

MINUTES of
AIRPORT BOARD COMMITTEE OF THE WHOLE MEETING
July 28, 2015
Alaska Room, 2:00 p.m.

I. **CALL TO ORDER:** Acting Chair Joe Heueisen called the meeting to order at 2:03 p.m.

II. **ROLL CALL:**

Members Present:

David Epstein	Robert Mackey	Martin Myers
Dennis Harris	Mal Menzies	Angela Rodell
Joe Heueisen		

Staff/CBJ Present:

Patty deLaBruere, Airport Manager	Ken Nichols, Airport Engineer
Marc Cheatham, Deputy Airport Mgr.	Scott Rinkenberger, Airport M&O Sup't
Catherine Fritz, Airport Architect	Debbie White, Assembly

Public Present:

Mike Wilson, Coastal Helicopters	Tom Williams, Ward Air
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III. **APPROVAL OF AGENDA:** *Mal Menzies moved, David Epstein seconded, for approval of the agenda. The motion passed by unanimous consent.*

IV. **UNFINISHED BUSINESS:**

A. **Capital Improvement Project (CIP) Review.** Ms. deLaBruere said there are two handouts labeled Northwest and Northeast. Both refer to the location of the Snow Removal Equipment Facility (SREF). The Northwest is the area where the Board had approved the relocation of the SREF even after the FAA's Record of Decision had put it in the Northeast quadrant. The Airport worked with the FAA for about a year and a half working on the justification to get it relocated. With that final answer, there was a cost associated with funds (\$1.9+ million) that would have to be returned to the FAA and the State in order to relocate before the Airport looks at additional funds. The Airport went before the Assembly to try to look at three large projects on the horizon: the SREF (match and money for repayment and redesign) at \$4.2 million, North End Terminal, and the long-term fix for Alex Holden Way. Some funding is in place for all of them, except Alex Holden Way. The largest piece is the SREF because of when funding can kick in. In talking to the FAA, they have programmed \$15.5 million in 2016, which tells the Airport it needs to get its ducks in a row. This document is fluid and there are constant changes within the CIP. There have been a few increases in the CIP, such as the magnetic variance that will occur within the next couple of years with the runway – it will become 9/27 within about three years. The Runway Safety Area north side has become another project due to the Runway Rehab Project. The largest thing to look at is how to proceed with the CIP and how to proceed with the SREF building. If the Airport moves forward on the SREF project, it must come up with several million dollars out of

AIRPORT BOARD MEETING

July 28, 2015

Page 2

pocket by the spring of 2016. The Airport could go back to the Northeast quadrant and come up with \$1.5 million. It needs to be laid out there to discuss how the whole CIP will be put together with the cornerstone of which direction to go with the SREF. The CIP is crafted around where entitlements will come from, what projects will take priority. So when a project slips a year, it has a trickle down effect on all of the projects thereafter. Staff worked on the placement of projects last week. Discussions need to be held on the SREF building and some of the projects. Items 1 through 8, along with the jet bridge and ADA ramp are in process. Under Northwest, Item #11 and #16 deal with the SREF project. This includes a separate line item of paying back \$1.893 million to the FAA and State. Under the Northeast site, Item #15 deals with the SREF and includes two lines. This shows the two FAA line items, which is the \$15.5 million broken out and then the residual in the following fiscal year.

Ms. deLaBruere handed out a sheet (Attachments #3 and #4) that compared the northeast and northwest sites. Both sheets breakdown what is and is not eligible within the SREF. The formula given by the FAA allows the SREF project to be 73% eligible. Within that, it is divided down by that FAA portion of that eligible portion at 93.75%. That is why there is a more complex breakdown with the SREF. The Northeast project is a \$26 million project. Of that 73% is eligible which equates to \$18,980,000 and the FAA's portion of that grant would equate to \$17,793,750. That would be funded at \$15.5 million one year and then the balance of that \$17.793 in the next year. Within that, the Airport's portion will be the ineligible 27% or \$7,020,000 and then the local match. The funding shares equate to \$17,793,750 FAA share, local match \$593,125, state match \$593,125, and then the ineligible portion of \$7 million. Then each sheet shows the funding already in place of \$3.1 million Sales Tax and the \$3 million special legislative grant, totaling \$6.1 million to use toward local – whether it is the ineligible portion or match. When that is removed, a difference of \$1.513 million is shown.

