

MINUTES of
AIRPORT BOARD MEETING
August 8, 2024
6:00 p.m. Alaska Room/ZOOM

A. **CALL TO ORDER:** Chair Dan Spencer called the meeting to order at 6:00 p.m.

B. **ROLL CALL:**

Members Present:

Dennis Bedford
Jason Custer

Jodi Garza
Chris Peloso

Eve Soutiere
Dan Spencer

Staff/CBJ Present:

Patty Wahto, Airport Manager
Paul Khera, Deputy Airport Manager
Andres Delgado, Airport Sup't
Angelica Lopez-Campos, Bus. Mgr.
Ke Mell, Airport Architect

Sherri Layne, CBJ Law
'Waaahlaal Giidaak, CBJ Assembly
Mark Fuelle, CBJ Fire Dept.
Brandon Bagwell, CBJ Fire Dept.

Public:

Kevin Rasa, Alaska Airlines

Sarah Lowell, Coastal Helicopters

C. **APPROVAL OF MINUTES:**

1. *Chris Peloso moved approval of the July 11, 2024, Airport Board minutes. The motion was approved by unanimous consent.*

D. **APPROVAL OF AGENDA:** *The agenda was approved as presented.*

E. **PUBLIC PARTICIPATION ON NON-AGENDA ITEMS:** None.

F. **UNFINISHED BUSINESS:**

2. **Airport Board Bylaws (Attachment #1).** Board Member Jason Custer asked to bring the tabled motion back before the Board, *"to accept the proposed Bylaws changes as presented provisional upon and including changes that state all committee appointments must be confirmed by the Board, the person presiding over in-person or hybrid meetings must be in attendance in person, that chair terms are limited to one year and that standing committees shall meet no less than once every three months."* Jodi Garza moved to amend the terms Mr. Custer's motion to accept term limits are limited to two years. No objection. Board Member Eve Soutiere said she did not feel the Operations Committee needed to meet every three months as they might not have anything to discuss. She would support the second motion extending the chair term to two years but suggested removing the Operations Committee. Mr. Custer said he was most concerned about the Finance Committee from the every three months requirement. Eve Soutiere moved to amend the motion to remove the Operations Committee timetable for meetings out of the motion. The amendment passed by unanimous consent.

Mr. Custer read the amended motion into the record. *Mr. Custer moved to accept the proposed Bylaws changes as accepted provisional upon and including changes that state all committee appointments must be confirmed by the Board; the person presiding over in-person or hybrid meetings must be in attendance in person; the chair limits are limited to two years; and the Finance Committee shall meet no less than once every three months. The motion passed unanimously.* Chair Spencer said he thought there was a provision that a Bylaw change cannot be enacted without it having been fully public noticed.

G. **NEW BUSINESS:**

3. Federal Aviation Administration (FAA) Grant Award – Runway Safety Area (RSA) Shoulder Grading Design. The Airport received a grant in the amount of \$422,353 for the design phase of this project. The temporary local match of \$25,000 came from the Airport's Revolving Account was previously appropriated to start the project, however, the Airport still needs to update the local match for this project. Some of it will be replaced with Passenger Facility Charges (PFCs) once those are appropriated. *Jason Custer moved to approve the appropriation of an FAA AIP grant award in the amount of \$422,353, and PFC local match funds in the amount of \$125,000 for Runway Safety Area Shoulder Grading Design Project. The motion passed by unanimous consent.*

4. Contract Award – Runway Safety Area (RSA) Shoulder Grading Design. Ms. Wahto said the Airport received one proposal from HDR Engineering in the amount of \$438,426. The Airport would like concurrence from the Board to proceed with this award once the Assembly has appropriated the grant and transferred the PFC money in. *Chris Peloso moved to concur the award to HDR Engineering, Inc., for the RSA Shoulder Grading Design contract in the amount of \$438,426, upon Assembly appropriation of the FAA grant and PFC local match for this project. The motion passed by unanimous consent.*

5. FAA Grant Award – Aircraft Rescue and Fire Fighting (ARFF) Truck Acquisition. This is for the long anticipated ARFF Truck. This would appropriate a grant in the amount of \$1,007,116 for a 1,500-gallon ARFF Truck. The Airport is currently using a loaned truck until the new one is received, which will be anywhere from 12-18 months for manufacturing. The local match for this will be \$5,000 received for the surplus auction for the old truck, and a local match of \$65,527.74 of Sales Tax that was already appropriated. The Airport will also need to appropriate \$5,000 from the Airport Revolving Account. Once this is all together, PFCs will be appropriated to replace any and all of the local funds from a future PFC. Board Member Jodi Garza asked if the Airport was incurring costs relating to the current fire truck from Palmer that is on loan. Ms. Wahto replied that the Airport is paying for the loan. *Jodi Garza moved to approve the appropriation of an FAA AIP grant award in the amount \$1,007,116; approve \$5,000 in Airport funds (from the proceeds of the sale of the old A-2 truck), and \$5,000 from Airport Revolving Account for the additional local match required for Aircraft Rescue*

and Fire Fighting Truck acquisition and forward to the Assembly for appropriation. The motion passed by unanimous consent.

6. Tenant/User Insurance Requirements Policy Change (Attachment #2). The City & Borough of Juneau receives an annual independent audit, with one coming up at the end of September, from CHUBB Insurance. They target airports as that is their specialty. They inspect everything, from leases to insurance, placards everywhere, etc. This goes hand in hand with the certification inspection, although that is FAA. They look a little deeper. There is one issue that comes up every year and that is the insurance requirements. In talking with Ms. Swick with Risk Management, she did a lot of research by talking with other airports, looking at industry-wide and staff looked at our airport and JNU's rates were extremely low. Ms. Wahto encouraged everyone to read the section on insurance in the CHUBB report at <https://juneau.org/wp-content/uploads/2024/06/Juneau-International-Airport-Chubb-Risk-Engineering-Report-092823.pdf>. The idea is to talk about this at the Operations Committee meeting as it also affects the Leasing Policy and probably Minimum Standards. She said the Airport has to make sure it is covered and not pulled into things. There was an incident in the last couple of years where the lease was written properly, but insurance became a huge issue for liability. This is the City trying to look out for itself and making sure that the minimums meet the minimum standards and cover the Airport and the City. This is for general liability insurance for the general aviation group. Board Member Dennis Bedford said he wanted to see numbers as to what the increase would affect each tenant group. Ms. Wahto said Ms. Swick will be at the Operations Committee meeting to discuss this more in depth. This was referred to the Operations Committee.

7. Airport Staffing and Planning. The Airport has been operating with minimal staff, yet there are more requirements at almost every level. She had mentioned to the Board that her job is not just directing, everyone in the office is rolling up their sleeves to get it done. This is a good time between the changes with demands (as well as folks that may be looking at retirement) to review things and what is needed, especially at the administrative level. Maybe this needs to go to a Committee of the Whole. Mr. Bedford said his concern was that it was pretty easy to initiate a new staff position and very difficult to reduce staff. He agreed that the Airport is understaffed. It needs to be very careful as there might be other options like contracting out, etc. He said it is really hard to turn down a grant, but that may be an option to reduce the workload. Mr. Custer said there are two ways to become profitable, you can try to cut stuff back or you can grow profitability by creating more economic opportunity and growing. He felt if adding staff to get more projects going on would help drive revenue and economic opportunity, not only is that better for the Airport and the community, it is just more fun. He said he would be in favor of adding more people if stuff can be done that drives economic growth and revenue. Ms. Wahto said it needs to start with HR (Human Resources). As far as timing, an initial review of what staff is doing, then bring HR in. She said this shouldn't

wait until winter. This will take time. It should probably begin before the end of September. Chair Spencer assigned this to a Committee of the Whole chaired by Chris Peloso.

