CHAPTER SIX

FINANCIAL PLAN

INTRODUCTION

The financial plan for the proposed capital improvement program (CIP) at the JIA is presented in this chapter. The financial plan is based on the recommended facility development requirements as presented in previous chapters of this report.

The Airport CIP is planned to be implemented in three phases. The short-term phase addresses the next 5 years, the medium-term phase the next 10 years, and the long-term phase the next 20 years. However, it should be emphasized that phasing of airport development is directly related to activity levels and thus may occur before or after the forecast year.

The financial plan is based on the following assumptions:

C Dollar amounts are in current values (1999); no allowance has been made for escalation.

C The forecasts of airport activity will be realized.

C Existing use agreements and rates and charges will remain in effect.

C The CIP may use a combination of federal (FAA and non-FAA), state, local, and private financing to establish the required facilities. Local funding can include a combination of passenger facility charges (PFC), bonding, contribution from rates and charges, sales tax, third party, and other sources.

DEVELOPMENT SCHEDULE AND COSTS

Table 6-A presents a summary of the principal elements of the CIP in a phased implementation schedule. The Airport CIP totals about $103,717,000, of which some $57,161,500 is scheduled in the first phase. The Facilities Requirements, Chapter 4, recommends this ambitious approach as the Airport does not meet the current demand for aviation facilities.

The source of funding for the specific projects is also indicated. Continued reliance is placed on the federal airport grant program which provides up to 93.75 percent of the cost to establish eligible projects. The State of Alaska may contribute an additional 3.125 percent of these costs, leaving an equal percentage contribution by the Airport. It is suggested that private, third-party investment be solicited to establish those GA facilities that are not eligible or competitive for federal and state funding participation. This lessens the burden on the Airport to provide these facilities and places a financial commitment on the ultimate users.

AIRPORT DEVELOPMENT SCHEDULE AND COSTS
Juneau International Airport

Development Item	Short-Term	Medium-Term	Long-Term	Total	Source of Funds
Airfield					
Runway 8/26 Acute Angle Taxiway	$481,000	$871,000		$1,352,000	F, S, L
Runway Safety Area Improvements	$7,100,000			$7,100,000	F, S, L
New Air Carrier Ramp	$840,000			$840,000	F, S, L
Passenger Terminal Facilities					
Building Expansion	$18,500,000	$4,270,000	$11,750,000	$34,520,000	F, L
Airport Access Improvements	$1,232,000			$1,232,000	F, L
Public/Non-Public Auto Parking Improvements	$315,000	$315,000	$12,700,000	$13,330,000	F, L
General Aviation Facilities					
East End GA Development	$1,700,000	$200,000	$500,000	$2,400,000	F, S, L
West GA Paving	$1,344,000	$140,000	$200,000	$1,684,000	F, S, L
Site Preparation for NW Quad Development	$2,100,000			$2,100,000	F, L
T-Hangar Development	$2,490,000	$120,000	$240,000	$2,850,000	TP
Conventional Hangar Development	$3,705,000	$142,500	$570,000	$4,417,500	TP
Based and Transient Aircraft/Helicopter Parking	$1,970,000	$143,000	$294,000	$2,407,000	F, S, L, TP
GA Auto Parking Expansion	$130,000	$622,000	$756,000	$1,508,000	F, S, L, TP
Floatplane Basin					
Road Extension	$45,000	$45,000	$90,000	$180,000	L
Slip Expansion	$65,000	$40,000	$35,000	$140,000	TP
Basic Facilities Development	$172,500	$345,000	$632,500	$1,150,000	F, S, L, TP
Environmental for Float Pond and RTR Area			$266,000	$266,000	F, S, L
Airport Support Facilities					
SRE Building	$11,832,000			$11,832,000	F, S, L
ATCT Relocation			$3,800,000	$3,800,000	L
Infrastructure Improvements					
Security Enhancement/Perimeter Fencing	$740,000			$740,000	F, S, L
Water/Sewer Infrastructure Upgrade		$3,000,000		$3,000,000	F, S, L
Other					
Purchase of Land for Airport Expansion	$1,000,000			$1,000,000	F, S, L
Acquire SRE Grader	$300,000			$300,000	L
Purchase ARFF Vehicle	$600,000			$600,000	F,S,L
Purchase of Runway Sand Truck		$180,000		$180,000	L
Oil/Water Separators		$1,088,000		$1,088,000	F, S, L
Deicing Fluid Separator and Recycling Station		$500,000		$500,000	F, S, L
Master Plan Update			$500,000	$500,000	F, S, L
Purchase of Snow Removal Equipment			$2,200,000	$2,200,000	F, S, L
RTR and ASOS Relocation	$500,000			$500,000	F, L
TOTAL	$57,161,500	$12,021,500	$34,533,500	$103,716,500	
Federal/State	$34,450,893.75	$3,720,721.88	$17,202,296.88	$55,373,913	
Third Party	$6,714,500	$524,500	$1,181,500	$8,420,500	
Local	$15,996,106	$7,776,278	$16,149,703	$39,922,088	

