

**Juneau International Airport Board
Finance Committee Meeting
March 12, 2020, 4:00 p.m.
Glacier Valley Fire Station Training Room
1700 Crest Avenue, Juneau Valley
Conference Bridge Line (907) 789-2014**

- I. Introduction** (meeting participants).
- II. FY20 Projected.** (See Attachments #1, #2 and #3 for summaries; and Attachments #4 and #5 for details.) FY20 Project budget was approved at the March 4, 2020, Finance Committee meeting using \$290,200 in Airport Fund Balance (AFB) to cover the projected deficit. This will be forwarded to the Airport Board.
- III. FY21 and FY22 Proposed.** (See Attachments #1, #2 and #3 for summaries; and Attachments #4 and #5 for details.) At the March 4, 2020, Airport Board Finance meeting, staff presented the draft FY21 and FY22 proposed budgets, as attached. There have been no further changes to the proposed budgets.

Total proposed Expenses are \$7,896,800 for FY21 and \$8,098,500 for FY22.

Total proposed Revenues are \$7,374,000 for FY21 and \$7,364,900 for FY22.

- IV. FY21/22 Deficits and Breakdown.** As discussed at the March 4, 2020, Airport Board Finance meeting, there are a couple of very distinct cost center deficits that show in the base analysis. The following items were discussed:

Airport Security shows a deficit (\$218,000) for FY21 and (\$230,300) for FY22. This is after applying the TSA reimbursement for Law Enforcement Officers and the current revenue for the screened passenger security fees. In the past, the air carriers requested this fee change (increase) start May 1, prior to the busy season.

Terminal shows a total deficit of (\$72,500) for FY21 and (\$95,400) for FY22. It has been years since the terminal showed a deficit and it typically supported the airfield with residual revenue. Due to reconstruction and flux in the terminal for FY21/22, staff would like to see where the Terminal costs center 'shake out' after construction before any major rate adjustments.

ARFF (Aircraft Rescue Fire Fighting) increases are \$113,500 for FY21 and \$158,400 for FY22 from increases to personnel and travel/training. ARFF has a 95/5 allocation (Air Carrier/GA-135). These get calculated through airfield rates/fees.

Airfield shows the remaining deficit of (\$118,800) for FY21, and (\$249,500) for FY22.

Budget Deficit Breakdown. The breakdown of the deficit is as follows between the user groups (no change since March 4 meeting):

FY 21 (\$522,800) deficit

GA/135 portion \$261,830

Air Carrier (121) portion \$260,970

FY 22 (\$733,600) deficit

GA/135 portion \$288,960

Air Carrier (121) portion \$444,640

- V. **Airport Fund Balance & Operating Reserve.** At the March 4, 2020, Airport Board Finance meeting, staff corrected the usable (unrestricted) Airport Fund Balance (AFB) bottom line, noting that there is no requirement to use AFB for our terminal project revenue bonds.

Based on project FY20 use of AFB, less the current three-month operating reserve, the Airport has approximately **\$1.54M of usable AFB funds** going into FY21/22. *Future budgeting, based on the FY21 proposed budget, the three-month operating reserve would now require \$1.974M, and FY22 would require \$2.02M.*

Staff also looked at other airports for establishing operating reserves. The results have varied so far, but range between three-months (on the low end) to over a year (on the high end). The average is probably around six-months. Operating reserves should be revisited in the future for extending the duration of operating reserves.

- VI. **Balancing FY21/22 Budgets.** At the March 4, 2020, Airport Board Finance Committee meeting, staff proposed a combination of Airport Fund Balance (AFB) use, User Group Allocation change and Rates/Fees increases to balance the FY21/22 budgets. While one suggestion was to balance FY21 using all AFB (\$522,800), there was no discussion to balance FY22. As a reminder, this is a biennial budget process and both FY21/22 budgets must be presented as balanced budgets. No further public suggestions have been made. Staff proposes a combination (as proposed at the March 4 meeting) to balance FY21/22 budgets:

- a. **Use of Airport Fund Balance.** Apply AFB to *roughly* half of the deficit for each year; \$282,100 applied to FY21 and \$365,000 applied to FY22. This decreases the deficits to (\$240,700) for FY21 and (\$368,600) for FY22.
- b. **Discussion of Allocations.** For the past several budget years, there have been discussions about revisiting the allocations that were set approximately 20 years ago. Current allocations were set at **85/15**: 85% Air Carrier (121) / 15% GA-135, and ARFF allocation at **95/5**: 95% Air Carrier (121) / 5% GA-135. Staff calculated a *change of 86/14*: 86% Air Carrier (121) / 14% GA-135, with no change to ARFF allocations.

Below is the ratio of deficit with applying the 50% split in AFB (VI.a. above) and an allocation change of **86/14** into the model:

FY 21 (\$240,700) deficit w/\$282,100 AFB

GA/135 portion \$ 99,171

Air Carrier (121) portion \$163,629

FY 22 (\$368,600) deficit w/ \$365,000 AFB

GA/135 portion \$ 72,142

Air Carrier (121) portion \$296,458

~and~

- c. **Rates and Fees Increases.** Attachment #6 summarizes the proposed increases to airport rates and fees that meet the requirements to balance the allocated deficit outlined in VI.b. above.

- VII. Rates and Fees Regulation (Attachment #7).** The current Airport Rates and Fees Regulation (07 CBJAC Chapter 10), was last updated July 1, 2016. The Airport has also compiled a comprehensive list of the History of Juneau Airport Rates and Fees showing when rates were established or last changed. These will be available at the meeting for reference. These are important references if the Committee looks at raising specific rates/fees to cover corresponding deficit.

As summarized in Attachment #6, Attachment #7 is the Juneau Airport Rates and Fees Regulation showing the proposed increases/changes. If the Airport Board Finance Committee approves the proposed budget, which includes use of AFB, change in allocation and increases to rates and fees, the FY21/22 budgets would be forwarded to the Airport Board for approval, and begin the Regulation process for the increased rates and fees

- VIII. FY21/22 Balanced Budgets (Attachment #8, #9 and #10).** By applying all three measures outlined in VI.a. through c., the Airport would be applying balanced budgets for FY21/22. This combination of AFB, allocation change and Rates/Fees increases is inputted into the model to balance as outlined in Attachments #8, #9 and #10.

Airport Staff recommends the following motions:

Finance Committee Motion: *“Approve the Rates & Fees Regulation changes, as shown in Attachment #7, for increases to the FY21 and FY22 Proposed Budgets, and forward to the Airport Board for approval, and begin the public Regulation Process.”*

Finance Committee Motion: *“Approve the FY21 and FY22 Proposed Budgets, as shown in Attachments #8, #9 and #10, with the use of \$282,100 of Airport Fund Balance for FY21, and the use of \$365,000 of Airport Fund Balance for FY22, and forward to the Airport Board for approval.”*

- IX. Next Finance Meeting: TBD**