Juneau International Airport
Airport Board Finance Committee Meeting
March 24, 2016, 6:00 p.m.
Alaska Room

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

David Epstein, Airport Board	Scott Rinkenberger, Airport M&O Sup't
Angela Rodell, Airport Board	Kathy Smith, Alaska Airlines (by phone)
Ron Swanson, Airport Board	Robert Breffeilh, M.D., Hangar Owner
Joe Heueisen, Airport Board	Renda Heimbigner, Hangar Owner
Marty Myers, Airport Board	Tom Williams, Ward Air
Mal Menzies, Airport Board	Dennis Bedford, G.A./Alaska Airmens
Patty Wahto, Airport Manager	Mike Wilson, Coastal Helicopters
Marc Cheatham, Deputy Airport Mgr.	

II. **FY16 Discussion of Airfield Shop Roof Costs and Snow Removal Equipment Facility (SREF) Adjustments/Update to FY 16 (Attachments #1, #2 and #3)**: Airport Manager Patty Wahto said this meeting is handled as a workshop and regular Finance Committee meeting so there is input from the Board Committee, tenants and users. There was a suggestion made at the March 8, 2016, Airport Board meeting with regard to the expenses for FY16. There is a reduction in the expenses for FY16. One comes from the reconfiguration of the Airport Rescue & Fire Fighting (ARFF) Index C from the Fire Department. This change brought the expense down for the last couple of months of FY16. There was a request to look at the $300,000 taken from Airport Fund Reserves to apply to the shop roof repairs. Attachments #1, #2 and #3 show the removal of the $300,000 from the Airport Fund Reserves and take it out of the Capital Improvement Project for the Snow Removal Equipment Building (SREB). By doing that, the budget is in the black by approximately $275,000. Phase 1b (approximately $10 million to $12 million) of the SREF (Snow Removal Equipment Facility) will incorporate all items not Federal Aviation Administration (FAA) eligible. The Airport currently has $3.3 million toward this part of the project. If $300,000 is used for the Shop Roof Repairs, it would lower the usable funding to a little over $3 million for SREB 1b projects. *Ron Swanson moved, Angela Rodell seconded, to approve the use of $300,000 of non-FAA Snow Removal Equipment Facility Capital Improvement Project funds for the Shop Roof Repair, reinstate the Airport Fund Balance for FY16 by $300,000, and forward to the Airport Board for approval, and in coordination with the budget process. The motion passed by unanimous consent.*

III. **FY17 and FY18 Proposed (Attachments #1 through #6)**: <u>Expenses</u>: The Fire Department change in ARFF index will be done without assigning a dedicated Captain. They will be giving someone lead pay, which saves quite a bit. This shows a decrease of $117,000 in FY17 and $109,000 in FY18. This was the only change in expenses from the February meeting. Further discussions were held on specific expenses.

<u>Revenues</u>: At the February 29 meeting, and subsequently at the March 8 Board meeting, a fee increase was approved effective May 1, 2016, which was directly related to the security

fee at the screening checkpoint. This is an area where the costs for the checkpoint are known and what it equates to is based on the number of enplanements. That increase has gone into the model and reflected in Attachments #1, #2 and #3. The resulting deficit shown for FY17 and the breakdown for the deficit is all based on the GA/135. For the last few years, the Airport was balancing the budget by using reserves and splitting them 50/50 (not the 85/15 allocation). The next year would mean that the GA/135 would still not be caught up. In FY16 the bottom line balanced, but not the allocations of 121 and GA/135. There was still a deficit for the GA/135 and the 121 showed an overpayment. At the time, the budget went through without adjusting any of those. That is why there is a large deficit on the GA/135. Any time any fees such as fuel flowage fees are raised, it actually adjusts further on the 121 side again.

Tom Williams, Ward Air, said that Kent Craford discussed this at the March 8 Board meeting. He had said that the Airport has been overestimating the actual costs as opposed to what they ultimately came in, so there were surpluses. The fund balance went from $1.9 million to $3.6 million. With the action taken earlier, Mr. Williams thought it would go up to $3.9 million. Taking $1.9 million out for the PERS requirement, it would be a rough $2 million balance. As the budget goes up, the three-month reserve also has to go up. Mr. Williams said that Mr. Craford's conceptual request was that given the history, the Airport should not raise rates this year and see what happens to the budget. As good of a job that staff tries to do, it is a guess. Mr. Williams said from the tenants' point of view, they would like to see if it will continue. He said it may have to be reviewed at mid-year to see how it is going. Mrs. Wahto said that the Airport Fund balance had $3.7 million at the end of FY15, then back out the $1.9 million of the pension liability that is required, it means there is a $1.838 million in the account. With the additional $300,000, this will bring the fund back up to a $2.1 million reserve. The three-month reserve that is needed is $1.7 million, which gives an excess of a little over $400,000. Mr. Swanson asked why the Fund balance couldn't be used to ameliorate increased rates.