Notes:
F - Federal
S - State
L - Local (includes Passenger Facility Charge)
TP - Third Party

Table 6-A

Aircraft storage hangars and aviation-related commercial development lend themselves to such financing. The use of federal, state, and third-party funding reduces the total financing requirement to the Airport to about $39,922,000 during the 20-year planning horizon. The dollar figures in Table 6-A are planning estimates that include environmental, design, permitting, and construction costs associated with a project.

The Airport's current financial picture will not allow for this ambitious development in the first phase. **Table 6-B** presents a deferment scenario. This new scenario does not meet the Airport's facility requirements in all aspects. Nonetheless, it shows a workable alternative for the Airport. The project schedules that changed from Table 6-A to 6-B are the New Air Carrier Ramp, the Building Expansion, the West GA Paving, and the Basic Facilities Development for the Floatplane Basin. The new air carrier ramp work is now divided equally between the short-term and the medium-term. The building expansion plan was significantly limited. **Table 6-C** presents the curtailed building expansion. In addition, the west GA paving and the basic facilities development were completely deferred to the medium-term.

OPERATING REVENUES AND EXPENSES

Revenues at the Airport are derived from rents and fees paid by users of the facilities. These are based on lease terms, rates, and charges that are negotiated between the parties. The Airport is currently in the process of reviewing its policies with regard to rates, charges, and compliance with applicable federal regulations. The values used to develop the operating revenues and expenses shown in **Table 6-D** reflect the current rates and charges in effect. It is possible that these rates and charges will change in the future for reasons related to their compliance with federal regulations and the CIP and financial data presented in the Master Plan.

Establishment of the CIP as presented in this Master Plan has been factored into the projection of Airport operating revenues and assumes occupancy of the expanded terminal building facility in the year 2005, including expansion of leased areas within the passenger terminal facility; aircraft tiedown spaces for based and transient aircraft, and increased fuel sales due to anticipated increases in aircraft operations.

The costs to maintain and operate the Airport have been defined for several categories and have been escalated at 5 percent per year to derive estimates of future expenditures.

DEFERMENT SCENARIO AIRPORT DEVELOPMENT SCHEDULE AND COSTS
Juneau International Airport

Development Item	*Short-Term*	*Medium-Term*	*Long-Term*	*Total*	*Source of Funds*
Airfield					
Runway 8/26 Acute Angle Taxiway	$481,000	$871,000		$1,352,000	F, S, L
Runway Safety Area Improvements	$7,100,000			$7,100,000	F, S, L
New Air Carrier Ramp	$840,000			$840,000	F, S, L
Passenger Terminal Facilities					
Building Expansion	$6,200,000	$16,570,000	$11,750,000	$34,520,000	F, L
Airport Access Improvements	$1,232,000			$1,232,000	F, L
Public/Non-Public Auto Parking Improvements	$315,000	$315,000	$12,700,000	$13,330,000	F, L
General Aviation Facilities					
East End GA Development	$1,700,000	$200,000	$500,000	$2,400,000	F, S, L
West GA Paving		$1,484,000	$200,000	$1,684,000	F, S, L
Site Preparation for NW Quad Development	$2,100,000			$2,100,000	F, L
T-Hangar Development	$2,490,000	$120,000	$240,000	$2,850,000	TP
Conventional Hangar Development	$3,705,000	$142,500	$570,000	$4,417,500	TP
Based and Transient Aircraft/Helicopter Parking	$1,970,000	$143,000	$294,000	$2,407,000	F, S, L, TP
GA Auto Parking Expansion	$130,000	$622,000	$756,000	$1,508,000	F, S, L, TP
Floatplane Basin					
Road Extension	$45,000	$45,000	$90,000	$180,000	L
Slip Expansion	$65,000	$40,000	$35,000	$140,000	TP
Basic Facilities Development		$517,500	$632,500	$1,150,000	F, S, L, TP
Environmental for Float Pond and RTR Area			$266,000	$266,000	F, S, L
Airport Support Facilities					
SRE Building	$11,832,000			$11,832,000	F, S, L
ATCT Relocation			$3,800,000	$3,800,000	L
Infrastructure Improvements					
Security Enhancement/Perimeter Fencing	$740,000			$740,000	F, S, L
Water/Sewer Infrastructure Upgrade		$3,000,000		$3,000,000	F, S, L
Other					
Purchase of Land for Airport Expansion	$1,000,000			$1,000,000	F, S, L
Acquire SRE Grader	$300,000			$300,000	L
Purchase ARFF Vehicle	$600,000			$600,000	F, S, L
Purchase of Runway Sand Truck		$180,000		$180,000	L
Oil/Water Separators		$1,088,000		$1,088,000	F, S, L
Deicing Fluid Separator and Recycling Station		$500,000		$500,000	F, S, L
Master Plan Update			$500,000	$500,000	F, S, L
Purchase of Snow Removal Equipment			$2,200,000	$2,200,000	F, S, L
RTR and ASOS Relocation	$500,000			$500,000	F, L
TOTAL	$43,345,000	$25,838,000	$34,533,500	$103,716,500	
Federal/State	$29,083,050	$9,088,566	$17,202,297	$55,373,913	
Third Party	$6,680,000	$559,000	$1,181,500	$8,420,500	
Local	$7,581,950	$16,190,434	$16,149,703	$39,922,088	