8. Ordinance 2024-32. An Ordinance Establishing a Waiver Process for Airport Board Appointments and Temporarily Waiving the Three Tenant Rule; Board Review (Attachment #4 and #5). This is an ordinance that was drafted by the Law Department for the Assembly. This is the reason that Mr. Williams is not in attendance or able to participate. There is currently direction that there can be no more than three tenants on the Airport Board. The Assembly is looking at making a waiver but has requested input from the Airport Board before they consider it. The ordinance (Attachment #4) was introduced. Attachment #5 goes back to the Assembly involving a third-party auditor to look at conflict of interest in 2004 with the Airport Board. Their determination led to the restriction of three tenants on the Airport Board so there is not a majority of tenants. Mr. Custer said he felt very strongly about conflicts of interest. When there is a conflict for the airport users and it is switched from three to four airport users, then the decision making is concentrated on a smaller number of Board Members, which is actually smaller than the quorum. At the last meeting, when the airport users were conflicted out, the Attorney said there were not enough people to suspend the rules to let the public that came to the public meeting make comments. He said he wanted to make sure that the Board is not dominated by people with conflicts of interest. It is important to follow the rules or change the rules if you don't like the rules, but not to add rules and change them here and there. There needs to be a set of rules that are followed all the time. Ms. Soutiere asked if this included people with subleases, tie downs, etc., that have a very small interest. She asked if it was for someone who purchased fuel at the airport. She asked where the line lies.

Mr. Bedford said the Bylaws give the Board the power to make that determination. Ms. Layne said it is incumbent on everyone to determine conflicts of interest. The ordinance the Assembly is looking at is to allow more people that are interested who have knowledge about how the airport is run or just the basics of how the airfield would work to apply. The conflicts of interest can be determined with legal counsel. Ms. Garza said the tenant in this includes officers and employees of a tenant, which is a lot of people. She thought it would be good for legal to describe what a tenant is. Board Member Chris Peloso said this is not simply about conflicts of interest, but it is about Board structure. If anyone on the Board comes from a specific background, you will get a specific mindset. It is not that anyone is instantly conflicted out, but if there are only tenants on a board, they will probably act generally the way tenants want to act. One of the previous Board Members was a taxi driver, who said he was looking at it from a taxi driver's perspective, which is different from the airline's perspective. Ms. Layne said this is the third year in a row where there were more tenants or subtenants under the current definition, as noted, this really needs to be defined by somebody. They were looking at flexibility in the

future as they have so few people apply for the Airport Board and other boards. She did not think they would necessarily do it every time, but it gives them flexibility. She said the Airport Board is invited to offer their opinion as they are the ones that have to live with this. It will be before the Assembly on August 19. Ms. Garza suggested the Assembly define the types of tenants and limit the types of users that are allowed on the Board. Assembly Member 'Wàahlaal Giidaak said the Assembly values the insight provided by the Board and totally agrees that there should be some definitions on the table. The Human Resources Committee was trying to come into compliance with the current makeup of the Board. The extension of the ordinance is due to the Board makeup right now. The intent is to reevaluate what it looks like in the future. The waiver is to come into compliance and so they do not have to remove people from the Board that are currently sitting on the Board. It is temporary.

Chair Spencer said the backup says that if all four of the tenants get conflicted out, nothing can be done, which is still a valid point. It is not valid if non-tenants are discussed. There is a long list of boards the City has been advertising for a long time to know that if it was easy, they would have done it years ago. He thought if the Assembly were to decide to stick with what they have in part because of what the auditors found, they could go back out. He said this is a tough spot for the Assembly. Ms. Garza said she had been on the Board for five years and other than at the last meeting, she had not seen issues that had been conflicted. The majority of the items are not conflicted material for tenants. She thought that defining the tenants was a good direction for the Assembly.

9. Airport Manager's Report:

- a. Preliminary 2023 Enplanement Numbers. The enplanements are at 440,279 for last year, which is two higher than 2018. The numbers were highest for 2019.
- b. Parking Lot Equipment Update. The equipment is arriving. It is expected the installation will occur during the week of August 19. It will be a lot simpler to use.
- c. Joint Use CBJ Wastewater Pretreatment Facility – Aircraft Biffy Dump Station. This would be installed in the western most area of the tank farm where JPD (Juneau Police Department) used to store vehicles. They would do this as a pretreatment facility as well as the biffy (aircraft lavatory waste) dump station. The only thing above-ground is the biffy dump station. Everything else will be underground. The Airport is looking forward to working with them as it will provide a dump station. Ms. Wahto said that the use of this area as a wastewater pretreatment facility is expected to cover the costs of building the dump station.
- d. Canagold Mining Operation (Polaris). A link to their website is [Canagold Resources](#). This is now a public record. They met with JNU staff and looked at the operations. Once they get moving further along with their environmental, the Airport

will hear from them to put in their ground operations for aircraft. They have told the Airport that they plan to use the airport to fly ATR 72s in and out of and transport down to Lynden AML. Ms. Garza asked if they will be using the facilities. Ms. Wahto said it sounds like they will want a hangar facility with some footage on the airport. This means that there will be fuel flowage fees, landing fees, etc. They do not go into anything for less than ten years.

e. Passenger Facility Charge (PFC10) Application Process. Airport staff is beginning this application process now. A Finance Committee meeting will be held to discuss this. This process takes up to one year in working with the airlines to get the approval and buy-in to the projects. If projects are small, the Airport may only have a short collection period. Normally there has been a much longer collection period.

f. Encampments on Airport Property. Encampments have skyrocketed, not only on Jordan Creek but also in other areas. This involves a lot of trash, camping, trespass notices and JPD involvement. There have been three trespass notices given this week. JPD is patrolling it. Copies of the trespass notices are sent downtown. They are pulling down the signs that say, “No camping” and using them to help put up their tents or throwing them into the creek. This is everyday and sometimes twice a day. Anything that is used on the airport has to have a fee associated or some allowance. That area is not set up for anything. This use may affect the Airport’s receipt of grants. It does not charge fees and it is a greenbelt area. It was mitigation for projects back in the 1980’s. The area has to be kept clear. It cannot be limbed, which goes back to the Title 49 discussion. The Assembly was gracious enough to give \$150K towards some lighting in the area that will help with some of the vandalism. The paths need to remain clear and viewed as an interpretive trail. The CHUBB report also brings this area up as an area that needs to be cleaned up. Between insurance and the FAA, it is a big liability for the Airport. The only thing that can be done is to keep the area cleared.

Because this area is tied to a Corps Permit for mitigation as an interpretive trail, this area cannot be given away, even to the City. It can be fenced, but it still has to have access to it for an interpretive trail. Ms. Garza said this is a problem for the Airport, but also for the City. The City has been debating whether they are going to have a spot for people who don’t have homes or places to sleep. She said they are going to need to weigh in on that conversation or spend a little more attention to what is happening and what direction the Assembly is leaning – dispersed camping or a designated spot for people who don’t have a place to sleep. Chair Spencer believed this has been a topic of discussion every meeting since he has been on the Board. He also thought that it was a topic of discussion for the Assembly.

g. Airport Fund Balance and Capital Revolving Account Balance. There has been no change to these documents.

10. Airport Projects Report – Mike Greene. Ms. Wahto reported on the *Terminal Reconstruction Project* – Airport staff has received the flush cart. A couple more parts and items are being awaited to finish the heat pumps and then paralleling that with terminal air balancing system. Staff is working on getting the dedicated outside air system (DOAS) done. It is a very delicate system. Once everything is up and running, the system will be balanced. A backup to the DOAS is being researched.

Rehabilitate Part 121/135 Apron & Remain Overnight (RON) Parking Apron. There has been great weather and things are moving right along. They have moved over and pulled up the section near Gate 2, the final 121 ramp area. They have finished the other areas around the other gates. As soon as that is done, they will move back to the 135 ramp area again. Alaska Airlines and their contractor will be installing the new Jet Bridge 3. Jet Bridges 4 and 5 are new and installed. There is short parking at Gate 3. This project was scheduled for three construction years. The bulk of the project will be done this year. The last piece or two can be done next year. The tie downs for the 135 ramp are expected to be done this year.

