managing the overtime fees by hiring additional personnel. Ms. deLaBruere said this could be done through on-call personnel, but they are hard to hire. the estimated deficits for FY15 is $255,354 and FY16 is $527,654. She said restaurant revenue will be down. She said guesstimates have been used for Delta Air Lines rent revenue, based on submitted drawings. She said that funding sources remain constant, with few exceptions, e.g., Security Fee, and that fees are adjusted based on projections. She said MEBA union wage increases are 2% in FY14, and 2% in FY15, with associated overtime increases and longevity increases. She said that staff is comparing the costs of overtime versus additional staff. Airport Board Member Ron Swanson asked whether contract snow removal was an option, and what the downsides are. Ms. deLaBruere said that she will look at it, but many safety precautions are needed with relatively inexperienced operators. She said that the Airport has six or seven year-round operators, the rest are seasonal or on-call. She said the 6th and 7th day new overtime rules were a surprise. Airport Board Member Jerry Godkin said CBJ should include the Airport in union negotiations. Airport Board Member Robert Mackey said he can connect the Airport with a University of Alaska intern program. Ms. deLaBruere said that the Airport uses something similar, with on-calls moving up. Kathy Smith, Alaska Airlines, said keeping the runway open is critical and the union OT rule is the only problem.

Ms. deLaBruere said that JPD is still in overtime at the Airport, and that ARFF increases are 4.7% in FY15, and 5.4% in FY16. She said that the FY15 budget is $225,200 over FY14, and FY16 is $523,100 over FY14. Tom Williams, Ward Air, said that the personnel cost increase is 9% over two years, and is unsustainable at that rate. He suggested controlling JPD costs. Ms. deLaBruere said that there is no date specific when JPD overtime costs will end. She said that JPD is down nine officers, and it takes one year to activate new officers, but the Airport takes priority for new hires. Ms. Smith said the unfunded federal mandate is tough on all airports. She asked Ms. deLaBruere to keep the Security Fee separate so that it is obvious. Ms. deLaBruere said that it is difficult now to put contract screening in place; she said some airports have pilot programs, but she is not sure if they are union. She said there would be a spike in expenses in FY17 after the runway rehabilitation project is finished and some costs return to the operating budget.

V. **Budget Shortfall Suggestions and Discussions.** Ms. deLaBruere said that the financial model indicates an $0.08 increase to the Security Fee, and is specific to 121 operations, based on hours at the checkpoint. Mr. Mackey said he is concerned about spending down the Fund Balance. Ms. deLaBruere said that the proposed use of Fund Balance in FY15 leaves $1.8m in the fund. Ms. Smith said the agreed fund balance is equivalent to three months, and that all risk is on the airlines, not the Airport. She said that Alaska Airlines is willing to cover costs, and that stashing money is the issue. Mr. Godkin asked staff to find the language from that agreement. Ms. deLaBruere proposed showing FY15 balanced and FY16 in deficit. *Robert*

Mackey moved, Mal Menzies seconded, 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. The motion passed without objection.

Ms. Smith asked why the Fuel Flowage Fee is being increased and not the Landing Fee. Ms. deLaBruere said that the Fuel Flowage Fee had been increased last year, and then reversed with the idea that it would be revisited this budget cycle; that is why it is being revisited. Ms. Smith said that she will support the proposed motions, but would like to see any Revenue Surplus applied in a proportionate way between 121 and GA operators, since they were collected that way. She said it would be best to refund over-collections each year. Ms. deLaBruere agreed. Tom Williams discussed the equal application of the Revenue Surplus to all as seen in "Method 1" since that is how it had been applied in prior years. *Robert Mackey moved, Mal Menzies seconded, 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 $0.155/gallon; and, correspondingly increase the Non-signatory Fuel Flowage Fees to $0.215. Additionally, approve of the use of $128,487 in Revenue Surplus to supplement the FY 15 budget in order to balance. The motion passed without objection.*

Robert Mackey moved, Mal Menzies seconded, 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. The motion passed without objection.

Ms. deLaBruere said that she will report back with an update to the ARFF index C upgrade.

VI. **Adjourn.** *Robert Mackey moved, Mal Menzies seconded, to adjourn. The motion passed without objection.*

VII. **Next Finance Meeting: <u>TBD</u>**