



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

PUBLIC WORKS DEPARTMENT

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MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator *John Branth*, Acting

From: Mark Seavey, Public Works Director *Mark Seavey*
Brooke Volschenk, Finance Director *BV*

Date: December 9, 2025

Subject: Rocky Gutierrez Airport Terminal Improvements Project – Request for Supplemental Appropriation for Grant Funding and Ineligible Expenses

Background

The Rocky Gutierrez Airport Terminal Improvements Project is a multi-year effort to address long-standing deficiencies in the Sitka airport terminal identified in the 2005 and 2011 Master Plans. These deficiencies include congestion between arriving and departing passengers, limited baggage handling areas, inadequate TSA screening facilities, and insufficient passenger lounge space.

Phase 1, which included a two-story addition to house a new passenger screening check point, increased passenger holding areas, an escalator, elevator, and multiple restrooms. It reached substantial completion in September 2025 and is now in operation.

Phase 2 involves the remodeling of the existing terminal to improve passenger circulation, TSA baggage screening, baggage claim, ticket check in, curbside improvements and new entrances/exits for arrivals and departures.

Phases 1 and 2 are funded through Federal Aviation Administration (FAA) Airport Improvement Program (AIP), Bipartisan Infrastructure Law (BIL), and Airport Terminal Program (ATP) grants. Work in the TSA baggage screening area is funded through a TSA Other Transaction Agreement (OTA).

Construction on Phase 1 is nearing completion and construction of Phase 2 is underway. Construction of all phases is expected to be completed Fall 2026.

Analysis

The Assembly last approved additional funding for this project with Ordinance 2024-24, which approved contingent grant funding for construction of Phase 2 and additional working capital to cover grant-ineligible expenses (primarily furniture). The previous funding request was based on the Contractor's Guaranteed Maximum Price (GMP) for Phase 2 scope.

The FAA determines eligibility of project scope for AIP, BIL, and ATP projects. Ineligible scope cannot be covered by FAA grant funding and must be funded by other sources. Common items not eligible for grant coverage include furniture, fixtures, equipment, networking technology upgrades, and any scope included in a tenant improvement.

The FAA has determined that the approved Phase 2 scope is 100% grant eligible. Under the 5% local match requirement for Phase 2 grants, a CBS contribution of \$5,000 satisfies the match necessary to support \$100,000 in eligible project costs.

The project team has identified additional scope items that would be advantageous for the city to include in the project, as it is expected that existing grant amounts can be increased to cover associated costs at the 5% match rate.

A breakdown of anticipated costs and scope items is attached. Most items are CBS-requested items that would reduce long-term maintenance costs, provide a better-quality project, and better provide for CBS operational needs. As with most renovation projects, there were some unknowns when the construction contract was negotiated. A list of construction contingency items is also attached. While the contingency items alone can be covered by existing grant authorization, additional authorization is needed to cover both contingency items and CBS-requested additions.

While most of the costs for these items can be covered by grants and utilize the favorable match rate, some costs are expected to be grant-ineligible. These costs would need to be covered in full by non-grant funds. The project team believes the city would benefit by including these items in the project regardless of whether grant funds can be used. Many items are critical for airport operations, and the cost to complete the work during the current construction window will be less than it would be to perform the work later.

Additionally, CBS is continuing to seek grant eligibility for approximately \$140k in project costs directly incurred before November 15, 2021. These costs are currently being covered entirely by bond funding.

Fiscal Note

The overall project budget is approximately \$56 million, with 93.75% to 95% of eligible costs funded through FAA grants.

Approved funding (authorized and contingent)	\$ 56,039,414
Requested additional contingent grant amount	\$ 800,000
Requested from General Fund working capital	<u>\$ 650,000</u>
Total funding	\$ 57,489,414

The previously approved contingent grant amount is \$51,474,947. Approval for an additional \$800,000 in contingent grant funding is requested, bringing the total authorized contingent

grant amount to \$52,274,947. Authorization of the contingent grant amount also constitutes assembly approval to apply for and execute associated grants for the project.