11. Airport Projects Report – Ke Mell. Ke Mell, Airport Architect, reported on the *Gate 5 Passenger Boarding Bridge (PBB) Replacement*. Dawson was onsite yesterday and today installing the duct insulation and finishing all outstanding punch list items. They anticipate completing the work tomorrow and returning the PBB to daytime service on Saturday, August 10. Staff thanked Alaska Airlines, who have cooperated fully with the work; Delta's overnight use of Gate 5 has not been affected.

The *Channel/Loken Land Acquisition Support Request for Proposals (RFP)* saw receipt of one proposal from Electric Power Systems (EPS). Staff asked EPS for additional information with regard to its qualifications; EPS replied, and admitted that they did not have FAA experience, which was required by the RFP. Staff are working with CBJ Contracts to issue a new RFP. Mr. Bedford asked about the delays with the acquisition support. Ms. Wahto replied that acquiring property is a very entailed process. You have to go through all of the steps that the FAA requires before they will reimburse the airport. The Airport does not have the depth, knowledge or staffing to do this. A larger airport may have property people to do this. Things fell behind when John Coleman left. An RFP was put out and it has taken time to get out. This will take well over a year when the process starts. This was done once before, and it was embedded in the RSA contractor's scope of work because it was needed for the RSA project. A standalone project is pretty entailed. The FAA wrote up the Airport on this saying it needs to acquire the property or charge market value as a through-the-fence operator. It was planned to work through the purchase of this property.

Ms. Garza asked if there was an option for a waiver. It is a lengthy process, but they are willing to do it. She asked if this was holding up the Loken's from selling their property. Ms. Wahto said as far as a waiver, she had a feeling that someone who has not gone through the federal land acquisition process, which is pretty entailed, would be a lot of work and handholding to the FAA rules.

Mendenhall Riverbank Stabilization: Most fortunately, the airport appears to have escaped additional damage from the 2024 jökulhlaup. JNU staff and proHNS (our engineering consultant) will take a thorough look on a low tide in a couple of weeks.

With regard to the work from the 2023 jökulhlaup, ProHNS is working on the permitting applications. JNU signed and returned the Department of Natural Resources permit today. That permit has the longest lead time, possibly as long as six or eight months. The most likely timeframe for the repair will be in the spring of 2025.

Masterplan Update: JNU staff met with the staff of Michael Baker International to tailor their scope of work, fees, and schedule to our situation. Michael Baker promised a revised scope by the end of this week.

Ms. Soutiere asked about camera installation on the Jordan Creek greenbelt. Ms. Mell said the cameras would be installed on the same poles as the lights. Cameras will need a power supply, which will be from the lights.

H. **CORRESPONDENCE:** None.

I. **COMMITTEE REPORTS:**

12. **Finance Committee:** Finance Committee Chair Jason Custer said he had sent emails to staff to establish times that will work for quarterly meetings. That hasn't happened yet. It sounded like the issue was the PFC work. He was hoping to get some predictable meetings on the calendar, hopefully this month.

13. **Operations Committee:** Operations Committee Chair Dennis Bedford said a meeting will be held on August 13 at 9:30 a.m. All are welcome.

J. **ASSEMBLY LIAISON COMMENTS:** 'Wàahlaal Giidaak said she did not have anything further. She appreciated all of the feedback and will be happy to report a lot of this back to the Assembly during the next Assembly meeting. They have been taking care of everything with the flood. She said she appreciated the Board.

K. **PUBLIC PARTICIPATION ON NON-AGENDA ITEMS:** None.

L. **BOARD MEMBER COMMENTS:**

Jason Custer complimented Pam on the minutes. He said they are extremely thorough and accurate. He knew a lot of time and effort goes into that. He thanked her for all that she does in supporting the Board. Chair Spencer seconded that.

Chair Spencer thanked everyone for tolerating his attempts at managing the meeting for the last two times. Hopefully this one was a little better and he'll get there. He may not be in attendance at the September meeting.

Jodi Garza said she will not be in attendance at the next meeting.

M. **ANNOUNCEMENTS:** None.

N. **NEXT MEETING DATE:** The next regular Airport Board meeting will be held on September 12, 2024, at 6:00 p.m. in the Alaska Room and via Zoom.

O. **EXECUTIVE SESSION:** None.

P. **ADJOURN:** *Jodi Garza moved to adjourn. The motion passed by unanimous consent and the meeting adjourned at 7:39 p.m.*

ATTACHMENT #1

**BYLAWS
of the
CITY AND BOROUGH OF JUNEAU
INTERNATIONAL AIRPORT BOARD**

ARTICLE I - NAME

The name of this Board shall be the City and Borough of Juneau International Airport Board ('the Board').

ARTICLE II - PURPOSE

The Board was established by Title 5 of the CBJ Municipal Code pursuant to the CBJ Charter to exercise all powers necessary and incidental to operation and maintenance of all airport facilities in the public interest and in a sound business manner. The Board establishes financial and operational policy and appoints the Airport Manager. The Board operates the Airport as an enterprise fund, which means it is self-supporting.

ARTICLE III - MEMBERSHIP

1. The Board shall consist of a maximum of seven members who will be appointed by and serve at the pleasure of the Assembly.
2. Members of the Board are appointed for staggered three-year terms and shall serve without compensation. A member shall serve until his or her successor is appointed by the Assembly.
3. Other qualifying factors related to qualifications for membership are contained in CBJ Municipal Code sections 05.01.010 and .030.

ARTICLE IV - MEETINGS

1. Regular meetings of the Board will be hybrid meetings and shall be held on the second Thursday of each month at 6:00 p.m. in the Alaska Room of the Airport Terminal and streamed virtually, unless otherwise noticed.
2. Meetings shall be open to the public and conducted according to Robert's Rules of Order. Notice of the meeting shall appear as published by the City & Borough of Juneau's public notice system. Participation remotely shall be allowed for regular, special, and committee meetings of the Board.

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3. Special meetings may be called at any time by the Chair or at the request of the Committee Chairs. At least two business days' notice shall be given and filed with the CBJ Clerk.

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4. Minutes of regular meetings shall be distributed by Airport staff to members at least seven days prior to the next regular meeting. Minutes of special meetings shall be distributed to members as soon as possible after the meeting.

5. Upon advising the Board or Committee Chair in sufficient time for Airport staff to make the necessary technical arrangements, a member who is unable to physically attend a meeting may attend a regular or special Board meeting or a committee meeting by telephone or virtually.

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6. A quorum of the Board shall consist of a majority of the membership, including those present electronically and virtually. A quorum must be present for any business to be conducted.

7. Voting shall be by roll call vote or by general consent (no objection). In a roll call vote the Chair shall be required to vote. A majority vote of the Board membership is needed to approve any action.

ARTICLE V – CONFLICT OF INTEREST

If a member has either a financial or a personal conflict of interest, the member shall not deliberate or vote on any matter in which he or she has such an interest. A member who is involved in a matter that may result in a conflict of interest shall disclose the matter on the public record and asked to be excused from the discussion and official action on the matter. The presiding officer may determine whether the member's involvement would be a conflict of interest. The presiding officer's decision may be overridden by a majority vote of the Board. See CBJ Conflict of Interest Code, Sections 01.45.010 - .080 and 01.45.100.

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ARTICLE VI - OFFICERS

The officers of the Board shall consist of a Chair, Vice Chair, and Secretary. Officers shall hold offices for one year or until their successors are elected. The election of officers shall take place in July (or as soon as new Board Members are appointed), with the officers to begin their duties at their first meeting after their election.

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Duties of the **Chair** shall include, but are not limited to, the following:

1. Presiding at all regular and special meetings of the Board.
2. Ensuring that all correspondence and business of the Board is carried out.
3. Acting as spokesman for the Board.
4. Appointing committees, including ad hoc committees and task forces of the Board as deemed necessary.

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5. Acting as liaison between the Board and the CBJ Assembly.
6. In consultation with the Airport Manager, preparing the agenda for each meeting.