Notes: F - Federal
S - State
L - Local (includes Passenger Facility Charge)
TP - Third Party

Table 6-B

TERMINAL SPACE REQUIREMENTS FOR LIMITED BUILDING EXPANSION
Juneau International Airport

Functional Area	***1995 Existing***	***Short-Term Required***	***Short-Term Proposed***
Air Carrier Space			
Air Carrier Counter - LF	83	126	126
Air Carrier Counter Area	500	630	630
Air Carrier Queue Area	830	2,520	1,660
Operations/Office	3,250	3,360	3,360
Passenger Holdroom	6,000	9,600	7,200
Number of Air Carrier Gates	3	3	3
Number of Commuter Gates	2	2	2
Subtotal Air Carrier Space	*10,580*	*16,110*	*12,850*
Air Taxi Space			
Air Taxi Counter - LF	155	240	187
Air Taxi Counter Area	1,370	2,395	1,870
Air Taxi Queue Area	775	3,593	1,550
Operations/Office	3,335	5,749	4,335
Passenger Holdroom	1,860	2,874	2,360
Number of Gates	1	3	1
Subtotal Air Taxi Space	*7,340*	*14,611*	*10,115*
Baggage Handling Space			
Baggage Hold Area	5,635	8,018	6,885
Baggage Claim Area	2,450	4,952	4,375
Baggage Claim Device - LF	112	141	112
Subtotal Baggage Handling Space	*8,085*	*12,970*	*11,260*
Public Space			
Public Meeting Room	1,100	2,500	1,100
Nursery	155	155	155
Security Screening	150	150	150
Restrooms	1,510	3,113	2,660
Public Circulation	15,683	31,359	21,083
Subtotal Public Space	*18,598*	*37,277*	*25,148*
Concessions			
Rental Auto Concessions	4	4	4
RAC Counter - LF	40	4	40
RAC Office/Counter Area	360	1,000	360
RAC Queue Area	200	200	200
Food and Beverage Services	11,265	12,295	11,265
News/Gift/Other	1,170	1,449	1,170
Telephones	107	145	107
Subtotal Concession Space	*12,742*	*14,789*	*12,742*
Other			
Airport Administration	1,235	1,449	1,235
Airport Security	685	240	685
FAA	7,057	9,315	7,057
Customs	230	760	760
Janitorial/Storage	2,561	2,898	2,561
Subtotal Other	*11,768*	*14,662*	*12,298*
Mechanical/Electrical	4,361	15,017	6,561
Totals	***73,474***	***125,436***	***90,974***