Kathy Smith, Alaska Airlines, said if the Fund balance is used, which she did not oppose, the requested 85% from the 121 carriers and the 15% from the 135 carriers need to be applied. The 121 carriers have accepted paying more than their fair share or at least taking less of the credit to them. If there is ever a credit, it goes back exactly in the portion that it was collected. If the Fund balance continues to be used, how would the Airport make that equitable? Mrs. Wahto said that was why the four choices were put on Page 4 of the agenda. Ms. Smith said she had agreed to the rates to balance the budget a few years ago and she was not looking for any retroactive credits at all. However, the Airport needs to continue on with the 85/15 split.

Mr. Williams said that Alaska Airlines now has divided their costs with Delta Air Lines. Whereas the flights that the smaller air carriers have diminished; therefore, the costs would need to be divided between a smaller group. To get the fees up, it will create a significant burden on the 135 carriers. Ms. Smith said that Delta has definitely paid additional revenue, which Alaska Airlines is happy about. If they need to go back and look at the 85/15 and make it a little different, she was fine with that. She would need to see the percent of flights today between the large air carriers and the small air carriers. She believed in fairness and equity. If that is what has to happen, she would be fine with that.

Board Member Marty Myers said he had heard from general aviation people who do not make money at the airport, but may have to support higher fees. He said he had heard from others regarding this. Ms. Smith said the rates are allocated based on enplanements from each type of carrier. Has it changed, or has the business simply changed to the carriers that remain? She said that is usually what happens. She said Alaska Airlines pays more than their fair share or at the very least their fair share. They will not subsidize other small business or people who have airplanes. Mr. Swanson said they don't make money off of their aircraft because they're toys. If you can't afford your toy, then you shouldn't have it. He spoke as a hangar owner and a man who has toys.

Board Member Angela Rodell said the discussion is counter to what was discussed during the Master Plan meetings. She said if this is the case, the Master Plan should incorporate this as well. There should be some sort of connection to each other. Mrs. Wahto said that growth has been programmed in, but it was felt it was too high. Therefore, they have scaled it down to a 1 to 1.5 growth rate. There are other triggers that come in – security mandates, index C requirements – that can cause costs to go up exponentially higher than the regular growth rate. She said they thought they had a handle on this right now, especially with security and the ARFF index. The unknowns can trigger expenses that are not related to the actual operations.

Mrs. Wahto said staff is looking for direction. The Airport needs to get a budget passed. She said she had given downtown placeholders. Ms. Smith suggested that a small landing fee increase may be a good option. Mrs. Wahto said $.02 increase would raise $16,000, with non-signatory added in. She said one item that may be looked at is industry standards looks at 25% more for non-signatory, whether it's terminal, landing fees, or fuel flowage fees. That percentage can be looked at. One of the items was taking 15% of the $408,000, which equates to $61,200 which can be applied direct to the GA/135 component. Another idea was to raise the fuel flowage fees that are directly related to the 135/GA (some amount). Another was to take the balance of that as a placeholder for balancing the budget (approximately $152,000). Committee Chair David Epstein thought that it should be a little bit of everything. It needs to be an incremental approach, which is using the $408,000 as a placeholder.

Ms. Smith suggested adding $.07 in landing fees. She asked that a quantitative look is taken at type of carriers, enplanements and operations to make sure the split is still in the ballpark. If it needs to change, it needs to change. Mrs. Wahto said this can certainly be done. This would generate approximately $65,000 and applied some of the $408,000 surplus, which would be $61,200 at 15% for the small guys; a .05 increase in fuel flowage fee would be another $38,000. This would leave $95,000 as a placeholder. Ms. Smith said it can be backed up with the surplus revenue. Mrs. Wahto worked with the remodel. Committee Chair Epstein asked if staff needed a motion. Mrs. Wahto said she can go forward with the increases in the 135/GA fuel flowage fees up $.05, landing fees by $.07 to $2.45 (reciprocal non-signatory rates for fuel flowage fee and landing fee to go up as applied at the 25% rate), 15% of the $408,000 fund balance reserves which is equivalent to $61,200 to the 135/GA component and the balance will apply as a placeholder Fund Balance Reserves to hold that. She will get it into the regulation form and present all of this at the Board meeting. If any problems arise, she will let the Committee know. A very short Special Board meeting may be needed to get this through. Committee Chair Epstein said the Board concurred. Ms. Smith also concurred and will be in attendance at the April meeting to support the recommendations. *Angela Rodell moved, Ron Swanson seconded, to direct Patty to put the numbers to a conceptual increases: a landing fee increase of $.07 with a commensurate raise on the non-signatory rate; a fuel flowage fee increase of $.05 on the 135/GA with the commensurate non-signatory rate increase; and the application of 15% of the expected Airport Fund Balance surplus of $408,000 applied to the unmet portion by the 135/GA. This will be put into proposed regulation changes and move forward with the fine-tuning of the final numbers. The motion passed by unanimous consent.*

Mrs. Wahto brought Attachment #7 to everyone's attention. She said this is a maintenance issue and staff will look into fixing up the area. This should not hold up or be a part of the Finance Committee.

IV. **Jetbridge 5 Repairs**: The contract with AMS (Airport Mechanical Services) is being finalized. AMS has the parts and may make the repairs as early as next week.

V. **Adjourn.** *The meeting adjourned at 8:05 p.m.*

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