

Juneau International Airport
Finance Committee/Working Group Meeting
March 24, 2016, 6:00 p.m.
(Rescheduled from 3/15/16)
Alaska Room
Conference Bridge Line (907) 789-2014

I. **Introduction** (meeting participants).

FY 16 Discussion of Airfield Shop Roof Costs and Snow Removal Equipment Facility (SREF) Adjustments/Update to FY 16 (see Attachments #1, #2 and #3): As mentioned at the March 8, 2016, Airport Board meeting, staff looked into the possibility of using Snow Removal Equipment Facility (SREF) non-FAA funds to pay for the \$300,000 shop roof repair rather than using the Airport Reserve/Fund Balance by this amount. The Maintenance & Operations fund balance reserve was originally approved (June 10, 2015 Airport Board meeting) for the roof repairs based on the Capital Improvement Project (CIP) having a complete SREF project. The building has subsequently been phased due to funding challenges and federal eligibility of specific spaces. The Airport has also had adjustments (no dedicated Captain) to the Aircraft Rescue & Fire Fighting (ARFF) charges for FY 16 through FY18 which decreased the projected/proposed expenses. With both the SREF funding for the shop roof and the ARFF adjustments, this would put FY16 back in the **black** by \$275,800. If the Finance Committee approves the shift in funds for the Shop Roof Repair (from the FY 16 Maintenance & Operations budget to the SREF Capital Improvement Project funding (non-FAA funds), this must be approved and forwarded to the Airport Board for subsequent approval. If the Finance Committee and Airport Board approve the use of CIP funds for this repair, the budget for FY 16 would stand as-presented in the attachments. The use of these funds would impact Phase 1b of the SREF (non-FAA eligible portion of the facility). The Airport has both City & Borough of Juneau (CBJ) sales tax and a special State of Alaska Legislative grant as ‘other’ funding for the SREF that can be used for the shop roof. A copy of the most recent Capital Improvement Plan (CIP) spreadsheet will also be available at the meeting if there are any questions.

Finance Committee Motion: *Approve the use of \$300,000 of non-FAA Snow Removal Equipment Facility (SREF) Capital Improvement Project (CIP) funds for the Shop Roof Repair, reinstate the Airport Fund Balance for FY 16 by \$300,000, and forward to the Airport Board for approval, and in coordination with the budget process.*

II. **FY 17 and FY 18 Proposed (see Attachments #1 through #6):** Also mentioned at the March 8, 2016, meeting, the Fire Department provided updated ARFF figures for FY 16 through FY 18. The Fire Department was able to adjust the ARFF costs by not hiring a full-time Captain; instead allowing lead pay for a position. Attachments #1-#3 are the summaries of the budget. At the last Finance Committee meeting, a request for more detail on the expenses and revenues was made. Attachments #4 and #5 provide more detail by posting account code (PAC) detail.

EXPENSES:

ARFF: Updated Fire Department (ARFF) budget numbers are in the budget. The final numbers are slightly lower for the contractual ARFF compared to our February 29 budgeted. These represent a decrease of \$116,900 for FY17 and \$109,000 for FY18.

Total proposed budget expenses are now \$6,822,100 for FY17 and \$6,864,300 for FY18.

REVENUES:

As approved at the February 29 Finance Committee meeting and the March 8 Airport Board meeting, the increase to the Airline Passenger Security Screening Fee has been added into the revenue forecast for FY 17 (up \$104,800), and FY 18 (up \$105,400). These revenues are specific to the Security Cost Center and specific to the Part 121 portion of that cost center.

Overall proposed budget revenues are now \$6,570,900 for FY17 and \$6,592,500 for FY18.

Budget Shortfall Suggestions and Discussions. This is intended to be a finance working group meeting to address the shortfalls with the various users. The Airport will have a spreadsheet that will generate how rate changes impact the budget, as well as the model and current (working) regulation of Airport Rates and Fees.

With the above expense and revenue changes, the financial model breaks out the shortfall as follows:

FY 17 (\$251,200 deficit)

\$249,451 GA/135 portion

\$ 1,749 Air Carrier (121)

FY 18 (\$271,800 deficit)

\$255,872 GA/135 portion

\$ 15,928 Air Carrier (121)

Air Carrier (121) Discussions:

Minimal shortfall. The decrease to the ARFF expenses was 95% air carrier; therefore, the largest credit is allocated to the Part 121 users. Additionally, the increase to the passenger security screening fee (calculated at \$1.43 per screened passenger) was added into revenues and, therefore, allocated to the Part 121 air carriers since they pay the fee. The funding gap on the 121 air carrier portion is nominal (\$1,749 for FY 17 and \$15,928 for FY 18). It is not recommended to increase any further rates for this user group.