When the Airport went through the SREF process, which was the whole EIS process and the Airport received a Record of Decision, the decision was to put the SREF down at the Northeast quadrant. When the Airport wasn't going to get the money right away, it was the best time for the Airport to reevaluate the location. Past Master Plans has put the SREF in the Northwest quadrant. This would be best financially for the Airport and allow development in the Northeast quadrant. The Board said go forth and see what happens. Staff worked for a year and a half working the FAA on what it would take to relocate the SREF. They were never opposed to it, but because their financial grant and based on everything that was put in the Northeast quadrant, permits and everything else, the FAA said based on the formulas, this is what the Airport would have to pay back to relocate because it will now be renting the area and no longer used by the SREF.

The Airport tried for a General Obligation (GO) Bond and she did not think anyone was too interested in paying for the price of relocating. There was no problem with matches at the Assembly level, but it was the idea of the relocation and paying the relocation

AIRPORT BOARD MEETING

July 28, 2015

Page 3

costs. Certainly the Airport can still go forward. It needs to pay back the \$1.9 million by spring, which was the FAA's stipulation. The Northwest area space is not large enough to have a fence, road and a building. The area can be used for something that does not need public access, which would be the Airport building or some small hangars.

Board Member Dennis Harris said that the letter received from various tenants (Attachment #5) brings up the point that it would not be prudent to pay back the FAA until the Airport has tenants for the Northeast area. He asked how close the Airport is to having tenants for the Northeast area and whether any of that revenue, including reimbursements for the geothermal or whatever, would come through in time to help the Airport with the problem. Ms. deLaBruere said Aero Services is currently designing a large office/hangar facility for the Northeast site. If this was the only lease, it would take many years to pay back the geothermal loop area. More space would need to be leased. Then a set amount would have to be set aside from the M&O budget to repay the FAA funds but it would take many years from today's picture. Aero Services was looking at \$40,000 to \$50,000 per year for a lease.

Board Member Marty Myers said as a non-commercial tenant on the airport, they had to pay money to reserve a spot to build. Once a spot was assigned, they paid for the square footage regardless of whether there was a building on it. On top of that, if they wanted electricity or anything else, they had to figure that out for themselves. He said he had heard from a lot of people asking why the public is being asked to be responsible to pay back the \$2 million when it is something that the money is already in place and spent to have the SREF building on the Northeast site. If it was changed to the Northwest site and the public was asked to pay the money back to the FAA, there is no way to get the money back. The reality is if someone is put on the Northeast site, the money will not come back anytime soon so the taxpayer really takes the brunt of whatever it costs to do that. He said it sounded like there is no real commitment monetarily to move over there.

Ms. deLaBruere said the FBO could still be in this area, but it would take a hefty footprint to be on the perimeter. Mr. Myers concern and others is why staff has put it all out there to decide which scenario to follow. Airport Engineer Ken Nichols said if the SREF is built with the current footprint (approximately 8 acres) on the Northeast site (the site is approximately 20 acres), there is quite a bit more room on the entire site to allow additional aircraft parking and hangars. An analysis was done with both the SREF and the Aero Services laid out next to each other on the site. They do fit and it does provide the frontage area for Aero Services. Ms. deLaBruere said the SREF as designed is ready for bid for the Northeast quadrant; the Northwest site would require some redesign. Board Member David Epstein said that the Board was aware of needing to pay back money to move the SREF from the Northeast site to the Northwest site. The Board was well aware of that and voted by unanimous consent to support the approach.

AIRPORT BOARD MEETING

July 28, 2015

Page 4

Ms. deLaBruere said every tie down is currently used as some were relocated during the runway rehabilitation project. The design for the Northeast and Northwest aprons will have additional areas for aprons, tie downs and hangar space. The list for commercial and non-commercial (t-hangar and executive) hangars are not that high. By the time you get to commercial hangars, they require larger footprints and a different rate. Another group came to the Airport to possibly build their own hangar.