Duties of the **Vice Chair** shall be to preside in the absence of the Chair and perform all the duties of that office. In the absence of the Secretary, the Vice Chair will perform the duties of the Secretary.

Duties of the **Secretary** shall include reviewing and giving tentative approval to minutes of all regular and special meetings of the Board, as prepared by Airport staff, prior to the distribution of the draft minutes to other members of the Board and the public.

ARTICLE VII – STANDING COMMITTEES

The standing Committees of the Board shall be the Finance Committee and the Operations Committee and any other committee designated and approved by a majority of the Board.

The Chair shall appoint the members of the standing committees of the Board, designating one member to serve as the chair of each committee. Each standing committee shall consist of at least three members.

Duties of the standing committees shall include, but not be limited to, the following:

1. Finance Committee: Consider and make recommendations to the full Board regarding:
 - a. the Airport Manager's proposed operating and capital budgets;
 - b. Airport rates and charges; and
 - c. All other items that have or may have a financial impact on the Airport.
2. Operations Committee: Consider and make recommendations to the full Board regarding any issue that has or may have an operational impact on the Airport.

Action(s) recommended by the standing committees shall be subject to approval by a majority of the Board members at a Regular or Special meeting.

ARTICLE VIII – AIRPORT MANAGER

The Airport Manager serves at the pleasure of the Board and shall be responsible for the hiring and/or firing of airport personnel. Subject to direction from the Board, the Airport Manager shall be responsible for the general supervision and the administration of the business and affairs of the Juneau International Airport.

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ATTACHMENT #1

ARTICLE IX – EVALUATION OF THE AIRPORT MANAGER

The Board, meeting in executive session, shall evaluate the performance of the Airport Manager at least once each year, prior to the anniversary date of the Airport Manager's employment. Results of the evaluation shall then be discussed with the Airport Manager, either in executive or public session as desired by the Airport Manager, who may concur or disagree with the Board's evaluation. The Board's evaluation shall determine whether the Airport Manager is entitled to an increase in salary.

ARTICLE X – AMENDMENTS

These bylaws may be amended or revoked by the affirmative vote of not less than a majority of the Board in any regular meeting, provided the notice of such meeting shall have contained a copy of the proposed amendment or revocation.

Approved and adopted by the Board this 8th day of August 2024,

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Dan Spencer, Chair

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Attest:

Jodi Garza, Secretary

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Bylaws of the Juneau International Airport Board August 2024

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Human Resources and Risk Management
155 Heritage Way
Juneau, Alaska 99801
Telephone: 586-5250, Ext. 4084
Chelsea.Swick@Juneau.gov

MEMORANDUM

Date: June 27, 2024
TO: Juneau International Airport, JNU Board
From: Chelsea Swick, Risk Management Officer
Subject: Airport Lease Agreements – Insurance Increase

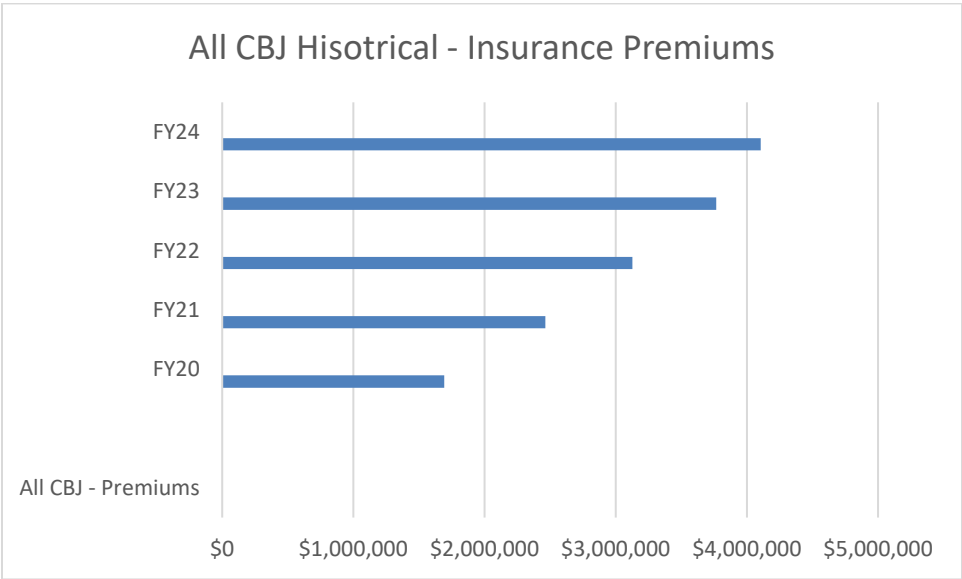
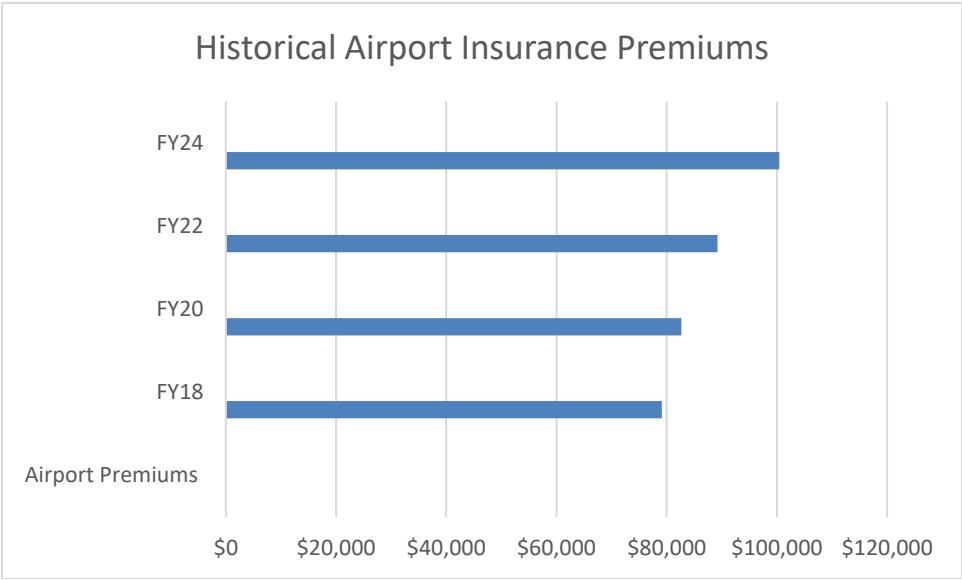
This Memorandum is to address the recent implementation of increased insurance limit requirements within the Juneau International Airport (JNU) lease agreements, both General Aviation (GA), and Commercial Lease Agreements. JNU has historically required lower than average insurance limits; however, with rising property values, labor and materials, increased cost in insurance premiums and increased exclusions within insurance policies, we must increase coverage to adequately protect our assets.

In July of 2023, James Duboise with Chubb Insurance, one of JNU's line of coverage carriers, met with JNU staff and myself for a required Airport Liability Risk Engineering Survey. Among many topics discussed, one of the recommendations for the JNU lease agreements was to increase current insurance limit requirements from \$250K to \$1M.

In an effort to get JNU lease agreements more in line with adequate coverage should a loss occur, I recently reached out to Chubb Insurance to talk through what they have seen with other airports of like size and use for comparison. The goal is not to overburden JNU's lessees, but to require coverage that demonstrates the ability to fully cover a loss. Chubb indicated \$5M CGL within lease agreements is the standard across the aviation/airport industry, but given the unique design, use and size of JNU, \$1M should be the lowest minimum requirement. CBJ Risk Management is in agreement with Chubb Insurance on this recommendation and have already implemented this requirement amongst other CBJ Departments.

Exhibit A details a snapshot of JNU's historical insurance premiums, and a snapshot of all CBJ insurance premiums which provide some insight on rising insurance costs. Exhibit B details CBJ's liability structure of insurance and is provided for informational purposes.

