

ATTACHMENT #0



AIRPORT BOARD FINANCE COMMITTEE AGENDA

February 28, 2024 at 10:30 AM

Airport Manager Conference Room/Zoom

<https://juneau.zoom.us/j/88511250221?pwd=bP5oyTILQMTS7IUWn1gdnatTbFpCZ1.1>

Dial: 888 475 4499 US Toll-free

Meeting ID: 885 1125 0221

Passcode: 823406

**TO TESTIFY: CONTACT PAM CHAPIN, 907-586-0962
BY 3:00 PM ON FEBRUARY 27, 2024**

A. CALL TO ORDER

B. ROLL CALL

C. NEW BUSINESS

1. **FY24 Projected (see Attachments #1, #2 and #3).** FY24 Expenses are projected to be slightly higher than budgeted by approximately \$292K. This was related to CARES approved project costs and acquisition of a forklift added to the budget (paid by CARES). Additionally, there is a projected revenue shortfall compared to budgeted for security screening fees (fewer passengers through checkpoint) at a decrease of \$112K, a decrease to the projected interest income by \$131K, and other fees lower than anticipated. The Airport continued with Commercial aviation leases/rents abatement at a cost of \$1.5M for FY24. This shows lower revenue but is covered with CARES funding. The amount for FY24 operational expenses covered by CARES is \$2.1M for the fiscal year.

2. **FY25 and FY26 Proposed Narrative of Changes (See Attachments #1, #2 and #3)**

EXPENSES – There are increases in many areas outside of the Airport’s control including salary increases, insurance increases and contractual agreements. Other increases were Board approved such as increases to Terminal janitorial and Aircraft Rescue Fire Fighting (ARFF) full-time Chief position (as recommended by Federal Aviation Administration (FAA) Certification Inspector). Some of the changes are outlined below:

ADMINISTRATION

Full Cost Allocations – The costs for interdepartmental services have increased \$20,700 for both FY25/26 full cost allocation.

TERMINAL

Personnel – Terminal added two janitorial positions and a maintenance mechanic (for the heat pump systems, etc., which would replace the contractual preventative maintenance contract). Increase \$271,000 (FY25), \$288,100 (FY26).

Contractual – Contract for preventative maintenance contracts (jetways, electrical). Increase \$36,000 for both FY 25/26.

Materials/Commodities – general increase in supplies and FY25 wheels rolling live emergency drill provides volunteer food and additional supplies. Increase \$44,200 (FY25), \$19,000 (FY26).

Minor Equipment/Vehicles – snow blowers, floor cleaner replacement, computers, etc. Increase \$42,500 (FY25), \$38,500 (FY26).

AIRFIELD

Personnel – Airfield had some shifting of personnel (operators/mechanic) which would have shown a

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decrease, however, Airfield shows a reduction in the manpower credit associated with federally funded grant projects (less time changed to projects). The net will show as an increase to personnel costs. Increase \$86,400 (FY25), \$110,200 (FY26)

Fleet Contribution – This has been programmed for the past twenty-five years at \$30,000, which does not cover the cost of vehicles and equipment purchased within City Fleet. This was increased to \$60,000 for FY25/26, for an increase of \$30,000 for both years.

Materials/Commodities – Increased pricing for runway deicer, sand, broom cassettes, and snow removal maintenance. Increase \$43,500 (FY25), \$145,500 (FY26).

Contract Management – Wildlife hazard management, electrical contracts. Increase \$53,400 (FY25), \$35,400 (FY26).

Miscellaneous – Miscellaneous increases in equipment rentals, repairs, fuel, etc. Increase approximately. \$29,000 (FY25).

ARFF

Contractual ARFF – An approved increase by the Board (per FAA recommendation) to support a full-time supervisory position (instead of 50%) to oversee training, recordkeeping, etc. Increase \$65,900 (FY25), \$72,700 (FY26)

Training increase \$13,000 (FY25), \$5,100 (FY26).

Rents – Lease of interim, back-up ARFF apparatus. Increase \$24,000 (both FY25 and FY26).

AIRPORT SECURITY

Contractual Juneau Police Department (JPD) – A shortage of officers/sergeants has pushed more overtime coverage to the Airport, in addition to union increases/longevity increases. Increase \$115,600 (FY25), \$119,200 (FY26). Note that the cost center itself increased as a whole, but the contractual was the bulk of the increase.

OVERALL

Insurance – This is on all cost centers and includes increases in special policies and properties. Increase \$20,000 (FY25), \$59,600 (FY26).

Net Expense increases as compared to FY24 Amended budget:

FY25 Proposed up \$895,600

FY26 Proposed up \$1,044,700

REVENUES

Security Screening Fees look to fall short of the requirement for the allocation of contractual screening (officer coverage at 91% based on checkpoint open). Projected enplanements fell short of predicted numbers. Coupled with the increase in contractual expenses for FY25 and FY26, short fall now looks to be \$139,700 (FY25), \$165,500 (FY26). Cost allocations would require an increase to SSF to \$2.69/pax for FY25 (FY26 increases will be addressed next year).

Fuel Flowage Fees (GA/135) increases proposed for FY24 were negotiated down from the proposed \$0.30/gallon to \$0.26/gallon. Total revenue shortage was just under \$50,000, which was covered by CARES for FY24 ONLY. This would give time for small carriers to plan for increases in FY25, and forward. Fuel Flowage Fees (air carrier) were slightly lower than projected for FY24 as well as non-signatory reports.