Board Member Angela Rodell said the fiscal environment for both the State level and the City level needs to be taken into consideration. Generating the \$2 million for repayment will be a very heavy lift. She thought the Airport is lucky that it still has the flexibility to stay put or to move. The decision to repay hasn't been made because it is very unlikely that it will get help to repay the money. As there will still be space for revenue generation, she has not heard where it is worth \$2 million in repayment to move to the Northwest quadrant.

Ms. deLaBruere said the current SREF is a building that was built in 1962 as a fire station. The current equipment does not fit in the building. The Airport has not ordered a lot of equipment until a place is built to put the equipment. The facility is old and needs a new roof. The Airport has been trying to get a new SREF from the FAA for the last 20 to 25 years. The Airport was tied up for many years doing an Environmental Impact Study and had no federal projects to speak of. This came up again so did a lot of other projects with really high priorities – the Runway Safety Area (RSA) and Runway Rehab Projects. The RSA took multi-years and multi-grants. Every time the Airport has been ready to move forward, the money is not available. The Airport needs to act while the fire is hot.

Ms. deLaBruere said the Airport requested a GO bond in which the \$2 million would have been a portion of this. She no longer thought the Airport will have backing for the \$2 million. Revenue Bonds could be done for the \$1.9 million, along with the percentages, etc. The Airport has been very fortunate to not have to have any revenue bonds. There are limits what can be used federally. This would not be an allowable project under the Passenger Facility Charge (PFC). Board Member Dennis Harris said he had been moved toward supporting the Northeast location as the funding is in place. He wants to see the equipment inside the building for maintenance items. He said it was time to make a decision to get the thing built. He said raising \$1.5 million without paying back the FAA is a lot more certain than trying to pay back the FAA and raising a total of \$4.5 million. He said the SREF is desperately needed.

Board Member Mal Menzies said he is for the Northwest site. The Northeast site aesthetic value is low as it is a great big building with all kinds of equipment inside and outside of it. People are expecting to see an airplane when they drive by the airport, not a 988 loader. Although he likes the look of a 988 loader, he thought a plane looks better at an airport. The one topic that has not been discussed is looking at the building to see

AIRPORT BOARD MEETING

July 28, 2015

Page 5

what can be reduced to the budget to put it on the Northwest site. Ms. deLaBruere said that redesigning may change the eligibility component for FAA funding.

Ms. deLaBruere said that staff is trying to take direction from the Board at a future Board meeting for what direction to take with the CIP, specifically the SREF, but there are a few other things on there. She said she wanted the Board to be updated on new projects like the magnetic variance that has to go in and the additional north edge of the runway safety area. The largest topic for discussion is the SREF as it has trickle down effect, plus the ramps for the northeast and northwest areas. Whatever is done, the Airport needs to react fast to move forward by the spring of 2016.

Assembly Member Debbie White said the Assembly Finance Committee will be meeting on Thursday to discuss \$1.3 million for deferred maintenance at the schools and implementing the next phase of taking away the tax benefits from the seniors and a six percent sales tax. She suggested the Airport think wisely about spending \$4.5 million.

Ms. deLaBruere said that redesigning the SREF may not do a whole lot. One of the things is that when you take parts away that changes the makeup of the 73% that they have allowed, redesigning it may not do a whole lot. Just taking certain things out may affect the percentage that the FAA will pay. If it is something that is eligible and is a key part of the building, that may upset the balance of the 73%. The FAA may say that now we are only going to participate for 65% of the project. Things can be reviewed and some things may not be done within the current design but not necessarily removing or restructuring the whole layout.

In discussing costs associated with equipment sitting outside, Airport Maintenance & Operations Superintendent Scott Rinkenberger said that whenever equipment sits outside the rain, sun, wind, etc., the paint fades and gives a susceptibility to rust and other problems. This will result in higher maintenance costs. There are FAA standards for airfield maintenance equipment about colors of equipment and what to do if the paint fades. The maintenance costs could be cut by 25% to 35% if the equipment is stored inside.

Tom Williams, Ward Air, said that the general consensus is the best location is the Northwest spot, but the problem is funding. The GO bond has been eliminated as a funding source. The PFCs are a no. Sales tax is highly unlikely. Revenue Bonds would have to be funded from the operating budget. He noted the tenants on the letter are not in favor of that. There is a dilemma of where the funds will come from. He thought there were two other options: design the building to a minimalist standard that would be fully supported at 93% funding. Obviously it has not. He was not sure whether the Board was willing to ask staff to go back and get that done, but it is certainly an option. To relocate the building to the Northwest quadrant, the biggest thorn will be the \$1.9 million and the \$300,000. The \$1.9 is a payback to the FAA. He said a solution may be going to the

Congressional delegation to request an appropriation or some budget language that would allow forgiveness of this. He thought it deserved some consideration and discussion.

