

Airport Board Finance Committee Meeting Minutes

March 28, 2013

9:02 a.m. Alaska Room

I. Introduction:

Present:

Jeannie Johnson, Airport Mgr.	Jerry Godkin, Airport Board
Patty deLaBruere, Dep. Airport Mgr.	Joe Heueisen, Airport Board
John Coleman, Airport Business Mgr.	Steve Zimmerman, Airport Board
Matthew Shaw, Alaska Airlines	Mal Menzies, Airport Board
Kathy Smith, Alaska Airlines	Ron Swanson, Airport Board
Tom Williams, Ward Air	Marc Cheatham, Airport Special Projects Off.
Mike Wilson, Coastal Helicopters	

II. Opening Remarks

Jeannie Johnson, Airport Manager, thanked everyone for attending and explained that there have been some changes to the proposed budget since last finance committee meeting. Ms. Johnson explained that the Airport has run extremely lean for several years and for the Airport to run properly, there are certain things that we cannot operate without. With that said, there is roughly a \$900,000 deficit to the Airports budget. In last year's budget the Airport expected a deficit of roughly \$250,000, but there have been regulation changes and a drop in the concession revenue that are impacting the budget. Some suggested rate increase areas of discussion are: parking rates, float pond rates, 135 terminal rates, etc. In addition, the Airport is looking at finding areas to cut costs. The Airport is doing a full internal utility audit to find any areas that can be cut and also the possibility of shutting the Airport down at night. This would cut staff costs, security costs, and utility costs, but would also mean that Juneau International Airport would no longer be a 24 hour airport.

III. Airport Finance 101

Patty deLaBruere, Deputy Airport Manager, explained that the Airport has two main budgets (capital improvement and maintenance and operation), but the budget being discussed today is out of the maintenance and operations (M/O) budget. The M/O expense is broken down between airfield, terminal, and aircraft rescue and fire-fighting (ARFF). All three of these cost centers are broken down between personnel, travel/training, services, and supplies. Out of the airfield and terminal the following are expenses are split: Administration (50% airfield / 50% terminal), Security (50% airfield / 50% terminal), Capital Outlay (90% airfield / 10% terminal), and Emergency Reserve (60% airfield / 40% terminal). The airfield expenses allocation is broken down between ARFF and airfield. ARFF is paid from 95% large air carriers and 5% small air carriers and general aviation. The airfield is split 85% large air carrier and 15% small air carrier/general aviation. To pay for the Airport expenses, the Airport receives income from non-airline revenue (rentals, user fees, state revenue, fuel flowage fees, interest income, vending, fines, and misc. income) and airline revenue (large air carrier terminal rent, large air carrier landing fees, large air carrier fuel flowage fees, jet parking, jetway use, large air carrier ground lease).

Kathy Smith, Alaska Airlines, noted that Alaska Airlines understands it is a large portion of the operating expense here at the Airport and is willing to pay its fair share. One major belief of Alaska Airlines is that you pay for what you use and at some point we may have to review the breakdown of what Alaska Airlines portion is and what the other smaller air carriers pay.

Further, some revenue streams that need to be looked at are the parking rates and the concessions to try and offset the expenses.

IV. Detailed Summary of Revenue and Expenses

Ms. deLaBruere discussed changes from the proposed budget at last month's meeting and the current proposed budget. Each department (Administration, Terminal, Airfield, ARFF, Security) have changes from the expense side (attachment #6), and some of the changes in expenses are: printing, repairs, subscriptions, postage, office supplies, overtime, electricity, fuel, materials, contractual services (security). One of the largest impacts to the Airport's expenses, are due to security changes in the federal regulations. The Airport will have to change from its current security personnel to sworn officers from the Juneau Police Department (JPD). JPD has been notified of this change, and is working to hire more staff to accommodate. The issue is timing, and the Airport will have to have officers in place very soon, and this will have financial consequences from having to pay overtime. After some review of previous overtime hours in 2008, and adjustment for inflation, the three months the Airport sees overtime being an issue will costs the Airport \$123,000. In addition, the TSA has dropped the amount of reimbursement for security (\$170,000) and the total security increase to the Airport FY14 budget is roughly \$300,000, making security expense roughly \$587,000 annually.

Ms. Smith asked if the security costs are only due to 121 operations?

Ms. deLaBruere stated that the costs are split 50/50 between Terminal and Airfield. There is a percentage that is charged to all users, because security patrols the entire airport.