Table 6-C

OPERATING REVENUES AND EXPENSES
Juneau International Airport

	1995	2000	2005	2015
Operating Revenues				
Building and Land Rent	$1,946,966	$1,947,000	$2,979,750	$3,985,250
Landing Fees	$904,102	$988,700	$1,076,700	$1,342,400
Tiedow n and Parking	$153,043	$190,600	$198,800	$212,100
Fuel Flow age Fees	$30,883	$30,400	$32,200	$37,000
State Fuel Tax	$55,914	$55,000	$58,200	$67,000
Interest	$16,276	$20,000	$20,000	$20,000
Other	$24,334	$27,400	$31,300	$41,000
Total	$3,131,518	$3,259,100	$4,396,950	$5,704,750
Operating Expenses				
Personnel	$958,535	$1,223,400	$1,561,400	$2,543,400
Supplies	$359,383	$458,700	$585,400	$953,600
Services and Charges	$1,250,874	$1,596,500	$2,037,600	$3,319,000
Travel and Training	$5,426	$6,900	$8,800	$14,300
Capital Outlay	$8,899	$11,400	$14,500	$23,600
Miscellaneous	$85,499	$109,100	$139,200	$226,700
Total	$2,668,616	$3,406,000	$4,346,900	$7,080,600
Net Operating Income	$462,902	-$146,900	$50,050	-$1,375,850

Table 6-D

Revenue terms used in Table 6-D are defined as follows:

Building and Land Rent: All air carrier, air taxi, federal, and other rentals of space within the passenger terminal complex including concessions and land rents from users operating on Airport property.

Landing Fees: Fees paid by the air carriers and air taxis operating aircraft in excess of 12,500 pounds gross weight.

Tiedown and Parking: Aircraft parking fees for the use of Airport surfaces including the floatplane basin, and transient aircraft fees received by the FBOs.

Fuel Flowage Fee: Payment on the delivery of fuel for sale to aircraft operators.

State Fuel Tax: Reimbursement to the Airport by the state on the collection of aviation fuel taxes.

Interest: Interest earned on deposits held by the Airport.

Other: Funds collected from vending machine sales and parking violation tickets issued by Airport Security.

Expense terms used in Table 6-D are defined as follows:

Personnel: Airport staff salaries, wages, and benefits.

Supplies: Office supplies for Airport operations, materials and commodities, gas, oil, and chemicals.

Services and Charges: Security services for Airport operations, telephone, printing, rents, dues and subscriptions, contractual services, data processing, postage, water, sewer and disposal service, repairs, and maintenance contracts.

Travel and Training: Airport personnel currency and proficiency, and professional development activities.

Capital Outlay: Minor equipment, building construction and improvements, and vehicles.

Miscellaneous: Includes bad debts, recruitment costs, and reserve contributions.

The data presented in Table 6-D infer that the Airport is expected to generate a net operating loss through the year 2015, excluding the first two years of occupancy at the expanded passenger terminal facility. This speaks to the need to reconsider the existing lease rates and charges in effect; and (as noted in the on-going evaluation of the Airport's financial position) their compliance with applicable federal regulations addressing considerations of fairness and reasonableness. It is unlikely that any contribution to the capital plan will be available from the operating budget without a significant change to the rates and charges structure.

SOURCE AND USE OF FUNDS

Historically, the Airport has relied on the use of general obligation bonds, revenue bonds, and federal and state grants to implement its CIP. The latest revenue bond issues (Series A and B) are expected to be retired by the year 2001.

The Transportation Equity Act for the 21st Century (TEA-21) assures Alaska a guaranteed level of Federal funds for surface transportation through FY 2003. The DOT&PF allocates Alaska's TEA-21 funds through the Statewide Transportation Improvement Program (STIP). Airport access improvements may be eligible for funding under several STIP categories, including the Community Transportation Program and High Priority Projects. Since TEA-21 builds on the six-year Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 , continued availability of similar funds after 2003 is likely.

Another means of raising funds for eligible projects included in CIPs has been the imposition of a PFC. These fees are collected by the airlines as part of the total fare and remitted to the airport at which the passenger enplaned. The airlines are allowed to keep a small percentage of the PFC collections to cover their accounting costs. Present federal regulations limit the PFC to $3.00 at each enplaning airport, up to a maximum of $12.00 for a round-trip fare. Each airport desiring to impose a PFC must file an application with the FAA and conduct meetings with airport users to justify such action. The potential net PFC collections are presented in **Table 6-E,** and account for a reduction (29 percent) for those passengers not required to pay a PFC, as confirmed earlier with the FAA. These are passengers traveling on essential air service designated routes, non-revenue travel tickets, and other excluded activities.