Exhibit A



City and Borough of Juneau - Liability Structure Charts

Policy Term: July 1, 2024 to July 1, 2025

Total Premium: \$1,893,500.64



Total Cost: \$102,756.00 Total Limits: \$300,000,000					
Underwriters at Lloyds, London Limit: \$200,000,000 xs \$100,000,000 Premium: \$53,399.00					
ACE Property and Casualty Insurance Company Limit: \$100,000,000 Premium: \$49,357.00	Total Cost: \$1,069,695.00 Total Limits: \$20,000,000	Total Cost: \$140,122.50 Total Limits: \$20,000,000		Total Cost: \$90,081.14 Total Limits: \$10,000,000 Each Occurrence \$18,000,000 Aggregate	
	Gemini Insurance Company Limit: \$5,000,000 xs \$15,000,000 Premium: \$160,000.00	Aspen American Insurance Company. – 33.34% Stratford Insurance Company – 33.33% Navigators Insurance Company – 33.33% Limit: \$15,000,000 xs \$5,000,000 Premium: \$41,580.00		Arch Insurance Company Limit: \$9,000,000 xs of \$1,000,000 Each Occurrence \$18,000,000 General Aggregate Premium: \$32,495.80	Total Cost: \$490,846.00 Total Limits: \$5,000,000 Each Claim \$10,000,000 Aggregate
	Evanston Insurance Company Limit: \$10,000,000 xs \$10,000,000 Premium: \$200,000.00				
	Upland Specialty Insurance Company Limit: \$5,000,000 xs \$5,000,000 Premium: \$294,000.00				
	Princeton Excess & Surplus Lines Insurance Company Limit: \$5,000,000 Premium: \$415,695.00	Navigators Insurance Company Limit: \$4,000,000 xs \$1,000,000 Premium: \$27,552.00		Arch Insurance Company Limit: \$1,000,000 per occurrence \$2,000,000 Products Aggregate \$10,000,000 General Aggregate Premium: \$57,585.34	Professional Security Insurance Company Limit: \$4,000,000 xs \$1,000,000 Each Claim \$7,000,000 Aggregate Premium: \$163,449.00
		Navigators Insurance Company Primary Marine Liabilities for Ports Limited Pollution Liability Limit: \$1,000,000 Premium: \$39,531.45	Navigators Insurance Company Hull & Machinery – Per Schedule of Vessels Primary Protection & Indemnity: \$1,000,000 Limited Vessel Pollution Liability: \$1,000,000 Premium: \$31,459.05		Professional Security Insurance Company Limit: \$1,000,000 per occurrence \$3,000,000 Aggregate for PL & GL Premium: \$327,397.00
\$5,000 Occurrence \$50,000 Aggregate Deductible	\$350,000 Self-Insured Retention all Coverages	\$1,000 Hull & Machinery, \$5,000 Protection & Indemnity, \$5,000 Marine General Liability Deductible		\$10,000 Occurrence and \$50,000 Aggregate Self-Insured Retention	\$100,000 per claim and \$300,000 aggregate Deductible
Airport Liability	Excess Liabilities: - Automobile Liability - General Liability - Public Officials Wrongful Acts (incl. EPL) Law Enforcement Legal	Marine Insurance Program		General Liability & Excess Liability - Eaglecrest Ski Area	Primary Professional Liability and Health Care General Liability & Excess Liability - Bartlett Regional Hospital

Presented by: HRC
Presented: 8/5/2024
Drafted by: R. Palmer III

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2024-32

**An Ordinance Establishing a Waiver Process for Airport Board
Appointments and Temporarily Waiving the Three Tenant Rule.**

WHEREAS, the Assembly Human Resources Committee discussed this topic on July 29, 2024, and directed the Municipal Attorney to draft an ordinance that provides a waiver of the “Three Tenant Rule” (CBJC 05.01.010(b)) through the term of the existing tenant-members; and

WHEREAS, considering the Airport Board consists of seven members, a prior Assembly concluded no more than three Airport Boardmembers could be tenants (CBJC 05.01.010(b)); and

WHEREAS, while the Assembly strives to appoint qualified community members that are not tenants of the Airport Board, sometimes community interest is low and a fourth tenant applies, who is otherwise well-qualified; and

WHEREAS, a prolonged vacancy on any empowered board, especially the Airport Board, strains the other members, harms the governance of the Juneau International Airport, and harms the community; and

WHEREAS, as the elected officials for the community, the Assembly is best suited to determine whether good cause exists to temporarily waive the Three Tenant Rule and appoint a fourth tenant; and

1
2 WHEREAS, the CBJ Conflict of Interest Code (CBJC 01.45) provides proficient safeguards
3 to prevent self-dealing by Airport Boardmembers who are tenants, regardless if there are three
4 or four members; and

5 WHEREAS, although CBJ Charter 3.16(e) allows the prevailing vote of most boards to be
6 reduced by one if two conflicted members are present but unable to participate due to a conflict
7 of interest, the Assembly expects the Airport Board to promptly notify the Assembly if tenant
8 conflicts of interests are reducing the majority vote to three; and

9
10 WHEREAS, the underlying purpose of the Three Tenant Rule applies equally to tenants,
11 officers and employees of tenants, and subtenants of tenants; and

12 WHEREAS, upon balancing the competing public policy interests, the Assembly concludes
13 this ordinance is in the best interest of the community; and

14 WHEREAS, if the Airport Board has an opportunity to review this ordinance, the
15 Assembly would appreciate it, but if not, the Assembly specifically waives review by the Airport
16 Board (CBJ Charter 3.16(c)).

17 BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

18
19 **Section 1. Classification.** Section two of this ordinance is of a general and permanent
20 nature and shall become a part of the City and Borough of Juneau Municipal Code. Section
21 three of this ordinance is a noncode ordinance.

22 **Section 2. Amendment of Section.** Section CBJC 05.01.010, Board of directors, is
23 amended to read:

24 **05.01.010 Board of directors.**
25

1
2 (a) There is established the board of directors of the City and Borough of Juneau
3 International Airport which shall be known as the City and Borough of Juneau International
4 Airport Board (hereinafter referred to as the airport board). The airport board shall consist of
5 seven members appointed by the assembly to serve without compensation for staggered three-
6 year terms. Airport board members shall serve at the pleasure of the assembly. Terms shall
7 commence on July 1.
8

9 (b) No member of the airport board, or member of a board member's immediate family
10 or household, may be employed by the airport. To the extent possible, appointments to the
11 airport board shall include persons having aeronautical, engineering, financial, or other skills
12 relevant to airport matters. No more than three members of the airport board may be a tenant
13 under a lease with the airport, including a subtenant and, or an officer or employee of a tenant
14 under lease with the airport. However, the Assembly—by resolution—and for good cause may
15 temporarily waive the three tenant rule and appoint a fourth tenant.
16

17 (c) Appointments to fill vacancies on the airport board shall be for the unexpired term.
18 In the event a seat has six months or less remaining to the unexpired term, the assembly, at its
19 discretion, may choose to appoint the member to the remainder of the current term as well as to
20 the full term immediately following the expiration date of the unexpired term.

21 (d) No member of the airport board who has served for three consecutive terms or nine
22 years shall again be eligible for appointment until one full year has intervened, provided,
23 however, that this restriction shall not apply:

24 (1) If there are no other qualified applicants at the time reappointment is
25 considered by the assembly human resources committee, or

(2) To qualified board members serving in board seats for which a specific occupation or expertise is set forth by ordinance.

(Serial No. 95-10, § 2, 1995; Serial No. 97-07, § 2, 1997; Serial No. 2004-08, § 2, 3-22-2004; Serial No. 2005-03(d), § 2, 6-13-2005; Serial No. 2005-27, § 2, 10-10-2005; Serial No. 2007-57, § 2, 9-4-2007)

Section 3. Temporary Waiver of the Three Tenant Rule, CBJC 05.01.010(b).