Ms. Smith asked if the costs would be reduced if the Airport was shut down at night?

Ms. deLaBruere said that the cost reduction would be minimum. The officers would have to lock up, patrol, and unlock the facility and the time savings would only be a couple of hours.

Ron Swanson, Airport Board, noted that there is a detachment of State Troopers that provided security for the Capital and the State. Could the Airport look into using them, and could this be an alternative to JPD?

Ms. deLaBruere stated that the State Troopers are having a hard time filling positions as well as JPD, but the Airport will look into it.

Joe Heuelsen, Airport Board, noted that there are a lot of retired law enforcement officers (LEO) in Juneau and it would be more cost efficient to hire retired LEOs than it would be to contract from JPD. Most retired LEOs already have benefits and one of the major costs is the benefits for the JPD officers.

Ms. deLaBruere said that the Airport could use them during peak times, but as far as full time officers, this might affect their current retirement.

Mr. Swanson asked if the Airport is contributing to the Emergency Fund?

Ms. deLaBruere answered that we have not been contributing to the Emergency Fund for the past couple of years, due to increase in fees and dropping concessions revenue. To clarify, at the end of FY13, there will be an Emergency Fund balance of roughly \$2 million dollars. As the Airport uses this Emergency Fund to offset the deficit, the Airport needs to figure out how much Emergency Fund balance there should be, in case something does happen.

Ms. Johnson asked how much money was used last year to offset the deficit?

Ms. deLaBruere said in FY12 the Airport used \$445,920 to balance the budget.

Ms. Smith added that Alaska Airlines would like for each Airport to have Emergency Funds of at least 60 days, in case of an emergency.

Ms. deLaBruere discussed the changes in the Airport's revenue. Some of the major reductions in revenue are the loss off the restaurant, bar, and coffee stand (ESS). After December 31, 2013 ESS will be leaving the Airport, and while the Airport is between concessionaires the Airport will lose revenue. In addition to a loss in revenue from concession purchase the Airport will lose the revenue brought in from rental space.

Mr. Heueisen asked if ESS is open to keeping the bar here for a short period? Or could the Airport purchase the bar and use the liquor license?

Ms. Johnson stated that ESS has not come forward to ask to stay here at the Airport. Further, the Airport has waited a long time to open that space to other concessionaires, which could be more profitable. However, if the Board would like the Airport to speak with ESS to keep the bar open for a year we are open to do so, but the Airport does not believe that ESS would even consider staying.

Ms. Smith noted that the amount of concessions revenue at the Airport has been a major concern for Alaska Airlines. Alaska Airlines is funding (\$60,000) a survey here at the Airport to see what Alaska Airline travelers are wanting at this Airport. The study is not to influence the Airport in getting any type of concessionaire, but is just to provide feedback on what people are requesting.

Matt Shaw, Alaska Airlines, added that the study will look into many factors including what people want on the secure side versus the non-secure side. Alaska Airlines understands that larger concessionaires like HMS might not be interested in opening up concessions here in Juneau, but there might be smaller local concessions that do want to open up a sandwich shop or coffee stand here. It should be noted that the average passenger that travels through this Airport spend less than \$3 dollars, and in the Airport world that is very low. Alaska Airlines thinks this could be improved upon by \$1-\$2 dollars. This slight increase could bring in \$250,000 dollars annually.

Ms. Smith added that concessions on the secure side are one of the biggest money makers. The Airport has a captive audience that can't bring food and drinks through the checkpoint and are waiting for a flight and it's almost a guarantee that a majority will purchase something.

Jerry Godkin, Airport Board, asked what the time frame was for receiving this data from the study?

Mr. Shaw explained that the contract for this study will be finished very soon, and once the contract is in place, the Jacobson Group will start on the study immediately. The study should be finished around September. This would allow a couple months to get the request for proposal (RFP) ready and on the street, so that when the current concessionaire leaves, there won't be a large amount of time without a concessionaire in those open locations.

Mr. Heueisen asked if ESS still provided flight kitchen services?

Ms. Johnson replied that ESS no longer provides flight kitchen services.

Mal Menzies, Airport Board, noted that at most airports, the food and bar are in the secure area and that should be a main focus for this Airport.

Ms. Smith concurred that the majority of revenue from airport concessions are from the food and beverage on the secure side.

The finance meeting took a short break at 10:03 am and resumed at 10:17 am.