There is no available working capital in the airport fund to cover the ineligible scope items listed on the attachment. An additional \$650,000 from General Fund working capital is requested to cover these ineligible scope items.

According to the interim financial statements, the unassigned fund balance in the General Fund as of 6/30/2025 is approximately \$8,332,905.

Recommendation

Approve a supplemental appropriation authorizing the CBS Municipal Administrator to apply for and execute additional grant funding up to \$800,000 and provide \$650,000 in working capital from the General Fund to support the Rocky Gutierrez Airport Terminal Improvements Project.

Grant Eligible - Construction Contingency Usage

Description	Justification	Estimated Amount
Refinish existing doors	Plans call for reuse of some existing doors for Phase 2. To provide a better product, additional work is required to match finish of existing doors to that of other new doors in Phase 2.	\$ 17,500.00
Provide insulation under sidewalk with snowmelt system	Original scope did not include insulation under new sidewalks. Rigid insulation would be provided to improve efficiency of the new snowmelt system being installed.	\$ 7,000.00
Changes to mechanical scope of work	Mechanical scope was refined after the original GMP was established to provide a better system and requires some adjustments to the already priced work.	\$ 61,000.00
Install new cooling unit in Comms Room	An existing cooling unit was originally planned to be salvaged for one of the new comm rooms. The unit could not be salvaged for this purpose and a new unit will need to be provided.	\$ 14,000.00
Add card reader and panic button to exit vestibule	A card reader and panic button would be added to the automated exit vestibule to improve system function after a security trigger. This function was not originally planned for but is necessary to improve airport operations.	\$ 15,500.00
Adjust for overheard door clearances	Clearances needed for installation of an overhead door were found to be larger than originally planned for once manufacturer submittals were received. A minor design change was required to accommodate.	\$ 4,200.00
Revisions to airport signage	Plans for airport signage evolved after negotiation of the original GMP. Updates were made to provide better signage coverage throughout the terminal and allow for the sign fabricator to provide input and create a better quality product.	\$ 30,000.00
Condensing unit changes due to refrigerant standard change	The industry standard for refrigerant changed after design documents, but prior to material procurement. This required the supplier to provide condensing units different than the basis of design. Electrical requirements for the new condensing units are different and require additional work to install.	\$ 17,000.00
Changes to duct at gridline 11-J/F	An existing duct originally planned to remain requires replacement so that it can be connected to other new ductwork. This condition was concealed in the ceiling cavity prior to demolition for Phase 2. Investigation also discovered the original duct's joints were not sealed.	\$ 26,500.00
Add supplemental airfield lights	Supplemental lighting is needed to provide better coverage of airplanes parked at the jet bridge.	\$ 50,000.00
Total Anticipated Cost		\$ 242,700.00