From July 1, 2024, through June 30, 2027, the Assembly may appoint up to four people to the Airport Board that are tenants, including subtenants and officers or employees of tenants because community interest in the Airport Board is low, the governance of the Airport Board works best with all seven positions filled, and the CBJ Conflict of Interest Code provides sufficient safeguards to prevent and enforce any tenant self-dealing.

Section 4. Effective Date. This ordinance shall be effective 30 days after its adoption.

Adopted this _____ day of _____, 2024.

Beth A. Weldon, Mayor

Attest:

Elizabeth J. McEwen, Municipal Clerk

**AGENDA
CITY AND BOROUGH OF JUNEAU
ASSEMBLY COMMITTEE OF THE WHOLE
WORK SESSION**

**Monday, August 30, 2004; 5pm
Assembly Chambers**

I. Call to Order

II. Airport Audit Report

A) Packet Items

- June 18, 2004 Independent Accountant's Report - CBJ Airport by Elgee, Rehfeld, Mertz
- June 28, 2004 Committee of the Whole Minutes

B) Airport Board Comments

IV. Adjournment

CITY AND BOROUGH OF JUNEAU,
AIRPORT

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789-3178 • FAX 907.789.7128 • www.ermcpa.com

To Members of the Assembly,
City and Borough of Juneau, Alaska

We have performed the procedures enumerated below, which were agreed to by the City and Borough of Juneau, (CBJ), solely to assist you in evaluating the current Airport Enterprise Fund Board's administration practices, internal controls over leases and rate setting. This agreed-upon procedures engagement was performed in accordance with consulting services standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

PROCEDURES:

The agreed upon procedures and our findings are as follow:

1. We performed inquiries of numerous Airport employees and Airport Board members to identify the processes used for billing and the development of the current rate structure for airport leases.
2. We reviewed selected Airport Board meeting minutes for rate change and billing transactions and the related approval and handling of related party or conflicts of interest.
3. We reviewed the current regulations governing the Airport Board for its current guidance on board member conflict of interest issues and compared that to current airport practices.

FINDINGS:

1. A Majority of the Airport Board Have Apparent Conflicts of Interest

The current ordinance for the Airport Board states, in part: "*No City and Borough airport employee may be a member of the airport board or the spouse or a member of the household of a member of the airport board. To the extent possible, appointments to the airport board shall include persons having aeronautical, engineering, financial, or other skills relevant to airport matters.*" However, the ordinance does not limit the number of members who may serve on the Airport Board who have a conflict of interest due to a financial interest.

Currently, four members of the Airport Board, a majority of the seven-member board, have conflicts of interest, or at least an appearance of a conflict of interest, due to a direct financial interest at the airport. They are Mr. Joe Johnson, Mr. Pete Carlson, Mr. Ron Swanson and Mr. Tom Williams. These financial interests relate to the ownership of one hangar by each of Mr. Williams and Mr. Carlson, two by Mr. Swanson, and several by Mr. Johnson. Also, in Mr. William's case, there is a potential conflict as a management-level employee of Ward Air, Inc. Due to the cost to build and own a hangar at the Juneau Airport, not to mention more than one hangar, none of these financial interests could be reasonably deemed

as inconsequential. Accordingly, it would appear that it would be appropriate for members declare a conflict of interest pertaining to certain actions taken by the Airport Board with respect to rate setting for hangar and commercial operators, decisions relating to operations of Ward Air, Inc. (a Part 135 operator) and other matters that could be perceived as beneficial to these board members.

Airport Board governance, and airport billing and rate structure development are negatively impacted by the current structure of the Airport Board. Since a working majority of the board have conflicts of interest pertaining to significant activities of the airport, the ability of the board to operate objectively is in question. With the amount of pressure that these members must feel, both from themselves and from their tenant friends related to keeping their personal expenses to a minimum, we feel that there is undoubtedly an effect on their decisions.

We recommend that the Assembly review the Airport Board ordinance to determine whether tenants, and others with conflicts of interest, should be limited to a minority of positions (three or fewer) on the board of directors. Such a change would also require board members to provide an annual conflicts of interest statement to enable the City to monitor changes in conflicts of interest.

In the interim, before the Airport Board ordinance is reviewed and possibly changed, the Assembly may want to place greater emphasis on the tenant/non-tenant make-up of the board before making future board appointments.

2. Minutes of Significant Actions of the Finance Committee are Not Kept and the Finance Committee is Made Up Entirely of Airport Tenants

The Finance Committee of the Airport Board consists of three members, all of who have potential conflicts of interest due to a direct financial interest at the airport as previously discussed. They are Mr. Johnson, Mr. Carlson, and Mr. Williams. The Finance Committee develops the Airport budget for submission to the full board for acceptance and referral to the CBJ Assembly. Part of the budget development process includes setting rates for all revenue lines in the airport budget. The Finance Committee does not keep minutes of its meetings, so it is difficult to identify the process used, and rationale behind, the development of the budget, including rate setting. For example, the minutes for the Airport Board meeting for March 10, 2004 included the Airport Board's discussion and approval of the Fiscal 2005 and 2006 biennial budget. Attachment #2 to those minutes was an informal listing of the decisions made by the Finance Committee, including rate adjustments to be made. However, these are not formal minutes and there is no discussion as to the justification for the rate setting, including those rates that were increased and the rates that were left the same.

Because the Finance Committee consists entirely of tenants and because that committee does not keep minutes, rate setting, budget determination and other recommendations and decisions made by the Finance Committee to the Airport Board are less credible due to conflicts of interest concerns.

We recommend that the Airport Board not appoint a majority of members with conflicts of interest to the Finance Committee, and that all significant standing committees keep minutes of meetings.

3. The Board of Directors Have Not Declared Conflicts of Interest

In a memorandum to the Airport Board dated July 2, 2002, City Attorney John Corso addressed conflicts of interest questions by the Airport Board as follows:

The CBJ Conflict of Interest Code includes section 01.45.010, which is entitled "Misuse of Official Position". It says that a municipal officer may not "Take or withhold official action in order to affect a matter in which the municipal officer has a personal or financial interest." It also says that a municipal officer may not "Attempt to affect a personal or financial interest through coercion of a subordinate." and finally, "An assembly member, school board member, or member of any board or

commission may not deliberate or vote on any matter in which he or she has a personal or financial interest."

Given the relatively small number of airport leases, and the significant sums of money involved, it is likely that any Board member who is party to an airport lease would have a conflict of interest in voting on a policy to amend leases as described in this memorandum. I recommend that tenant Board members refrain from voting. I have been informed that there are four such members. The Charter provides that the vote required to take action (four, in the case of the seven-member board) is reduced by one for every two members who must abstain, provided that it is never less than a third of the membership. This means that if four members step down, action requires the unanimous vote of the remaining three.

During our work, we reviewed all of the minutes of the Airport Board for fiscal 2004 to date and selected minutes from fiscal years 2003 and 2002. During our review of the minutes, the only references to conflicts of interest that were discussed were as follows:

- During a strategic planning session, facilitated by the McDowell group in September of 2003, the board identified the current board member makeup and lack of guidance for conflict of interest as areas demanding attention.
- At the November 12, 2003 Airport Board meeting, during discussions about the hangar lease reversion issue, there was discussion about the Airport Board not being able to take any action with regard to this issue due to a majority of the Board members having conflicts of interest. The approved minutes from this meeting state the following, in part, with regard to what the Board can do regarding the lease issue:

There is a potential conflict due to a majority of tenants on the Board. In the absence of those people being able to take part in any kind of discussion, the Board would not have a quorum and the Board would not be able to do anything.

The Board's opinion with respect to their ability to take action on the leases seems to contradict the guidance by Mr. Corso, as discussed above. It also indicates an inability for the Airport Board to act objectively on certain matters due to a majority of board members with conflicts of interest. Nevertheless, in this case, the board appeared to recognize the conflict of interest.

- At the January 14, 2004 Airport Board meeting, the Airport Board again reiterated their belief that there was a conflict of interest with respect to the hangar lease reversion issue.
- At the February 11, 2004 meeting Mr. Williams asked the Airport Board to change the wording regarding the Airport Board's lack of objection to its support of a certain federal bill. Mr. Williams indicated that the wording of the Airport Board's action may cause him to have to declare a conflict of interest.