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As FY24 amended budget was presented, increases in every category of Airport Rates and Fees was programmed. However, increased expenses for FY25/26, as outlined above, as well as shortfalls on some projected revenues in FY24 (security screening fees, fuel flowage, interest income), carry forward to FY25/26 budget.

Net Revenues, as shown in the deficit budget (as compared to FY24 amended budget):

FY25 Proposed up \$287,400

FY26 Proposed up \$290,700

The FY25/26 Revenues are still well short of the proposed Expense increases, above.

Bottom Line Deficit of Expenses vs. Revenues (see attached Expenses vs. Revenue Summary)

FY25 shortfall (\$648,100)

FY26 shortfall (\$793,900)

3. **Determination of Shortfall.** Before determining rates and fees required, staff determined which cost centers showed deficits. The major ones are outlined below.

AIRPORT SECURITY – This is two-fold and a bit more complicated to compute than other rates. First, determining the percentage of hours that an officer is required at the checkpoint, then allocating residual costs between the user groups (Air carrier/135-GA). Based on percentage and cost of officers, less TSA reimbursement, air carriers are responsible for \$871,400 of security costs (which is the calculation number used for cost per passenger/per airline request); of this, \$139,700 is the shortfall, mentioned above. The 135/GA has a residual security increase of \$10,800 that is calculated through the airfield cost allocation for that user group.

ARFF – This is a straightforward calculation; the allocation for ARFF is at 95/5%. The ARFF cost center expenses are up to \$101,700 (\$96,600/\$5100 split).

TERMINAL – With the additional personnel, the terminal cost center increased \$401,400. Staff applied one year (2023) CPI to terminal rates (\$17,700), and the residual would be calculated with rates and fees increases after applying anticipated concession fee increases.

AIRFIELD – As detailed above, the increased expenses for FY25 are up \$254,300. Airfield costs are calculated based on the 85/15 allocation. Residual costs are calculated through rates and fees increases after applying anticipated increase revenue from other sources (such as increased landings, gallons or additional leased land).

4. **Rates and Fees Discussion (Attachments #4, #5 and #6)**

*SECURITY SCREENING FEES. This is a straightforward calculation based on units (passengers), as mentioned above. A fee increase from \$2.26 to \$2.69 would generate \$139,500 in additional revenue for this cost center to balance. EFFECTIVE MAY 1, 2024

TERMINAL RENTS – With the terminal cost center increases, staff applied a 1.8% CPI increase to all terminal rents for FY25. This would generate \$17,700 in increased revenue. See attached summary. Residual terminal expenses would be paid through fuel flowage fees (FFF).

FUEL FLOWAGE FEES 135/General Aviation (GA) – As stated earlier, the fuel flowage fees for 135/GA were only raised by half of what was required for FY24 (only raised to \$0.26/gallon instead of the required \$0.30/gallon which was deferred to FY25). Raising to \$0.30 would make up the shortfall that was projected for FY24 but would not cover the increases FY25 and beyond. To cover the 135/GA

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allocations, this would now need to be \$0.33 for FY25. This would also equate to a non-signatory FFF of \$0.41. Additional revenue anticipated from 135/GA FFF increase is \$66,700, and from non-signatory an increase of \$27,000.

A split of expense cost allocations for air carriers (121) was calculated between both the FFF and Landing Fees (LF):

*FUEL FLOWAGE FEES Air Carrier (121) – An increase from \$0.265 to \$0.30/gallon would generate \$115,600 EFFECTIVE MAY 1, 2024

*LANDING FEES Air Carrier (121) – An increase from \$3.06 to \$3.34/1,000 lbs. would generate \$270,900 EFFECTIVE MAY 1, 2024

*LANDING FEES (LF) Non-Signatory – An increase from \$3.83 to \$4.18/1,000 lbs. would generate \$10,600 EFFECTIVE MAY 1, 2024

Attachment #4: Summary of Rates and Fees Increases which would be applied to the Airport Rates and Fees Regulation if approved. Attachment #5: Proposed Revenues increases and Attachment # 6: Summary of Expenses/Revenues with proposed increases.

***NOTE: IN PAST YEARS, AIR CARRIERS REQUESTED SECURITY SCREENING FEES, FUEL FLOWAGE FEES AND LANDING FEES TO BE IMPLEMENTED AT THE START OF THE SUMMER SEASON RATHER THAN JULY 1. STAFF PROPOSES TO START THESE FEE INCREASES EFFECTIVE MAY 1, 2024.**

5. **Budget Approval (Attachments #1, #5 and #6).** Once the budget and any rates/fees increases are approved, the Airport Finance Committee will need to move the budget and the proposed increases to the rates and fees regulation forward to the Board. While the budget would go to City & Borough of Juneau (CBJ) Finance Committee, it would be contingent upon the Airport Rates and Fees Regulation public process that includes going out for a 21-day public comment period, then back to the Board to consider any comments. After approval, the regulation would need to go to the Assembly for adoption (one meeting). This would need to parallel the budget process.

Finance Committee Motion: *"Approve the FY25/26 budgets at attached in Attachments # 1, #5 and #6, shown with the increases to the Airport Rates and Fees Regulation, and forward to the Airport Board for approval."*

Finance Committee Motion: *"Approve the increases to the Airport Rates and Fees Regulation, as summarized in Attachment #4 and forward the full Regulation on to the Airport Board for approval and to start the public regulation process."*

D. NEXT MEETING DATE: To Be Determined

E. ADJOURNMENT

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.gov.