

**Juneau International Airport
Airport Board Finance Committee Meeting
July 18, 2016, 3:00 p.m.
Alaska Room**

I. **Introduction.** The following were in attendance:

David Epstein, Airport Board
Angela Rodell, Airport Board
Patty Wahto, Airport Manager
Marc Cheatham, Deputy Airport Mgr.

Scott Rinkenberger, Airport M&O Sup't
Catherine Fritz, Airport Architect
Ken Nichols, Airport Engineer

II. **Capital Improvement Plan (CIP) Overview** (Attachment #1 and #2). Airport Manager Patty Wahto said the idea is to present the Capital Improvement Projects as it stands. The Airport needs to move forward as far as the local matches are concerned so it can be passed onto the Airport Board to line everything up as it goes to the Board and to the Assembly because everything has such a critical time matter from here on. The spreadsheet (Attachment #1) is an update to our current CIP list. The Passenger Facility Charges (PFCs) will be discussed. The Airport is still trying to get some reimbursements. Several areas are highlighted. The yellow indicates DOT (Department of Transportation) matching funds through 2016, but showing them discontinued as of 2017. It is not a dead issue, but based on the finance, it is not very hopeful that the State matches will be available. Staff has planned for the worst but hopes for the best. Not all grants were approved by DOT. They came up with a bottom line. They declined the geothermal field and the Taxiway A design (because it is a new project). They are funding the match for the SREF, the northeast/northwest apron, and the ARFF Building Modification.

The pink highlighted boxes will have numbers that will likely be in the capital budget, but future PFCs have been highlighted. Staff wants to keep that in mind for putting into PFC #9 for reimbursement of the Airport Fund Balance. The Local Capital Budget is Airport Fund Balances is how it is proposed to be funded until it can be reimbursed. Match for several items are from an \$85,000 sales tax resolution – the ARFF Truck, ARFF Building Modification, the ADA ramp and bridge (purchased last year).

This meeting is to go over these projects to make sure that there is a buy-in on using Airport Fund Balance before sending it to the Board. Timing of the grant appropriations, bid award, etc., is critical.

Current FFY16 Projects: Attachment #2 outlines the current CIP with Federal funds, State funds and local match; and it outlines estimated dates for appropriation action. The July Board meeting was moved to July 7, 2016, because that is when the bid was coming in to get it down to the Assembly for introduction on July 11. There is another column that talks about local contingency funds required. The \$190,000 is a cash flow issue, as well as contingency. Airport Engineer Ken Nichols said the \$190,000 is 5% of the project amount. Typically, when construction begins on a project, it is good practice to have somewhere between 5% to 10% of the project available for contingency items. Some of the items that

have been run into in the past include contaminated soil, underground piping that did not show up on as builts, and the FAA has asked to rearrange the striping and sequence on a project. This type of unanticipated need at the time of bids requires funds to cash flow those things as they come along. The FAA does not provide for a process during the construction to get more funds from them until a grant amendment process is done. A grant amendment can take several months to do and then get appropriated to the project. It is a good cash flow thing to keep the project moving. Mrs. Wahto said \$500,000 was borrowed for the runway project, which is now being paid back. As this money has been borrowed with the intention of paying it back through PFCs, the money is not available now. There is a grant closeout of \$488,000 that will be paid back and it will be available to use again as the Airport moves forward. This contingency has been built into the worksheet. She reviewed Attachment #2. The FAA is 93.75%, the CBJ and State match totals 6.25%, with the exception of the projects that don't have the match. One project, the northeast/northwest apron work is close to the critical time to move it through. If the Airport does not have all the funding for the project to go through, it cannot go forward. Therefore, it will have to be forward funded until the State grant (approximately \$50,000) comes through. It can take 30 days to get the State grant. She proposed using the Airport Fund Balance, which has a \$1.9 million balance. There is a PERS liability. Mrs. Wahto said that after the Finance Director talked with the auditors and mentioned it to the Assembly, because the Airport has a three-month reserve and because the City can back it, he did not think the funds had to be tied up. If the Airport is putting it towards a match, especially one it is getting reimbursed for contingencies, etc., he did not think it had to all be tied up. The Finance Director thought it was an appropriate use of the \$1.9 million PERS liability fund.