These instances indicate that the airport board is aware of potential conflicts of interest due to their financial interest. In addition, the Board adopted new by-laws in February 2004 that established guidance on dealing with the conflict of interest issue; but this has not resolved actual or perceived conflict. The new bylaws, due to the current composition of the board (majority being tenants), contain the potential to override the Chairman's decision regarding potential conflicts.

The conflicts discussed above, do not include all potential conflicts, however. We did not identify any declarations of conflicts of interest with respect to the determination and establishment of the overall budget for the airport (as discussed under point number 2 above), rate setting for hangar owners, or rate setting for Part 135 operators (commercial operators). These are all areas that actual or perceived conflicts of interest exist. The fact that there has been no discussion of these items during the Board meetings indicates that the Airport Board members are not declaring all potential conflicts of interest.

We recommend that the Airport Board members comply with their by-laws and the CBJ's Conflict of interest Code regarding all conflicts of interest.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the controls discussed above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of CBJ Assembly and Management in their evaluation the procedures used for Airports' Board practices, lease and rate setting processes and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.



June 18, 2004

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789-3178 • FAX 907.789.7128 • www.ermcpa.com

May 5, 2004

Rod Swope, City Manager
City and Borough of Juneau
155 S. Seward
Juneau, AK 99801

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for the City and Borough of Juneau.

We will provide services to analyze and apply the agreed-upon procedures which you have specified, listed below, to evaluate the current Harbor Enterprise Fund's board administration practices, internal controls over procurement, and the Airport Enterprise Fund's board administration practices. These procedures will include interviewing the Enterprise Fund's management and accounting personnel to determine the flow of accounting information and controls placed in operation, as well as specific transaction and document testing as deemed necessary.

These procedures are expected to include the following:

HARBOR ENTERPRISE FUND

1. We will perform inquiries of the Harbor Enterprise Fund's personnel (and board members as necessary) to identify the processes used for contracts and procurement.
2. We will review FY2003/2004 board meeting minutes for procurement transactions and the related approval and handling of related party or conflict of interest contracts.
3. We will select a sample of procurement transactions to test compliance with the current regulations over procurement.

AIRPORT ENTERPRISE FUND

4. We will perform inquiries of the Airport Enterprise Fund's personnel (and board members as necessary) to identify the processes used for the development and setting of the current rate structure.

5. We will review FY2003/2004 board meeting minutes for rate structures and the related approval and handling of related party or conflicts of interest.
6. We will review the current regulations governing the Airport board for its current guidance on board member conflict of interest issues and compare that to current airport practices.

Upon completion of the interviews and preparation of a draft summary report we will provide you the total hours incurred to date and an estimate of the hours anticipated for the additional optional procedures. At that time you can elect to have the following steps completed or not.

HARBOR ENTERPRISE FUND

7. We will perform inquiries of the Harbor Enterprise Fund's personnel to identify the processes used for billing and payment collection.
8. We will review FY2003/2004 board meeting minutes for billing transactions and the related approval and handling of related party or conflict of interest contracts.
9. We will select a sample of transactions to test compliance with the current regulations over billing and current rates, as well as proper segregation of duties in the collection, recording and reporting processes.

AIRPORT ENTERPRISE FUND

10. We will select a sample of billing transactions to test compliance with the current regulations over billing and current rates, as well as proper segregation of duties in the collection, recording and reporting processes.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of the Assembly and Management, and should not be used by those who did not agree to the procedures and take responsibility for the sufficiency of the procedures for their purposes.

We plan to begin our procedures the week of May 3, 2004 and, unless unforeseeable problems are encountered, the engagement should be completed by May 31, 2004.

This engagement is solely to assist the CBJ Assembly and Management in their evaluation the procedures used for Harbor and Airports' board practices, procurement, billing and rate setting processes. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report.

Because the agreed-upon procedures listed above do not constitute an examination, we will not express an opinion on the CBJ Harbor or Airport Enterprise Funds. In addition, we have no obligation to perform any procedures beyond those listed above.

We estimate that our hours for these services will fall within the hours for additional services provided with our audit contract with the CBJ (currently approximately 60 hours are available). As indicated above, after we have completed the interviews and our evaluation of the controls we will estimate the hours needed to complete the optional sampling steps listed above. Hours in excess of the audit contract hours will be billed at our standard hourly rates, which range from \$140 to \$157 an hour. You will also be billed for out-of-pocket costs such as report production, typing, postage, etc. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.


We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional services arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of the procedures.

Sincerely,



RESPONSE:

This letter correctly sets forth the understanding of Elgee Rehfeld Mertz, LLC and the City and Borough of Juneau.

By: 

Title: Deputy City Manager

Date: May 6, 2004

CITY AND BOROUGH OF JUNEAU
ASSEMBLY COMMITTEE OF THE WHOLE WORK SESSION

Monday, June 28, 2004

Assembly Chambers

I. Call to Order: Chairman Jim Powell called the meeting to order at 5:00 p.m.

Members Present: Deputy Mayor Jim Powell; Mayor Bruce Botelho, Jeannie Johnson, Dan Peterson, Stan Ridgeway, Merrill Sanford, Randy Wanamaker, Marc Wheeler.

Members Absent: David Stone.

Staff Present: Rod Swope, City Manager; Peggy Boggs, Assistant City Attorney; Laurie Sica, Municipal Clerk; Allan Heese, Airport Manager.

II. Approval of Minutes

A. May 3, 2004 Committee of the Whole

MOTION, by Johnson, to approve the minutes of the May 17, 2004 Committee of the Whole meeting. Hearing no objection, it was so ordered.

III. Audit Report on the Airport

Max Mertz, an auditor for Elgee, Rehfeld and Mertz, said that in response to an Assembly request, they have reviewed the Airport Board and Docks and Harbors Board operations. The audit contract allows for 80 hours of specific services, and this work was done under that provision. The auditing firm will finish the report on the Docks and Harbors Board soon. Ms. Karen Brewer-Tarver, an audit manager who was present in the audience, performed the work. Mr. Mertz said he owns a hangar at the airport, and so did not do the actual audit, but did the finalization of the work, as presented.

Finding 1 – 4 of 7 members of the board, a majority, have a conflict of interest on matters that can affect the airport board's ability to carry out its business. All four are hangar owners, and in one case, a member is a managerial employee of a tenant of the airport.

Finding 2 – the Airport Board Finance Committee – a 3-member sub-committee of the Airport Board, is entirely made up of members with a conflict. In addition, that committee was not keeping minutes. Regarding the development of the rate structure and billing, there was no record of how business was conducted.

Finding 3 – Regarding declaration of conflicts of interest - there was no discussion that we could find that declarations of conflicts were complete in all matters.

Mayor Botelho asked if the auditors ever asked Airport Board members why the board did not comply with the advice of the city attorney. Mr. Mertz said no, and if there is a defense of that, the members can bring this to the Assembly.

Ms. Johnson asked the nature of the ownership interests in relationship to the overall airport operations. Mr. Mertz said the conflict is one in which a financial ownership interest is

Committee of the Whole Meeting	1	June 28, 2004
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significant. The value of a hangar is significant. The perception is that there could be action taken by board members to protect that interest. We are not saying that was done in any particular circumstance. There are a host of areas that would have an effect on the future value of that type of interest. It may make sense to have some hangar owners, but it should not be a majority of the board. There is a judgement call to be made. Regarding the employment situation with the one board member, there are so many areas that impact his interest, he asked how that member could effectively serve.

Ms. Johnson asked if the concerns were the ownership of hangars or the lease rate of land. Mr. Mertz said that the ownership of hangars was the most significant of the two.

Mr. Ridgeway asked how the hangars work regarding ownership. Mr. Heese said that there are some privately owned hangars, which take up the footprint of leased land. There are commercial owners whose footprint can take up a greater portion of leased land. Regarding paving on a tenant's leased land, the tenant would have the decision on how to handle the leased land, otherwise if it is airport land the board would make decisions.

