MINUTES of
AIRPORT BOARD FINANCE COMMITTEE MEETING
February 19, 2023
2:00 p.m. Alaska Room/ZOOM

A. **CALL TO ORDER**: Committee Chair Jodi Garza called the meeting to order at 2:00 p.m.

B. **ROLL CALL**:

Members Present:

Dennis Bedford
Jodi Garza
Dan Spencer

Staff/CBJ Present:

Patty Wahto, Airport Manager
Phil Adams, Deputy Airport Mgr.
Andres Delgado, Airport Sup't
Ke Mell, Airport Architect
Jodi Van Kirk, CJB Controller
Ed Quinto, CCFR

Public Present

Tom Williams, Ward Air
Kent Craford, Alaska Seaplanes
Mike Wilson, Coastal Helicopters

C. **NEW BUSINESS**:

1. **FY22 Close-Out Overview (see Attachments #1 through #4).** Airport Manager Patty Wahto said this was discussed at the December Finance Committee meeting that there was a projected deficit of $1.8M with the lease rent credits (roughly $1.2M) and increased budget insurance. The official close out had a deficit of $2,453,789 for FY22. This amount is covered through the CARES Act and includes rent abatement credits at the year end. When the budget is put in and the rent abatements are discussed, they are not put into the budget, although it is accounted for on the CARES line item, it is because that it is not accounted for until year-end. This is still in the audit process.

2. **FY23 Projected and FY24 Updated (see Attachments #1 through #4).** Ms. Wahto said the Airport received updates since the December meeting. It was estimated to include a 10% increase to JPD (Juneau Police Department) and ARFF (Aircraft Rescue/Fire Fight) because they had not been received by the December meeting. There have also been a few other changes. When FY23 was adopted, it showed a deficit of $1.5M, which has been revised to $1.785M due to expense increases (insurance and union-negotiated wage increases). It is now expected to be $1.6M, but does not include the rent rebate as this is done at the end of the fiscal year. You can tack the $1.2M on, because it is known that it is CARES money. The total deficit to be covered by CARES for FY23 is $2.861M, which includes the $1.2M for rent abatement.

FY24 has a deficit of $1.802M, which does not include any rent abatement. Attachment #2 shows the rent abatement at the bottom. The reason for that is if you are trying to

separate some fees, the rent abatement should not be included to make it look like a larger deficit. CARES Act funds pays for allowable expenses. In one section of the grant information, it discusses rent abatement for tenants and establishes the means for doing that.

There are three pots of money: the original CARES Act that had $21+M, of which a big chunk of it has been used. It allows for projects, match, paying for expenses and rent abatement. Then there is the CRSSA and the ARG agreements. The first grant (CARES) sunsets in April 2024. The other one expires in the fall and the last one expires next year. Projects cannot be done with the last two. The balance is $6,043,087. That includes projects and unknowns. Tom Williams, Ward Air, wanted to bring up abating rent for one more year. Ms. Wahto said it is her intent that the Airport uses every dime in the pot.

Rates and fees need to be discussed to make sure that everything is in place as the Airport heads toward the next biennial (FY25/FY26).

Increases in expenses has been included. The largest increase was for the ARFF Department contractual services which went up $227,800. This includes several items. One of the biggest things came out of a very recent discussion with the FAA (Federal Aviation Administration) was ARFF took basically a full-time person that the Airport is only paying part time for. There are a lot of requirements to be done by ARFF. Ed Quinto, Capital City Fire & Rescue, said when the FAA inspector was here, he said they discussed that he did ARFF and oversees other operations in the Fire Department. He recommended that the Airport needs an ARFF Division supervisor to maintain the compliance and training. There are personnel that run the trucks, but they are not the ones in charge of the paperwork or the compliance department for the FAA requirements. This will be a 40-hour person that will maintain all of the paperwork and training for that division. There are about 21 people on the ARFF side.