Note: Any changes to the 135/GA fuel flowage fees will also change the non-signatory fuel flowage rate. The non-signatory revenues are allocated 85/15 between the Air Carrier (121) and 135/GA and, therefore, could impact the bottom line Air Carrier requirement.

135/GA Discussions:

As stated at the February 29 Finance Committee meeting, normally the split between Air Carrier (121) and GA/135 is an 85/15 ratio. As a reminder, during FY15/16 budget negotiations (February 19, 2014), the tenants and Finance Committee agreed to use Airport Fund Balance (*Revenue Surplus* was the term used at the time) to offset approximately 50% of the deficit, while adjusting Fuel Flowage Fees (to all groups: 121, 135, GA) for the other 50%. The Fund Balance was applied equally to 121 air carriers and 135/GA, rather than the allocated 85/15 that the expenses are based on. This created an inequity of allocations for the two types of operators within the financial model. In other words, the 135/GA still had a deficit in their share of costs regardless of the budget balancing. We ‘pushed’ the model to accept the 50/50 split, but the 135/GA expenses were still hanging out there as ‘unmet’.

The current proposed deficit for the Part 135/GA user group is \$249,451 for FY 17 and \$255,872 for FY 18. Discussion of this deficit will take place at the meeting.

SUGGESTED CHANGES/AIRPORT RATES/FEES REGULATION (Attachment #6):

Staff will bring the worksheet for Rates and Fees increases to the finance working group meeting. This will show resulting revenues that each fee change generates. Staff will also have the worksheets and models so that any fee changes proposed can be manipulated during the meeting. Motions for rates/fees increases may be made/approved at the finance meeting. *Also see discussion in Section IV below on the Revenue Surplus/Airport Fund Balance account.* The Rates and Fees Regulation will also be available at the meeting for suggested changes and approval of any fee changes.

The Finance Committee will need to:

- 1) Approve a proposed balanced FY17 (and proposed FY18) budget;
- 2) Establish any rate changes (within the proposed FY 17/18 budget) in the form of a Rates and Fee Regulation amendment (Attachment #6).

City Finance Department is waiting for these budgets in order to comply with City Ordinances for budget timelines.

If this is not accomplished at this Finance Committee meeting, another meeting may be required soon. The budget and Rates/Fees Regulation amendment requires full Board approval (and subsequent public process for the regulation) before final approval/adoption by the CBJ Assembly.

- III. **Revenue Surplus Account/Airport Fund Balance and Pension Liability:** This is updated to reflect the current proposed budget for FY 17. The Revenue Surplus Account would *currently* require \$1.705M (\$1.5M was previously required for FY16).

Reminder: At the February 11 and 29 Finance Committee meetings, staff briefed the

Committee on the State Retirement System deficiency for Public Employees Retirement System (PERS). Essentially, these retirement systems were underfunded for years and now see ‘unfunded’ pension liability. While the Airport had crept back up on its Fund Balance (Revenue Surplus) to \$3.738M at the close-out of FY15, roughly \$1.9M must be accounted for as a pension liability. This means only \$1.838M remains in the Airport Fund Balance at FY15 year-end. **If** the Finance Committee and the Airport Board agree to use SREF funding for the shop roof, the Airport Surplus Fund Balance at the end of FY16 (projected) budget (less pension liability) would now grow to a surplus of \$2.11M (\$2,113,800). This is above the \$1.705M that would be required for FY17 3-month reserves by \$408,800.

Based on the Revenue Surplus/Airport Fund Balance information, and knowing that there are still inequities within the allocated budget user groups, discussions are:

- 1) Adjust rates for the 135/GA user groups to meet their share of the FY 17 deficit as shown in III, above; or
- 2) Adjust rates for the 135/GA user groups to meet a portion of their share of the FY 17 deficit (amount TBD at the meeting); or
- 3) Adjust both Part 121 and 135/GA user groups by a proportionate amount of the revenue surplus to balance (this would still require rate increases for the 135/GA user group, but a credit or decrease in rates for the Part 121 carriers); or
- 4) Adjust both Part 121 and 135/GA user groups by a **dis**proportionate amount of the revenue surplus to balance both (not adjust any rates; no increase or decrease). Please note that this option would continue to carry the ‘unmet’ allocation for the 135/GA users to subsequent years due to no rate adjustments.

Discussions at meeting.

- IV. **Jetbridge 5 Repairs:** The Jetbridge is inoperable again. Staff has moved forward on the long-term solution which is to reconfigure the entire operational system. The Board (March 8 Board meeting) approved to increase the ‘not-to-exceed’ amount to \$22,000 and work with Airport Mechanical Systems (AMS, contractor that works with Alaska Airlines jetbridges) to repair/reconfigure. The final contract is in the CBJ Law Department, ready to award to AMS and commence with the work. AMS is ready to proceed upon contract notification.

- V. **Other Items for Discussion**

- VI. **Next Finance Meeting: TBD**