Ms. deLaBruere discussed attachment #7. A couple areas where revenue was going to decrease are TSA federal grants, restaurant and bar concessions, and terminal leases with the loss of the restaurant and bar.

Mr. Shaw asked why the projected concessions revenue is so low? Does the Airport believe that it will not have concessions in place for 6 month?

Ms. deLaBruere stated that there will be a small amount of concession revenue coming in during the period ESS leaves and another concessionaire moves in.

Ms. deLaBruere discussed attachments #8, #9, and #10. On attachment #8 the bottom line is that the revenue is decreasing, and on attachment #9 the Airports expenses are increasing. The biggest thing to note is that the expenses are out of the Airports hands. These expenses have been put on the Airport due to changes in federal regulations.

Mr. Godkin asked if salaries have increase or if the Assembly was holding the line?

Ms. deLaBruere answered that salaries have not been increase by the Assembly. Further, the Airport checks every salary and to verify the each employee is getting paid the correct amount. Moving to attachment #10, the Airport has already applied some of its Emergency Fund to FY 13, and after FY 13 the Airport will have an Emergency Fund balance of \$2 million dollars.

Mr. Shaw noted that if the Airports projections are correct for FY 14, the Airport would have roughly \$1 million left in the Emergency Fund after clearing the FY14 deficit.

Ms. Smith asked how long could the Airport operate on \$1 million?

Ms. Johnson answered that \$1 million could keep the doors open for 2 months.

V. Parking Rate

Ms. deLaBruere discussed the Airport parking rates. Republic Parking provided data of airport parking at airports in a reasonable distance from Juneau and similar size (detailed on attachment #11-#13). The Airport would like to see an increase in short term rates (at least \$1), long term day rates (at least \$2), and have the long term up to 2 hr. rate equal to the short term up to 2 hr. rate. It should be noted that the Airport Board has say in what the rates should be, but because Republic Parking is a Tenant, they can change their rates as deemed necessary to make a profit. Republic Parking suggested rate increases which are depicted on attachment #14. If the Airport Board agrees with the rates Republic Parking has provided, the rates could change immediately and it would not have to go through the Assembly. The last time that the parking rates were adjusted was 2006.

Mr. Swanson asked what the Airports percentage is of Republic Parking revenue?

Ms. deLaBruere said that it varies, but currently the Airport is on a 50/50 split with Republic Parking.

Ms. Johnson asked if the Airport did increase the parking rates, how much more revenue would the Airport retain?

Ms. deLaBruere answered that the Airport would receive roughly an additional \$95,000.

Mr. Zimmerman asked if the gross rate, on attachment #14, was shared between the Airport and Republic Parking?

Ms. deLaBruere confirmed that the gross rate, on attachment #14, would be shared.

Tom Williams, Ward Air, noted that the short term rate increase is understandable, but if you increase the long term rate, people might try and find cheaper alternatives (public transportation, taxi, etc.) than leaving their vehicle at the Airport.

The group discussed the possibility of changing the short term rate to \$3 and leaving the long term rate the same, and if people would be more apt to use the short term rather than the long term if the up to 2 hr. rates in either lot were the same.

Ms. Johnson noted that the idea that people won't come to the Airport to eat or shop if the parking is too steep is under consideration. The Airport is looking into a way for people that come to eat or purchase goods will be either validated or get a discounted rate.

Mr. Zimmerman proposed a motion to change parking rates so that the short term rate from 15 min. to 60 min. would be increased to \$3, the long term day rate would change to \$14, and the long term rate 0 min. to 120 min. would change to \$5 effective May 1. The motion was seconded by Mr. Menzies, and the motion was approved by Mr. Heueisen. Ms. deLaBruere stated that she would contact Republic Parking on these higher rate increases to get an approximate income to the Airport. While these rates are in line with other airports, we may need to factor a percentage of loss from the higher increase.

VI. Land Lease Rate

Ms. deLaBruere discussed land lease rates (attachment #15). The proposed rate increase is based on the CPI. If the Airport increased the rate it would receive roughly an additional \$41,400. It's the Airports intention to change all commercial leases at the airport to a single rate.

Jeannie Johnson added that for the longest time all the commercial operation on the fence line (airside/landside) has been billed at a other ramp which is the same rate as an executive hangar rate. Commercial operators that have landside/airside access have the best land at the Airport and are paying what an executive hangar costs that is located only on the airside.