Grant Eligible - CBS Requested Additions

Description	Justification	Estimated Amount
Reconfiguration of restrooms outside the Nugget	The current configuration of the existing restrooms next to the Nugget restaurant provides significantly fewer women's restroom stalls than men's. Original scope did not include updates to plumbing fixture counts. With this change, the restroom layout would be reconfigured and new fixtures added to provide a more favorable balance of stalls.	\$ 300,000.00
Replace metal roof panels	Metal roof panels were installed in 1987 and have been in use for 40 years. Replacing the panels now would likely preempt future maintenance costs for some time. Re-coating is also being considered as an alternative, but replacing it with insulated panels is preferred to improve building energy performance. Replacing or re-covering also coordinates exterior building colors and aesthetic.	\$ 275,000.00
Install new PVC membrane	The section of roof near the existing entry is covered by torch down membrane, installed in 2003 and nearing end of service life. This section of roofing would be replaced with PVC membrane. Additionally, while some areas of PVC have already been re-covered in Phase 1, additional areas would be covered in new membrane to provide complete warranty coverage of the entire roof. This would prevent the need for major roof maintenance in the foreseeable future.	\$ 500,000.00
Install access control system in phase 2	The city is required to maintain access logs for secure areas per TSA regulations. Electronic access control was added to the project to increase reliability of security logs and alleviate staffing required for this process. Controls were already added to Phase 1. This line item would add similar controls to Phase 2.	\$ 76,500.00
Install additional baby changing stations in family restrooms	Baby changing stations were not scoped in some of the family restrooms. This change would add stations to those stations to provide better access to that amenity for the public.	\$ 11,000.00
Update baggage belt system in passenger area	The majority of work required to update the TSA Baggage Handling system is covered by a TSA Grant. The portion of the baggage system in the ticketing area is not covered. This is expected scope that was not previously included in the Phase 2 contract as the contract for the TSA Baggage System updates was yet to be executed at the time of Phase 2 contract execution.	\$ 380,500.00
Alaska Air lease space partial build out	The Alaska Airlines lease space was demolished to facilitate construction of Phase 2. A portion of a new tenant space will be covered by Alaska Airlines. The City will cover the maximum eligible scope that can be provided under the grant.	\$ 250,000.00
Total Anticipated Cost		\$ 1,793,000.00

Ineligible Scope Items

Description	Justification	Estimated Amount	
TSA Accordion Door	The accordion-style security gate in front of the TSA checkpoint, while required for airport security, is ineligible per FAA's determination.	\$	40,000.00
Exterior Camera Rough-in	Rough-in for exterior cameras.	\$	35,000.00
TSA Comms Room	A communications room for TSA equipment was added to the design adjacent to passenger screening. FAA grant guidelines consider this space ineligible and TSA OTA funds cannot be used for this space, though it is necessary for airport operations.	\$	75,000.00
Port Director Office 105C	Tenant upfits, including office spaces for CBS personnel, are ineligible for FAA grants. This line item would finish office space for a CBS port director.	\$	25,000.00
Additional FF&E	Miscellaneous furniture, fixtures, and equipment for Phase 2.	\$	50,000.00
Buildout of Room 140	The airport has two planned lease spaces for airline tenants. Alaska Airlines will occupy one space while the other remains unallocated. Minimal scope is planned for this space. Including a small budget for build out of the space would ensure adequate electrical fixtures, lighting fixtures, and basic finishes to allow the space to be used by CBS if needed.	\$	75,000.00
Exit Lane Vestibule Modification	Installation of the automated exit vestibule and adjacent access corridor impacts grant eligibility. The access corridor that provides staff and airline employee access through the terminal improves airport operations, this area is ineligible, thus the overall project budget is impacted.	\$	200,000.00
Contingency	A small contingency is included in the non-eligible scope budget to cover small ineligible changes that may be needed and provide some flexibility so that minor changes to eligible scope can be approved in a timely manner while those changes are formalized with the granting agency.	\$	150,000.00
Total		\$	650,000.00

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2025-29
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA MAKING SUPPLEMENTAL
APPROPRIATIONS FOR FISCAL YEAR 2026
(Airport Terminal Project)

BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to make a supplemental Capital appropriation for FY2026.

4. **ENACTMENT.** In accordance with Section 11.10 (a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriation for the budget period beginning July 1, 2025 and ending June 30, 2026.

FISCAL YEAR 2026 EXPENDITURE BUDGETS	
GENERAL FUND	
Fund 760– Sitka Airport Terminal Improvements Project #90835: Increase the amount of funding by \$800,000 in contingent grant funding and \$650,000 funded from working capital from the General Fund.	

EXPLANATION

This funding will be used to ensure the terminal can be fully ready for public use. An additional \$800,000 in federal grant funding as well as \$650,000 in working capital from the General Fund is needed to complete the project.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 30th day of December 2025.

ATTEST:

Steven Eisenbeisz, Mayor

Sara Peterson, MMC
Municipal Clerk

1st reading: 12/16/2025

2nd and final reading: 12/30/2025

Sponsor: Administrator