


# CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

## MEMORANDUM

**To:** Mayor Eisenbeisz and Assembly Members

**Thru:** John Leach, Municipal Administrator 

**From:** Ron Vinson: Director of Public Works      Public Works Department  
Joseph Bea: Airport Terminal Manager      Public Works Department  
Melissa Haley: Finance Director      Finance Department

**Date:** March 18, 2024

**Subject:** Update Ordinance 4.85

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### **Background**

Ordinance 4.85.030 currently levies a Driver Facility Charge of four percent to car rental companies utilizing the airport terminal building facilities. These funds are deposited into the airport enterprise fund and are used for operating and capital expenditures of the airport terminal building.

CBS is planning to implement an increase of this rate from four to eight percent.

### **Analysis**

CBS subleases space within the Sitka Rocky Gutierrez Airport terminal building to Alaska Rent A Car (Avis). Sitka Car Rentals operates within the parking lot without subleased space within the airport terminal building. There is interest from the community in participating in an RFP for an available space to operate an additional car rental company from within the airport terminal.

The increase in the Driver Facility Charge will primarily affect travelers from outside of Sitka and is expected to have a limited impact on local citizens. The goal of the increase to eight percent is to capture revenue from those using the city's facilities to operate and maintain our infrastructure during the increase of capacity from the improvement project and corresponding use by travelers through the airport terminal while sourcing revenues from the populations utilizing the facility.

Increasing the Driver Facility Charge to eight percent will ensure that car rental companies are paying a fair price for the use of terminal facilities by maintaining and repairing normal depreciation of the airport terminal caused by these operations. Revenue generated by ordinance 4.85 will be deposited into the airport enterprise fund which is used for operating and capital expenditures of the airport terminal building. CBS expects to see substantial increases in the airport terminal buildings operating costs and depreciation due to corresponding increases to building size and passenger traffic. Increasing

the Driver Facility Charge ensures the airport enterprise fund will have an adequate revenue stream without placing a burden on local residents. CBS must ensure that the airport enterprise fund continues to be able to maintain the equipment of the terminal building to ensure safe operations, meet the utilities and snow removal costs and be self-sustaining based on revenues generated by airport operations.

**Fiscal Note**

Sitka Rocky Gutierrez Airport Terminal operations continue to primarily rely on revenue generated from terminal rentals and ordinance 4.85: Driver Facility Charge. Operating costs will increase as the airport terminal building expands. Passenger Facility Charges continue to be collected and exclusively service the annual debt.

**Current Revenue:**

The following is a financial summary of the last five years of revenue for terminal operations:

TERMINAL REVENUE	2019	2020	2021	2022	2023
Driver Facility Charges	\$ 61,211.88	\$ 56,517.90	\$ 26,765.59	\$ 53,136.40	\$ 72,077.33
Terminal Leases	\$ 464,160.72	\$ 424,721.73	\$ 459,908.54	\$ 418,972.06	\$ 429,759.71
<b>Total Terminal Revenue</b>	<b>\$ 525,372.60</b>	<b>\$ 481,239.63</b>	<b>\$ 486,674.13</b>	<b>\$ 472,108.46</b>	<b>\$ 501,837.04</b>

**Projected Revenue:**

Revenue generated from an increase from four to eight percent is projected to increase Driver Facility Charge revenue to approximately \$150,000 per fiscal year. This Non-operating Revenue will be an important component of the airport’s enterprise fund going forward.

**Airport Budget:**

Account	Account Description	2020 Actual Amount	2021 Actual Amount	2022 Actual Amount	2023 Amended Budget	2024 Budget
	Fund 250 - Airport Fund Totals Net Grand	\$1,031,726.22	\$928,622.99	\$724,658.30	\$1,078,693.38	\$1,285,144.38
	Totals	\$1,031,726.22	\$928,622.99	\$724,658.30	\$1,078,693.38	\$1,285,144.38

**Expenses:**

The margin between the revenue and operating costs of the airport terminal is close and current financial projections show an expected deficit going forward. Increases in the terminal operating expenses, capital expenses and maintenance could necessitate a subsidy from the general fund. Implementing an increase to ordinance 4.85 can be a part of the terminal maintaining self-sustainability.

