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: <u>TBD</u>

ATTACHMENT #1

2/27/2013

EXPENSE SUMMARY

	FY 12 ACTUALS	FY 13 APPROVED	FY 13 PROJECTED	FY 14 APPROVED	FY 14 UPDATED
PERSONNEL	2,397,533	2,456,400	2,251,200	2,476,900	2,453,500
SUPPLIES	715,673	636,900	639,100	617,700	751,400
SERVICES/CHARGES	2,182,520	2,202,300	2,353,100	2,228,500	2,468,200
TRAVEL/TRAINING	17,016	25,100	25,100	25,500	30,500
CAPITAL OUTLAY	23,800	0	20,200	0	0
DEBT SERVICE	0	0	0	0	0
TOTALS	5,336,542	5,320,700	5,288,700	5,348,600	5,703,600

ATTACHMENT #2 2/27/2013

REVENUE SUMMARY

	FY 12 ACTUALS	FY 13 APPROVED	FY 13 PROJECTED	FY 14 APPROVED	FY 14 UPDATED
STATE/FED REVENUE	266,595	312,100	307,800	312,100	278,200
FUEL FLOWAGE FEES *	435,538	539,002	572,602	539,002	579,159
LANDING FEES *	1,431,118	1,560,000	1,560,000	1,560,000	1,560,000
USER FEES	95,203	95,300	95,300	95,300	95,300
RENTALS	2,219,561	2,300,600	2,288,600	2,368,100	2,363,200
INTEREST INCOME	93,472	58,300	36,000	75,500	36,500
FINES/MISC./OTHER	136,035	149,300	173,200	149,300	173,200
TRANSFERS/CBJ/MPF	159,100	0	0	0	0
AIPORT FUND BALANCE				0	
TOTALS	4,836,622	5,014,602	5,033,502	5,099,302	5,085,559

Landing Fees and Fuel Flowage Fees are based on current July 2012 rates
No rate increases have been factored into FY14 projections at this time

ATTACHMENT #3 2/27/2013

EXPENSE vs. REVENUE SUMMARY

	FY 12 ACTUALS	FY 13 APPROVED	FY 13 PROJECTED	FY 14 APPROVED	FY 14 UPDATED
EXPENSES	(5,336,542)	(5,320,700)	(5,288,700)	(5,348,600)	(5,703,600)
REVENUES	4,836,622	5,014,602	5,033,502	5,099,302	5,085,559 [2]
DIFFERENCE	(499,920)	(306,098)	(255,198)	(249,298)	(618,041)
AIRPORT FUND BALANCE APPLIED		306,098		0	
TOTAL OVER/(SHORT)	**(499,920)** [1]	**(0)**	**(255,198)** [3]	**(249,298)**	**(618,041)** [4]

1 FY 12 was projected to have ($371,100) deficit.

2 FY 14 does not include any proposed rates/fees increases at this time

3 FY13 Projected shows Airport Fund Balance contribution decreased to $255,198 (from $306,098)

4 FY 14 deficit will be re-evaluated in follow Finance Committee meetings

ATTACHMENT #4

POTENTIAL RATES & FEES ADJUSTMENTS & REVENUE:

(note: estimated revenues are the additional revenues generated on an annual basis)

NEW

Filing Fee for Lease Action Request--$200: A Lease Action Request (Assignment, New Lease, Extension/Amendment, Collateral Assignment, Cancellation) requires the attention of the following people: Airport Business Manager, Airport Manager, Airport Admin Asst., Accounts Receivable Technician, Assessor's Admin Asst. This takes a considerable amount of time and resources.

Estimated Revenue $2,000

FY14 Security Fee-- $1.00 per enplaned Part 121 passenger: As stated earlier, the cost of airport security has increased, but the reimbursement by TSA has continued to decrease with the possibility that the Federal government will terminate these grants in the near future. Much of the security is dedicated to the screening checkpoint and the SIDA areas by regulation, but is also required on the airfield for general aviation and small commercial.

Estimated Revenue $260,000

This new fee category was introduced in February 2012 for airlines to discuss with their corporate office; giving enough time for budget consideration.