Another means to fund capital projects is to allow third-party investment to provide certain, required facilities. It is recommended that aircraft storage facilities and land for commercial facilities be financed by the users under a land lease with the Airport. These facilities are not competitive for federal and state funding assistance and thus would require total Airport financing in the absence of a third party. The establishment of aircraft storage facilities by the private sector is an increasing occurrence at airports across the country. Given the relatively large CIP envisioned for the Airport, it appears prudent to pursue this course of funding for these private-use facilities. This should be done in such a way as to not have a negative effect on the operating budget.

SOURCE AND USE OF FUNDS FOR CIP
Juneau International Airport

	PFC	Debt Service					Balance
Year	Collections	Existing	Short-Term	Med-Term	Long-Term	DebtTotal	to be Funded
2000	$756,956	$116,851	$826,286			$943,137	-$186,181
2001	$777,780	$116,851	$826,286			$943,137	-$165,357
2002	$799,175		$826,286			$826,286	-$27,111
2003	$822,818		$826,286			$826,286	-$3,468
2004	$843,749		$826,286			$826,286	$17,463
2005	$866,960		$826,286	$1,764,445		$2,590,731	-$1,723,771
2006	$890,572		$826,286	$1,764,445		$2,590,731	-$1,700,159
2007	$914,826		$826,286	$1,764,445		$2,590,731	-$1,675,905
2008	$939,742		$826,286	$1,764,445		$2,590,731	-$1,650,989
2009	$965,336		$826,286	$1,764,445		$2,590,731	-$1,625,395
2010	$991,626		$826,286	$1,764,445	$1,760,006	$4,350,737	-$3,359,111
2011	$1,018,634		$826,286	$1,764,445	$1,760,006	$4,350,737	-$3,332,103
2012	$1,046,375		$826,286	$1,764,445	$1,760,006	$4,350,737	-$3,304,362
2013	$1,074,873		$826,286	$1,764,445	$1,760,006	$4,350,737	-$3,275,864
2014	$1,104,147		$826,286	$1,764,445	$1,760,006	$4,350,737	-$3,246,590
2015	$1,134,225		$826,286	$1,764,445	$1,760,006	$4,350,737	-$3,216,512

Table 6-E

Table 6-E presents a summary of the source and use of funds to implement the deferred CIP with revenue bonds. PFC collections represent the funds currently available to pay debt service on future revenue bond issues associated with the three-phased development schedule.   Each revenue bond issue is equivalent to the local funding requirement presented in Table 6-B by phase, plus a 25 percent allowance for coverage requirements. A 20-year issue at 6 percent interest was used to determine the annual debt service requirement for each phase. For example, the short-term phase local funding requirement is $7,581,950. A 25 percent coverage requirement equates to a financing value of $9,477,438. A 20-year bond issue at 6 percent annual interest yields the annual debt service requirement of $826,286 shown in Table 6-E for the short-term CIP. Similar calculations can be made to derive the annual debt service requirements for the medium- and long-term CIPs. Appendix C describes the importance to the Airport's cash flow of obtaining funding from alternate sources.

The resulting financial situation of the Airport indicates a negative balance. There is a need to re-examine the current rates and charges program in effect at the Airport, a process that is currently on-going to determine what contribution from this source is realistic. That has not been factored in the findings and recommendations of the Airport Master Plan. It is envisioned that the re-examination will identify fair and reasonable rates, allocated according to user groups and cost centers, that can bring the Airport enterprise fund into a positive balance. In addition, it is recommended that the Airport pursue other revenue sources such as sales tax, direct federal and state appropriations, and additional third-party investment. Should this outcome not be achievable, there may be a need to defer certain capital projects so that the Airport can create a more positive financial position.

Development of a financial plan for the Airport is an iterative process that requires vigilant oversight and management. The Airport may also wish to seek alternative funding sources for projects that are ineligible for FAA grants. For example, Federal Highway Administration funding programs may yield grants for airport access improvements.

CONCLUSION

At present and expected funding levels, the Airport cannot afford to implement the development plan described in Chapters 4 and 5 of this Master Plan. This Financial Plan presents deferments of improvement projects that improve the Airport's financial status in the short-term. However, the recommended plan would still require the Airport to issue bonds if alternate funding sources are not available.

The Airport must assess the need and timing of capital improvement projects regularly, based on updated aircraft and passengers activity projections. The Airport must evaluate its rates and charges structures so that a fair and realistic relationship exists between the Airport and its tenants, and the mutual goals of all parties are realized. The Airport is encouraged to aggressively seek and secure alternate funding sources for capital improvements.