Ms. Johnson asked about the ability to direct where things are constructed on the airport and if there is any land available now? Mr. Heese said the airport is land poor now. The airport is in the EIS process to obtain land, and there are a few small pockets available.

Mayor Botelho asked regarding hangars, is there an issue at the end of the lease about how the sale is to take place – does the hangar owner have an automatic right to renewal or is it open to all comers?

Mr. Heese said the current tenant has the first opportunity to sell or lease. The chair of the Board said, from the audience, that it is muddy -there are different leases all over the place.

Ms. Boggs provided information on the conflict of interest code. Board members cannot deliberate on any issue of which they have a financial interest. If the interest is insignificant or of a large class, there is no conflict. If the influence has insignificant effect, there is no conflict. It is a matter of degrees. In this case, there is a potential for a conflict of interest. A lease is a contract, there is bargaining, there are terms of the lease to be negotiated. Regarding land use issues, more facts are needed, but this could pose a potential conflict. CBJ Law has not issued a written opinion since 2002 on this issue.

Ms. Johnson asked if a board member thinks they have a conflict, what would be the proper procedure. Ms. Boggs said there are provisions for the law department to issue informal and formal opinions, and they are open to every board member.

Mr. Powell asked about the standard for review – and if it is the same procedure for Asserabymembers. Ms. Boggs said yes. Mr. Powell asked if more time was needed by the law department to review the three comments of the auditor. Ms. Boggs said that regarding the first finding, the law department doesn't know how many hangars there are. We don't know if those who own hangars constitute a large class of people. Regarding the second finding, minutes need to be kept. Regarding the third finding, declarations of a conflict of interest are mandatory if there is an indication that there may be a conflict.

Mayor Botelho said it would be helpful to know where the conflicts arise in the work of the board in general categories, and if there a point where the conflict is so pervasive that it would prevent a member to carry out the work of the board.

Mr. Mertz said that a person in question is a management level employee of Ward Air. When the financial livelihood is dependent on the airport itself – virtually every decision made will effect, either directly or indirectly, a business operating at the airport. Rate setting, allocation issues regarding Alaska airlines and the 135 operators, and terminal expansion are some of the major decisions the board effects.

Mr. Wheeler asked for a process to make decisions on board member appointments - should we ask our legal staff to advise on potential conflicts? Mr. Mertz said the hospital board is a good example – there are two doctors, but not six. You want the perspective, but not the majority. It has to do with the degree of control. It makes sense to have some determination of what conflicts a person may have and may bring to the board.

Mr. Ridgeway said conflicts are inevitable, but the way that it has been dealt with is to create advisory boards. The minutes appear to show most members have some sort of conflict. There are not a lot of outsiders coming to the airport board. Perhaps we should consider an advisory board of user groups and have a separate business board. Mr. Mertz said that struck him as well, that the people who show up to the meetings have direct interests in the operation of the airport, which is good, however, because of the strong involvement of the tenants, it makes more sense to limit the potential insiders with interest on the board. The airport board was an advisory board previously, and expansion can be cumbersome. He has seen an advisory group to a board work effectively, and not.

Mr. Heueisen said the people who serve on the board, whether there is a perceived conflict or not, have the best interest of the airport at heart, and he has not seen people make decisions which personally benefit them. He is an insurance agent, and has gone to the attorney, personally, several times, for an opinion on conflict. At the time board appointments were made, he asked for no more tenants to be appointed to the board. The problem is the perception of a conflict, whether there is a real conflict or not. When the issue of leases come up, how are they to act? He has made the call that he doesn't feel the airport board has the ability to make decisions on leases. In the future, he asked the Assembly to count the number of people who are tenants, and appoint some. Their opinion is valuable, but it should not be a majority. He appoints the committees, and he picked the members on the Finance Committee due to their expertise. He purposely left them off the leasing committee. The operations committee chair has the most experience out there. They do their best, but he asked the Assembly to please not send them any more conflicted people.

Mr. Wheeler asked if it is possible to appoint non-members to the committees. Mr. Heueisen said that on standing committees it was not, but on ad-hoc committees it was possible. Mr. Heueisen said he was finance chair previously and the meetings were recorded, but no written minutes were made. It appears that the recording has stopped, but we can record all meetings.

Board members in the audience said that the auditors had not spoken with them about this issue.

Mr. Powell asked the assembly about accepting the report tonight, or if more information was needed.

MOTION by Johnson, to accept the report.

Mr. Wanamaker asked what accepting the report means, if it was to accept it without making any determination on findings.

Mr. Powell said yes. We can qualify the acceptance with follow up actions. Mr. Botelho suggested receiving the report.

Hearing no objection, the report was received.

Ms. Johnson said to allow only three tenants to be board members, the Assembly would need to make an ordinance change. Board appointments are scheduled for this Wednesday. She would like to delay those appointments for further recommendations from the Attorney's office. The timing is unfortunate and we do not have enough information on the degree of conflict. She asked if the Assembly wished to do the same with the harbor board.

MOTION by Johnson, to delay the consideration of airport board appointments for approximately 30 days.

Ms. Johnson said there are two members who have the appearance of conflict, that are up for reappointment, and two applicants have apparent conflicts. The Assembly needs to know the degree of conflict.

Mr. Wheeler said it makes sense, and the establishing ordinance needs to be reviewed in the Human Resources Committee.

Mr. Wanamaker said delaying appointments and allowing members to continue to act is prudent. There is a presumption of a conflict now, and the information in the report goes back and forth regarding the conflict with the definitions. There are a lot of things wrong with the conflict of interest code. The Assembly needs to do a comprehensive revision of the conflict of interest code. The city attorney, potential candidates and board members need to discuss conflicts before they are brought to the Assembly. He is concerned about protecting people's legal rights.

Mr. Ridgeway agreed to delay appointments. The Assembly should consider delaying all appointments, including those to Eaglecrest, to stay on the subject. Mr. Ridgeway said that a total revision may be needed of all the boards. We will always have this conflict of interest issue before us due to people's personal interest in serving. There are some areas where we could look at advisory boards.

Mayor Botelho supported the idea of delay. He suggested the need to set some time aside at the next meeting to allow Airport board members with potential conflicts to discuss this with the Assembly, before any appointment interviews. He suggested moving forward with the interviews for the Eaglecrest Board, as we need to stay on track with time.

Mr. Sanford said that most of the board members on the Eaglecrest Board are users or part-time employees. Most of the members are those who want to see good facilities. This will be difficult to do and I would like information from the law department on the levels of conflict.

Mayor Botelho said he was not aware of employees on the Eaglecrest board, which would create a conflict, however, users of the facility could be considered in a large group of public in the same position and exempt from conflict.

Mr. Swope said he wanted to bring up concerns regarding Eaglecrest. That board is lacking members with specific financial experience, and there are no new applicants at this time, so he was going to ask for a delay in those appointments.

Mr. Wheeler said there is an appearance of conflict now, but he would like this board to be able to make decisions without the pall of the appearance.

Ms. Johnson said she spoke with Mr. Corso about conflicts a few years ago, and in a community of this size, it is going to happen -- we need to know how much is too much. She appreciates holding off for 30 days.

Mr. Wanamaker prefers holding off for 60 days, to allow time to work through this. He is concerned about the conflict of interest code, and terms such as "speculative conflict of interest." This term is not in there, but we need time to come to some better informed places of decision making capabilities.

There was no objection to a 60 days delay to on appointments to the Airport, Docks and Harbors and Eaglecrest Boards, and to return the issue to the Committee of the Whole. There was no objection to reviewing the existing airport board ordinance for possible changes for limitations on tenants on the board.

Mr. Wheeler asked about Findings 2 & 3. Ms. Johnson said she was certain the airport board will comply with both of those from now on.

IV. Adjournment: 6:50 p.m.

Submitted by:
Laurie Sica
Municipal Clerk