CHANGES

Land Lease Rates:

Currently we have three types of land leases (since 2008)—

$0.52/sf/yr	Main Ramp
$0.43/sf/yr	Other Ramp
$0.17/sf/yr	Undeveloped land

Suggested land leases changes (based on ANC CPI over 4 years)—

		Estimated Additional Revenue
$0.57/sf/yr	Main Ramp	$ 1,783
$0.47/sf/yr	Other Ramp	$29,913
$0.19/sf/yr	Undeveloped land	$ 1,479

Suggested ADDITION to above Land Lease Rates--

$0.80/sf/yr SIDA land lease

Estimated Additional Revenue $ 28,719

Currently we have 3 tenants that allow Part 1548 air cargo operations on their leased premises. The air cargo in these areas has special SIDA rules and required security checks on the part of the airport. As long as these land leases are used for the purpose of air cargo, they should be required to pay a higher lease rate due to random inspections and additional security requirements on the Airport

ATTACHMENT #4

Float Pond Tie Down Rates:

Currently— (since 2008)

$45/mo ($360/yr) for Privately Owned docks.

$60/mo ($480/yr) for Airport Owned docks.

Suggested Change—

Float Pond rates are based on approximately 8 months of use, as established in previous years' Finance meetings, but are charged as an annual rate:

$720/yr for Privately Owned docks North & South side.

$1200/yr for Airport Owned docks North & South side.

$1200/yr West Finger.

Estimated Revenue Increase $28,000

Signatory Main Ramp Parking >12,500 lbs.:

&

Signatory Overnight Parking at Air Carrier Gate:

Currently— (since 2008)

$220.00/month

Suggested Change—

$500.00/month

Estimated Revenue Increase $10,080

For the same reason as stated above for the SIDA land lease rates, these areas fall under the required Federal checks and inspections by the Airport.

Fuel Flowage Fees:

Currently (signatory) – (note: non-signatory is 25% more currently at $0.20/gallon)

$0.155 AV gas (GA, small commercial) *(since 2010)*

$0.155 Small Jet (& helicopter) *(since 2010)*

$0.125 Large Commercial Jet *(since 7/1/2012)*

Each $0.01 increase yields the following additional revenue:

AV gas (GA, small commercial)	Estimated Increase	$ 3,550
Small Jet (& helicopter)	Estimated Increase	$ 8,240
Large Commercial Jet	Estimated Increase	$28,500

Landing Fees: ***(since 7/1/2012)***

Currently (signatory) – (note: non-signatory is 25% more; currently $2.73/per 1,000 lbs.)

$2.18/ per 1,000 lbs (or fraction thereof) for all aircraft 12,500 lbs or more

Each $0.01 increase *yields*	Estimated increase	$ 7,000
Each $0.10 increase *yields*	Estimated increase	$70,000

ATTACHMENT #4

Commercial Vehicle Access Fees:
Ground Transportation (*since 2001*):

Currently	1-7 PAX	8-16 PAX	17 or MORE*
Annual	$125.00	$165.00	$200.00

*Company cap for tour buses etc. at $4,000 (*since 2004*) Note: this change is important since the major tour companies have merged into one company. The one super company now registers 92 buses, van and baggage trucks.

***Suggested*:**	***$150.00***	***$200.00***	***$250.00***
Estimated Add'l Revenue	$1,600	$300	$200

****Company cap suggested increase to $8,000*** due to the merge in companies several years ago. Airport provides special spaces and areas for baggage staging in terminal at no cost. Estimated additional revenue: $4,000

Commercial Pick-up/Delivery *(since 2001):*

Currently	1st Vehicle	Each Add'l Vehicle
	$125.00	$15.00
Suggested:	***$150.00***	***$25.00***
Estimated Add'l Revenue	$225.00	$190.00

AOA Permits *(since 2001):*

Currently	1st Vehicle	Each Add'l Vehicle
	$190.00	$20.00
Suggested:	***$230.00***	***$35.00***
Estimated Add'l Revenue	$360.00	$540.00

Water/Sewer *(since 2004):*

Currently	Private/Flat Water	Private/Flat Sewer
	$10.00/month	$25.00/month
	Commercial/Meter Water	Commercial/Meter Sewer
	$15.50/mo up to 4,000 gal + $2.00 per 1,000 gal over 4,000	$55.00/mo up to 4,000 gal + $7.30 per 1,000 gal over 4,000
	Hydrant Use	
	$10.00 + $2.00 per 1,000 gal after the first 1,000 gal.	

(There are other fees but they are subject to CBJ fees and permits)

Suggestions: Per Jeannie Johnson based on City charges to Airport….stand by….

Rental Car Ready Car Lot *(since 2010):*

Currently $60/month

Suggestions: $75/month generates $3,125.00