- III. **Passenger Facility Charge #9 Application** (Attachment #3). The Airport has listed all projects to date as far as what has been borrowed or what will go into PFC #9. It has been put through the Board as motions, with some cash flow. Staff has kept track of everything they want to have reimbursed through the next PFC application. This is a draft as they will want to look at final projects as they move forward over the next year. Staff will look at how much of the future projects listed on the lower half that will try to be funded with PFCs. This will be items that are not AIP eligible. For right now, there is just under \$180,000 in additional match for FY16 that staff is looking for. This is a snapshot of what has been borrowed from where and how it will be paid back. The \$488,000 for the RSA is hoped to be reimbursed fairly soon. This is supposed to be paid back by royalties to the RSA, but it may take a few months. This is a very fluid document until firm numbers are available; until it is decided which projects need to go into it and the Airport receives buy-in from the airlines as they are the ones paying the PFCs. They will be some large projects that are not FAA-eligible or have ineligible portions.
- IV. **Project Contingency Funding and Project Cash Flow** (Attachment #2). FAA grants are based on the actual bid amount (no construction contingency in initial grant). Grant amendments to cover eligible change orders during construction are possible, but FAA does not guarantee such funding and there is often a significant time lag between the project's need for the change order and receipt of the grant amendment. The Airport must forward fund the change orders (even eligible costs) until grant amendments are processed. Some may be at grant close-out, which means the Airport may forward fund these costs for long periods. This

is a cash flow problem that the Airport struggles with for every project. Without planning for contingencies, funding and decisions ‘in the field’ can hold up a project until the grant amendment is received and appropriated by the Board and Assembly.

Having a reasonable project contingency is consistent with construction management best practices. The Airport has already included a very small amount (less than 1% of construction bid) in the ARFF building modification (approved \$50,000, of which only \$14,722 is contingency). The amount of appropriate contingency varies according to many specific project factors including project risk, complexity of scope, and factors that influenced the preparation of bid documents (e.g., less time for document preparation usually means more changes in the field).

The Airport has had a small construction contingency reserve account for many years. Use of these funds still requires specific approval and authority to spend, including a fund transfer by the Board and Assembly into the project’s Capital Improvement Projects (CIP) fund. Additionally, the accounts have small amounts of funding which will not carry larger projects. As repayment (FAA grant, PFC, etc.) funds come in, they are replenished, but still very small.

Staff recommends that construction contingency funds in an amount between 5-10% of project cost be identified as part of the project financing plan, and that such contingency be incorporated into the CIP fund through appropriate actions by the Board and Assembly. Each project would be reviewed for contingency need based on the factors listed above.

Attachment #2 has a column (gray) that lists the staff recommended contingencies. Of the FFY16 projects listed, the ARFF Building Modifications already appropriated a small contingency. Staff also sees a need for the NE/NW Apron (RSA) construction project to have additional funding available for this purpose. Other projects such as SREB and Geothermal have contingency funding available through previously appropriated funds (sales tax and special Legislative Grant).

- V. **Approval of FFY16 CIP Match.** *Angela Rodell moved, David Epstein seconded, to approve the use of an estimated \$450,000 Airport Fund Balance as local match and forward-funding for Federal Fiscal Year 2016 Capital Improvement Plan projects, as follows:*
NE/NW Apron (RSA) estimated at \$427,500 and
Taxiway A/Runway Incursion Mitigation estimated at \$22,500;
and the Airport will pursue any eligible reimbursement. The motion passed by unanimous consent.
- VI. **Other Items for Discussion: None.**
- VII. **Next Finance Meeting: TBD.** *Angela Rodell moved to adjourn. The motion passed and the meeting adjourned at 3:50 p.m.*