With regard to the balance of funds that are needed, the tenants are still not going to be happy with a bonding for a building that many of our tenants do not feel is absolutely necessary. The building itself is necessary, but not necessarily the design. He asked the Board to consider Mal Menzies suggestion.

The tenants were supportive of moving the SREF to the Northwest quadrant when it was other people's money. Other people's money is always good when you consider the Federal government or bonding. When a person has to keep a business going and they are under a number of financial pressures and it is their money, it may be time to rethink the project.

Ms. Fritz said the largest impact of non-eligible space is the maintenance facility. Everything associated with changing out parts, the equipment bay with a crane to lift things out; none of it is eligible as it is not part of a snow removal equipment facility. Larger airports have those in separate facilities. In Alaska, they are often shared and the FAA totally understands the need for them, but they are not part of a snow removal equipment facility. The other piece is the wash bay, which is not a real large facility, but it is equipment intense and expensive. If you wash off your equipment before you get it inside and get the chemical and ice packs off of it, it will be able to dry out and be in better condition. This is not covered either. There is about 1,500 square feet of flexible office space which would be used for training, and an office that was originally planned as the long-term office for the Airport Engineer and the archives for all of the facilities, maps, drawings, etc. It is mainly the maintenance facility, which is the area that is complained about the most. The equipment can't be brought in to take it apart to fix it. The FAA is willing to participate 73% in getting the Airport a maintenance facility.

Items for a subcommittee to discuss and bring back to the Board include:

1. Solve the \$1.5 million problem – Reduce building to meet current funding; 95% of current funding; and 90% of current funding to adjust for cost overruns, etc.
2. Find the current interest rate of revenue bonds and what time rate they would have to be paid back.

Acting Chair Heueisen said that he thought that more information is being sought with a subcommittee. Make selections and come back to the Board before being brought to the next meeting. Mr. Harris said it would be very helpful to get a very abbreviated version of what the FAA's guidelines as to what percentage they fund of what so the Board has an idea of why they arriving at what they are arriving at. He was looking for a basic list of which parts of the building are eligible for what percentage of funding. Acting Chair Heueisen appointed Mr. Menzies, Mr. Mackey and Mr. Myers to the subcommittee.

AIRPORT BOARD MEETING

July 28, 2015

Page 7

Ms. deLaBruere said the runway designation will change due to a magnetic variation. Runway 26 is approximately 26.5. Once the half-way mark is reached it begins going toward the change to 27. Runway 8 is not quite at the half-way mark, but it will be requiring the realignment to 9 and 27. It will take time to go through and bring in the airlines as they will have to establish their approaches again. This is a geologic change. The estimate is \$500,000 and may be less.

Acting Chair Heueisen asked if parties have concerns or suggestions in the future, that they are brought up a lot earlier than ten minutes before the meeting. Board Member Robert Mackey asked if it would be appropriate to have the chair of the tenants' committee attend the meeting. Acting Chair Heueisen said the subcommittee can invite anyone they want.

Ms. deLaBruere said the Airport has a requirement to submit 2016's federal and state requests to the City to move forward by August 7, 2015. With that being said, staff will have to move forward with the sheet as prepared. Three items are on the list: \$300,000 passed through the M&O budget; radio reception through a federal grant; \$300,000 SREF redesign is a standalone if the Airport goes forward with this; \$1.8 million for ARFF Building Modification (separate from design); construction of Northeast/Northwest areas for \$9.78; and start the design process for Taxiway A and E-1; and the magnetic variance as discussed. The SREF is kind of independent as a \$15.5 million federal request and state match independent of which way the Board goes. This list needs to be moved forward to give the City the idea of what the Airport is going forward with on all the other projects.

- V. **ADJOURN:** *Dennis Harris moved, Robert Mackey seconded, to adjourn. The meeting adjourned by unanimous consent at 4:13 p.m.*