Ms. Wahto said one thing that had fallen out of compliance was fire extinguisher training for the FBOs (fixed base operators) and other tenants. By going through this with one of the trainers while the inspector was here, this was accomplished. Mr. Quinto said the supervisor would help out with the tenants to make sure they maintain their records up-to-date which are things he nor his personnel can do. This will benefit the ARFF Division and the Airport fueling side. Ms. Wahto said the inspector spends a full day with ARFF going over fuel inspections (training records, safe trucks, etc.). Mr. Quinto said the inspections are done every quarter but the paperwork comes to him and he has to make sure they are up-to-date. If something is missing, it has to be sent back, which takes his time as Assistant Chief with other duties as assigned. The ARFF Department has definitely grown and there are a lot of additional duties. Supervision and responsibility of the ARFF Division has grown quite a bit. Mr. Quinto said the last inspection had the inspector noting ARFF was out of compliance with training records

for the ARFF personnel. Ms. Wahto said that daily records have to be kept, and the equipment could be taken out of service if this is not done. Mr. Quinto said the $227K includes one additional person, and increased wages.

Attachments #1, #2 and #4 has FY24 divided into two columns. The revenues are shown with increases and without increases. Attachment #5 is the current Rates and Fees Charges from 2016. Attachment #6 is the history of rates and fees. It outlines when things were last changed for each category. Staff looked at what it would take without CARES to balance the budget. Staff looked at balancing the budget three years ago. Attachment #7 notes what it would take based on a CPI (consumer price index) or some number that balances the budget. In each category, it was noted what was proposed in 2020. There are several things moving forward when looking at the rates and fees because the model does not balance everything. Staff has to take the initiative to look at ground transportation, airport screening fees, car rental parking, or land lease rates. There has to be some other mechanism because the model does not know the CPI. It only concentrates on the landing fees and fuel flowage fees, which is pretty common. Staff went into each category and assessed each area. Three years ago the increase was going to be up to $1.86 per passenger.

Committee Member Dan Spencer asked what would happen if all of the suggestions were adopted and still use federal funds for rent abatement. What is the impact on the fees? Ms. Wahto said if everything in red was approved and applied to the FY24 budget, it would balance everything out. However, rent abatement can still be done at maybe $1.4M. Committee Chair Jodi Garza asked the total FY24 for the security line with increases is $965,500. If you check the math for the passengers, there is still a gap of 12.5% to cover the $965,500. Ms. Wahto said there will be a gap. This is the part that goes back 50/50 terminal and airfield. This is not 100% paid by security fees because it is not 100% at the checkpoint. Supplement concessionaire revenues (parking lot concession, etc.) are put into the equation before the landing fees and fuel flowage fees are figured out. If something had not been raised in years, the Anchorage CPI was put into the equation. This was done for tie downs, parking, land lease rates, and terminal lease rates. Once those are entered, then you figure the landing fees and fuel flowage fees. Ms. Garza noted Anchorage Airport charges for cargo. Ms. Wahto said they do mostly cargo. Mr. Spencer said Anchorage is the fourth busiest cargo port in the world. Ms. Wahto said the cargo fees basically offset Anchorage and benefits other State-owned airports. She said this is something that could be researched, but it will take time.

3. **Rates and Fees Discussion (Attachments #5, #6 and #7, and Attachments #1 through #4).** Mr. Spencer asked what kind of efficiencies have the Airport looked at. Ms. Wahto said the Airport has been short-staffed. The Airport terminal can be closed down for periods of time, although there are late-night flights. People will still need to be here to do work. The Airport looked at an abbreviated JPD coverage, but there are still

troubles during any hour of the day. Other efficiencies include preventative maintenance. Even though it adds to the costs, it adds efficiencies to not have break downs. One thing that is not put in the budget was a reserve for maintenance and repairs. This was put back into the fund balance, because if something major happens, staff will come to the Board with the request. Ms. Garza asked about new revenue opportunities. A new Request for Proposal will go out for the gift shop in the fall. The current operation is not generating revenue now because they are on an old contract that was set up during construction and so they are paying the bare minimum, not a percentage of revenue. A new contract will be entered into for the parking lot. Once the lot is done, the Airport will go out for a new vendor or a new contract with a vendor and it could be the same vendor. This will be for a proposal of doing payments through an application, inside the terminal, etc., as there will be less overhead of having to staff a booth.