Ms. deLaBruere continued to the lead the discussion explaining that the roughly 760,000 sf. of other ramp land, there is roughly 496,000 being used as commercial. So by changing the 496,000 sf. to the proposed commercial ramp rate (\$0.57 sf.), revenue would increase an additional \$49,600. It should be pointed out that the airside/landside commercial operators get priority in snow removal, and there is a lot of planning and coordinating to ensure the least amount of impact to these tenants.

Mike Wilson, Coastal Helicopters, asked what is difference in commercial operations at the terminal and commercial operation from the airside/landside? The commercial servers on the airside/landside do not get certain services (security) that the terminal operators get provided by the Airport. What does Alaska Airlines cargo facility pay?

Ms. Johnson answered that the terminal commercial operators pay a terminal lease fee that includes the security and terminal access. Alaska Airlines cargo facility pays the same airside/landside fee as the other fence airside/landside operators. That rate is proposed to change for all airside/landside commercial operators.

Ms. Smith pointed out that it is against FAA regulations to discriminate against one type of air commercial operation and another air commercial operation that operate out of the same airport.

Mr. Williams asked if all commercial operation inside the fence would also move to this new commercial rate?

Ms. deLaBruere answered that all commercial leases would change to this new rate.

Mr. Williams asked what the other ramp would entail?

Ms. deLaBruere answered that the other ramp is general aviation leases.

Mr. Williams added that maybe the language should be changed to state instead of commercial ramp, it should be called commercial lease and instead of other ramp, it should be called non-commercial lease.

Ms. deLaBruere agreed that the language should be changed.

Ms. Smith noted that she wanted to make sure than that all commercial servers are being charged the same and nothing is being charged unequally.

Ms. Johnson discussed the undeveloped land lease. One area of undeveloped land at this Airport is owned by Temsco Helicopters, and it was leased out a very long time ago and land at this Airport is becoming scarce. The Airport needs to add a provision to leases that states that undeveloped land can only stay undeveloped for so long. This would help the Airport grow and increase revenue because the rate would change once the land is developed on. Or the tenant needs to relinquish the land to that the Airport, so it can be lease to a tenant that does want to develop.

Ms. Smith asked who would pay the SIDA rate?

Ms. deLaBruere explained that the SIDA rate would affect Alaska Airlines (terminal and cargo facility), Aero Services, Fed Ex, and UPS.

Mr. Heueisen asked what is the time frame to have this in?

Ms. Johnson stated that the Airport should have one more finance meeting before we present this to the Airport Board, but the Airport would like to present these proposed rate changes to the April Airport Board meeting.

Mr. Zimmer made a motion to change the name of main ramp to commercial land lease at a rate of \$0.57sf per year, change the name of other ramp to non-commercial land at a rate of \$0.47sf per year, change undeveloped land lease rate to \$0.19sf per year, change landside non-aviation rate to \$0.71sf per year, and create a SIDA land lease rate of \$0.80sf per year. Mr. Menzies seconded the motion, and the motion was approved by Mr. Heueisen.

VII. Float Pond Tie Down Rates

Ms. deLaBruere discussed the float pond tie down rates (attachment #15). The finance committee requested some comparisons of float pond tie down rates from other airport's in AK, and also what boats are charged for moorage at Juneau Docks and Harbors at the previous meeting. Lake Hood and Fairbanks charge a year rate compared to JNU that charges for 8 months. On a monthly base, the rates varied from \$45 to \$105 for float pond tie downs. Regarding boat moorage, a skiff rate is \$568 a year (min.), on up to \$4.08 to \$6.81 per foot a month (30' space = \$1,469 - \$2,452 per year).

Mr. Menzies pointed out that Lake Hood is maxed out and it is hard to compare their rate to JNU rate.

Ms. Smith asked if the proposed rates are associated with the cost of maintaining the float pond and gangways?

Ms. Johnson answered that in the past there were not a lot of cost associated to the float pond up keep. However, since the complete overhaul of the float pond there might not be much up keep this year, but in time there will be up keep and it will cost more to maintain this newer infrastructure.

Ms. deLaBruere noted that the Airport's insurance is more expensive, because the Airport operates a sea plane base (float pond).

Mr. Zimmerman proposed a motion to change the rates for tie down at the float pond to \$90 per month for privately owned docks north and south side, \$150 per month for Airport owned docks north and south side, and \$150 per month for privately owned docks in the west finger. Mr. Menzies seconded the motion, and the motion was approved by Mr. Heueisen.