TERMINAL EXPENSE	2019	2020	2021	2022	2023
Utilities	\$ 87,060.54	\$ 90,548.12	\$ 90,498.65	\$ 96,994.70	\$ 110,310.08
Heating Fuel	\$ 15,167.50	\$ 17,031.41	\$ 18,968.62	\$ 36,518.76	\$ 37,571.16
Telephone	\$ 4,303.04	\$ 4,445.12	\$ 4,259.34	\$ 4,234.02	\$ 4,226.45
Insurance	\$ 9,366.22	\$ 11,210.02	\$ 15,897.55	\$ 16,615.40	\$ 18,761.23
Supplies	-	-	-	\$ 850.48	
Bldg Repair & Maint	\$ 64,758.84	\$ 68,938.42	\$ 68,244.00	\$ 74,562.96	\$ 74,430.24
Contracted/Purchased Serv	\$ 80,023.95	\$ 82,005.61	\$ 80,797.83	\$ 81,782.04	\$ 87,502.86
Interdepartment Services	\$ 112,616.63	\$ 111,013.06	\$ 95,374.66	\$ 87,756.32	\$ 95,435.93
Advertising		-	-		\$ 494.00
Rent-Equipment	\$ 494.92	\$ 11,202.93	\$ 16,025.68	\$ (4,874.19)	\$ 881.94
Credit Card Expense	\$ 1,047.30	\$ 891.75	\$ 1,569.63	\$ 2,042.06	\$ 1,566.00
Average Debt Service Not Covered by PFCs		\$ 97,474.87	\$ 197,480.64	\$ 10,165.15	\$ 61,098.53
<b>Total Operating Expense</b>	<b>\$ 374,838.94</b>	<b>\$ 494,761.31</b>	<b>\$ 589,116.60</b>	<b>\$ 406,647.70</b>	<b>\$ 492,278.42</b>

**Capital Expense:**

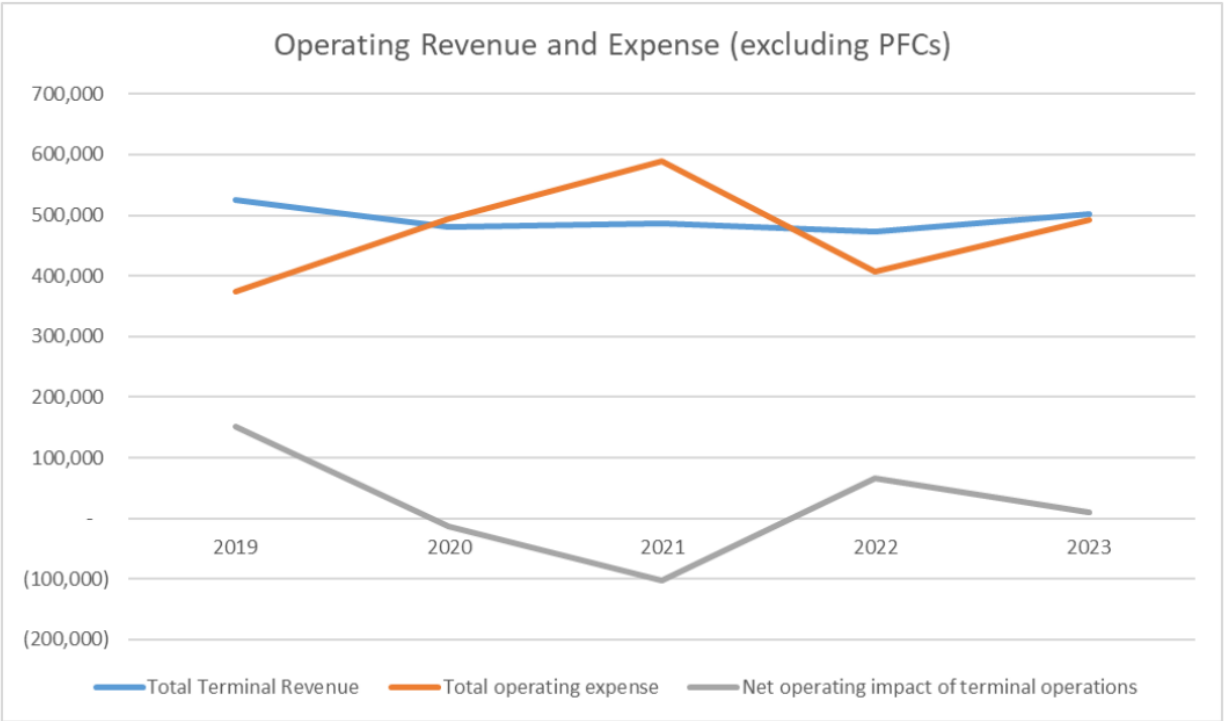
The Airport Improvement Project will cost 43 million 93.75% of which is federally funded, with a 6.25% local match under the AIP and 5% for TSA portion of the project. The ACDBE portion will not be AIP reimbursable.