Attachment #7 is a summary of the increases. Some of the items have been discussed: Anchorage CPI, the security screening fee and once all of those are put in, generating the residual with landing fees and fuel flowage fees based on what is currently the 85/15 split. Ms. Garza noted that it would be a 30% increase to fuel flowage fees to her employer. She said the travel industry airlines were the hardest impacted. As a small business that provides for the locals, the costs would be passed on to the customers. Ms. Wahto said the fuel flowage fees are in lieu of taxes. The Airport could collect up to the equivalent of the 5% taxes that went downtown. When asked in looking at the price per gallon, would this be out of line with that 5%? She said it would not and is actually less. This is one way to keep the money at the Airport. The Airport has been very cognizant not to go beyond the 5% that goes down.

Mr. Williams said it was in lieu of the sales tax. He said there are two numbers: the retail number that Aero Services sells and then everybody else, including Alaska Airlines, doesn't pay that number. They pay a wholesale price or close to it. Ms. Wahto said that she used several different rates to come to the fuel flowage fee and used $6.00 per gallon. The fuel flowage fee difference for air carriers would be $1.043M instead of $680K. The small GA (general aviation) is $285K instead of $209K. This has not been discussed with Alaska Airlines or Delta Air Lines. A lot of time they run the matrix where they want to see higher landing fees some years and higher fuel flowage fees other years. The 85% for $1M fuel flowage fees and almost $2.7M landing fees goes to air carriers.

Tom Williams suggested revisiting the 85/15 split, if it is even possible. Ms. Wahto said staff tried to tackle the sales tax and property tax from airport tenants that go downtown. In the 2019 FAA audit, it was said as long as it is universal to everyone, there was no fault found by the FAA audit. The Airport received $3M of sales tax money to help with match for multiple projects. Mr. Williams suggested looking at the property taxes and sales taxes for the last 20 years should be weighed against the $3M. Ms. Wahto said she wants to be careful because in the future, the Airport will want to build a parking garage.

This is not something that is funded by the Federal government. The Airport cannot generate enough money for a garage. There are a lot of civic minded groups (i.e., Rotary) that would stand behind the Airport. She wants to let the dust settle on the terminal project. Ms. Wahto looked to the Board Finance Committee for direction. Ms. Garza said she thought bringing the rent abatement before the Board for FY24 would be good.

There are different dates for the rates and fees increases. In discussions with Alaska Airlines and Delta Air Lines, they requested that their landing fees, fuel flowage fees and security fees started earlier because when they get into the thick of the season, it would be difficult. This is a program issue. It will be additional revenue for FY23, but it is only rates for the large carrier security screening fees, fuel flowage fees and landing fees that begin in May.

Mr. Spencer moved to approve the budget as attached in Attachments #1 through #4, with the increases to the Airport Rates and Fees Regulation, and forward to the Airport Board for approval. The motion passed by unanimous consent.

Mr. Spencer moved to approve the increases to the Airport Rates and Fees Regulation, as summarized in Attachment #7 and forward on to the Airport Board for approval and to start the public regulation process. The motion passed by unanimous consent.

Mr. Spencer moved to forward to the Board for their consideration a rent abatement consistent with prior rent abatements for FY24. The motion passed by unanimous consent.

D. **NEXT MEETING DATE**: To Be Determined

E. **ADJOURN**: *Dan Spencer moved to adjourn. The motion passed by unanimous consent and the meeting adjourned at 3:38 p.m.*