VIII. Aircraft Parking and Tie Down Rates

Ms. deLaBruere discussed aircraft parking and tie down rates (attachment #15). The main ramp >12,500 lbs. is in regard to Fed Ex (rate increase to \$500 per month) and the overnight air carrier gate/cargo is in regard to Alaska Airlines (rate increase to \$500 per month). With respect to the main ramp, recently we have had too many aircraft taking up more space than what their parking box is designed for or the operator is parking 7 aircraft in 4 boxes and this is creating safety issue. The Airport is going to change the rates on the main ramp and the language, which states that only 1 aircraft per parking box. If an aircraft is caught parking in a drive area or outside the parking box the Airport is going to charge a day rate as well. The new Airport Engineer has been designing new parking for the main ramp to put larger aircraft in parking larger boxes, and smaller aircraft in smaller parking boxes. With this change there will be a rate change, for main ramp large parking boxes the proposed rate is \$100 per month and for small parking boxes on the main ramp the proposed rate is \$75 per month.

Mr. Menzies asked if the National Guard or Coast Guard get charged a parking rate?

Ms. deLaBruere explained that the National Guard has a hangar at the Airport and they have a large area leased outside their hangar. However, if they park in the transient parking they are charged, but if they park at Aero Services they don't pay parking, but they do pay for fuel flowage fees.

Mr. Swanson asked if Customs pays for the SIDA box out on the main ramp?

Ms. deLaBruere answered that the Airport has to pay for it, because we are an international airport.

Mr. Heueisen asked what the jetway 5 rate was for?

Ms. deLaBruere explained that jetway 5 rate is for large aircraft, excluding Alaska Airlines, that come to the Airport and need a jetway.

Mr. Zimmer proposed a motion as suggested on attachment #15 under the title Aircraft Parking and Tie Down Rates be approved by the Airport Board. Mr. Menzies seconded the motion, and the motion was approved by Mr. Heueisen.

The group discussed if the Airport would be able to balance out if the proposed rates are increased. It was determined that the Airport will have to use some of the Emergency Fund to offset the deficit, but there needs to be at least 2-3 months Emergency Fund remaining in case of an emergency.

Ms. Johnson stated that there should be equality in rate increases. It's not fair to increase the 121 carrier and not to increase the other users of this airport.

Mr. Williams pointed out that increases in tenant lease rates will affect tenants much more than if the Airport increased the fuel flowage fee, because air carriers can adjust their rates and charges accordingly to offset fuel charges.

Ms. deLaBruere added that is why the Airport tries to spread the rate increases across many areas, rather than increasing a couple rates dramatically.

IX. Commercial Vehicle Rates

Ms. deLaBruere discussed the commercial vehicle access fees (attachment #15 p.3-4). Ground transportation fees have not been increased since 2001. The Airport is proposing to change the rates for ground transportation as follows: 1-7 passenger from \$125 to \$150, 8-16 passengers from \$165 to 200, 17 or more passengers from \$200 to \$250, company cap from \$4,000 to \$10,000. In addition, commercial pick-up and delivery rates are proposed to change from \$125 to \$150 and every additional vehicle from \$15 to \$25. The AOA permits rates are proposed to change from \$190 to \$230 and every additional vehicle rate proposed increase from \$20 to \$35.

The group discussed the proposed changes.

Ms. deLaBruere noted that this would not go into effect until Jan. 1 of 2014, so that the users can budget for this increase.

Mr. Zimmer proposed a motion that commercial access fees be raised for ground transportation to \$150 for 1-7 passenger, \$200 for 8-16 passengers, \$250 for 17 or more passengers, and company cap of \$10,000. For commercial pick-up and delivery fees are proposed to increase to \$150 and

each additional vehicle to \$25. In addition, AOA permits are proposed to increase to \$230 and for every additional vehicle \$35. Mr. Menzies seconded the motion, and the motion was approved by Mr. Heueisen.

Mr. Zimmerman amended the previous motion to include an increase rate to the rental car ready car lot to \$75 per month. Mr. Menzies seconded the motion, and the motion was approved by Mr. Heueisen.

X. Conclusion

Ms. deLaBruere stated that Airport staff has direction to work on the model with further suggestions for the next finance committee meeting set for April 4, 2013.

Mr. Godkin asked if there was an issue last year when presenting to the Assembly a deficit?

Ms. deLaBruere answered that the Assembly question where the money to offset the deficit was coming from, but the budget passed without issue.

Meeting adjourned by Mr. Heueisen and seconded by Mr. Zimmerman at 12:30pm.