Source	Grant	Match (PFC generated bonds)	Match (non-PFC backed bonds)
TSA	\$ 5,522,739.65	-	\$ 290,670.50
BIL-Phase 1 A	\$ 18,054,925.79	\$ 1,203,661.72	\$ 311,181.89
BIL-Phase 1 B	\$ 5,422,813.26	\$ 361,520.88	\$ 93,463.76
BIL-Phase 2	\$ 11,307,774.83	\$ 753,851.66	-
	\$ 40,308,253.53	\$ 2,319,034.26	\$ 695,316.15

Maintenance to equipment and building improvements has been detailed in the Prime Lease memo and is summarized in the table and graph below:

**Maintenance Schedule:**

Equipment	Maintenance Schedule	Cost
HVAC Replacement	12 – 20 years	\$100,000
Roof Replacement	25-35 years	\$1,500,000
Window Replacement	20-30 years	\$250,000
Interior Finishes Refurb	30 years	\$200,000
Exterior Finishes Refurb	15-30 years	\$200,000
Flooring	10 – 20 years	\$500,000
TSA Equipment		



Other avenues for revenue include;

1. Paid Vehicle Parking
  - a. Will require coordination between CBS and ADOT
2. Baggage Belt use fee charged to the Airlines
3. TSA Law Enforcement Reimbursement
4. Alaska Air Security
5. Aircraft Parking fees

**Risk Assessment:**

Existing car rental companies operating from within the airport terminal will collect required concession fees mandated by the prime lease between the Alaska Department of Transportation and CBS which will be in addition to the proposed increase of the Driver Facility Charge. Travelers seeking to utilize car rental services here in Sitka will experience an increase in costs as the Car Rental Companies implement pass-through expenses to their customer base. We expect that the number of local citizens affected by this will be marginal, however will not be zero.

Compliance enforcement allowing, CBS could also seek to capture revenue from application-based car rentals that use our city’s facilities however do not pay the Driver Facility Charge. Due to the complexities of attempting to recover potential app-based car rental revenue, resources expended in pursuing compliance may cost the city more than the additional revenue generated by these small vendors. Enforcement efforts will not affect collection of revenue from established car rental businesses operating in Sitka.

## **Recommendation**

It is my recommendation that the Assembly accept the proposed increase to the Driver Facility Charge from four to eight percent. This will ensure that the airport is in a strong position to continue meeting CBS' obligations of matching funds and operating costs as terminal operations continue through the Airport Improvement Project's Phases 1A/1B and Phase 2. It will ensure that the airport terminal will continue to be able to meet the increasing operating costs as the footprint of the building expands and ensure that repairs to the facility caused by normal use will be adequately funded without support from the general fund.