

**Juneau International Airport
Finance Committee Meeting
February 27, 2013, 9:00 a.m.
Alaska Room**

- I. **Introduction** (meeting participants). This meeting is intended to be informational only at this time. Discussions to focus on overall budget picture and direction to take for next meeting.
- II. **A note regarding the new CBJ (accounting) system.** The Airport is still transitioning into the City's Lawson system (accounting, personnel, tracking...all inclusive). This new system still has limitations with regard to gathering reports and account information. The Airport continues to work with the City to gather accurate reports and ensure proper coding of expenses and revenues.
- III. **FY 12 Close-out overview. (See Attachments #1, #2 and #3)** FY 12 final budget fell short by (-\$499,920). A shortfall was anticipated to be (-\$371,100). The shortfall was a combination of revenue decreases (net down \$122,200), and expense increases (up \$361,900). Some of the contributing Revenue shortfalls include: Terminal Lease Revenues (meeting room rentals), Restaurant Revenues, Gift Shop Revenues (during construction), Advertising Revenues and TSA Law Enforcement Reimbursement (Federal decreases).

Some of the contributing Expense increases include: Airfield chemical price/sand, Airfield gas/fuel prices, Airfield electrical costs and heating fuel, Terminal paper products/cleaning supplies costs, Terminal electrical costs and heating fuel costs, Terminal Repairs (old section), Capital Outlay (emergency replacement/repairs: Fingerprint machine, Asphalt grinder for runway repairs).

- IV. **FY 13 Projected. (See Attachments #1, #2 and #3)**
Last year during the *initial* budget process, FY 13 was presented with a shortfall of (\$574,300) and FY 14 with a shortfall of (\$511,400). For the FY 13 budget, the committee and tenants negotiated to split the shortfall with a combination of raised fees (in accordance with the financial model) and supplement the remaining difference with Airport Fund Balance funds. The financial model showed that the allocated shortfall was linked to the Part 121 (large) Air Carrier. Fuel flowage fees were raised \$0.04/gal, while Landing Fees were raised \$0.20/per 1,000 lbs. This increased revenues by \$268,200; leaving \$306,098 to be covered by the Airport Fund Balance.

FY 13 is projected to be on tract with the proposed budget. The balance to be covered with Airport Fund Balance money is projected to be slightly lower at (-\$255,198). This is still a deficit budget as proposed and approved by the Airport Board and Assembly. No further action required for FY 13.

- V. **FY 14 Projected. (See Attachments #1, #2 and #3)** The FY 13 rates and fees increases carried into the FY 14 budget. This resulted in decreasing the deficit, however it still left a deficit budget of (-\$249,298), as was approved and submitted last year. It was agreed to revisit the deficit (this year) rather than apply any Airport Fund Balance monies to balance. The deficit has now grown. In the *draft* updated budget (attached), the FY 14 budget deficit has increased to (-\$618,041) at this time. Revenues are projected to be slightly down over the approved FY 14 budget, but the expenses are projected to be much higher than originally budgeted. Some of the reasons for the additional FY 14 deficit are:

TSA/LEO reimbursement program and costs up \$130,500; while Federal reimbursements have decreased. Last fall, airports nationwide were alerted to Federal Regulation changes for Category II airports and larger (this includes JNU) with regard to armed officers. The proposed regulation would require Cat II airports and larger to provide sworn officer rather than contract security (armed security guards). JNU has been working with Juneau Police Dept (JPD) to ramp up the number of police officers to provide the required services. This will take some time, but the Airport had to budget for the increase starting halfway into FY 14. FY 14 Officer security services at the Airport are now budgeted at \$463,500; which is an increase of \$130,500. (A full year of JPD officer impact would be budgeted for FY 15 and beyond). Additionally, as mentioned during last year's budget process, the TSA reimbursement program has decreased. These reimbursable agreements have been cut to roughly \$102,000 annually; falling well short of the current \$463,500 budget for officer coverage. This decreases revenues another \$40,000 from what was originally budgeted. For future consideration, this reimbursement program may go away completely in the future. Overall, the impact to the FY 14 *updated* budget is an additional \$170,500. This is by far the largest impact on the budget.

ARFF costs increased \$13,200 over *approved* FY14 budget (personnel costs)
Terminal/Airfield electrical projected to increase \$35,000 over *approved* FY 14
Federal requirements of additional runway paint markings for *increase* of \$25,000
Runway chemicals and sand price increases up \$77,700 over *approved* FY14
Terminal cleaning and paper products, etc up \$36,500 over *approved* FY 14
Balance of FY14 shortfall is seen in Personnel cost increases (benefits)

- VI. **Budget Shortfall Suggestions and Discussions. (See Attachment #4)** Attachment of potential rates and fees adjustments is only a sample of revenue generating ideas. The Airport does not intend to discuss these in detail at this meeting. This attachment is informational only at this time; consideration at subsequent meeting(s).

After analyzing the previous several budget years, a combination of overcutting the

budget and lack of projected revenues has left the Airport with budget shortfalls for three years. The Airport has used its Fund Balance to carry the deficit, which is rapidly depleting. Further cuts are not possible and some expense line item cuts (that we continue to track) are not sustainable.

For budgeting purposes, the FY 14 financial model breaks out the shortfall as follows:

FY 14

\$ 82,586 GA/135 portion

\$535,455 Air Carrier (121)

At this time, the Airport is presenting the budget for initial review and discussion. Staff makes no recommendations at this time, but will propose options at the next meeting.

VII. Other items for discussion.

VIII. Next Finance Meeting: TBD