

Step 1

Discussion / Direction / Decision on the City and Borough of Sitka submitting a bid to the State of Alaska to lease a lot at the Sitka Rocky Gutierrez Airport for paid parking.

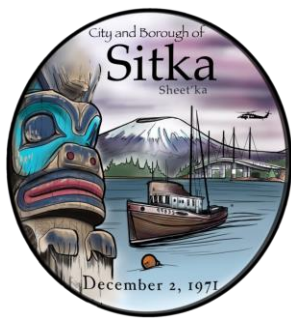
CBS staff presenting – Joseph Bea, Mark Seavey, and Brooke Volschenk.

Step 2

Possible Motion

If the Assembly desires to submit a bid to implement paid parking, the following motion is in order:

I MOVE TO authorize the Municipal Administrator to submit a bid to the State of Alaska to lease Parcel P at the Sitka Airport Terminal for the purpose of implementing paid parking.



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator
Mark Seavey, Public Works Director
Brooke Volschenk, Finance Director

From: Joseph Bea, Airport Terminal Manager

Date: October 6, 2025

Subject: Paid Parking at Sitka Rocky Gutierrez Airport Terminal

Background:

The Sitka Rocky Gutierrez Airport is a critical infrastructure asset that supports regional connectivity, tourism, and economic activity. However, due to the expanded area created by the terminal improvement project the airport is facing an operational shortfall, potentially requiring supplementation from the City's general fund to maintain essential services and compliance with federal and state aviation standards.

Analysis:

There is a potential for the airport to require a recurring general fund subsidy to cover the airport's operating shortfall creating financial pressure on the City's overall budget. These funds could otherwise support core services such as public safety, parks and recreation, schools, housing initiatives, or capital projects. A sustainable, user-based funding mechanism is needed to reduce or eliminate the airport's dependence on general fund subsidies.

Introducing a paid parking program at the Sitka Rocky Gutierrez Airport to leverage an underutilized revenue opportunity to help offset operating costs and bring Sitka in line with sister cities would make the airport as self-sustaining through operations as possible.

1. Revenue Generation

- Airports across the United States, including Juneau and Ketchikan, have successfully implemented paid parking as a steady, user-generated income stream.
- Preliminary estimates based on regional airport benchmarks suggest that a modest hourly/daily/weekly rate could generate **\$100,000 to \$300,000 annually**, depending on usage, fee structure, and enforcement.

2. User-Based Fairness

- Paid parking aligns with the "user pays" principle, meaning those who directly benefit from airport access contribute proportionately to its operation.
- This approach is equitable, ensuring that non-airport users, especially residents with limited airport usage, are not indirectly subsidizing operations through city-wide tax revenues.

3. Operational Sustainability

- Dedicated parking revenue can improve airport operations and maintenance, such as:
 - Lot resurfacing and snow removal
 - Improved signage and lighting
- With consistent funding, the airport can better meet regulatory standards and maintain grant funded infrastructure improvements.

4. Technological Feasibility

- Modern parking management systems (e.g., pay-by-phone apps, license plate recognition) make implementation cost-effective and user-friendly.

5. Tourism and Economic Resilience

- Many visitors who use the airport are tourists or business travelers, making parking fees a logical and minimally burdensome cost of travel.
- Keeping the airport financially stable through self-generated revenue ensures uninterrupted service for residents and visitors ensuring critical infrastructure continues to be available for medical or emergency needs.

Fiscal Note:

Operations at Sitka Rocky Gutierrez Airport Terminal are primarily funded through terminal lease revenues and the Driver Facility Charge established under SGC 4.85. Passenger Facility Charges (PFC's) are restricted for the repayment of airport bond debt and will continue to be collected through 2032.

Operating costs have increased as the airport terminal building has expanded, while terminal lease revenue has been adversely affected by Delta Airlines' discontinuation of service to Sitka.

The airport terminal is currently projected to operate in a deficit going forward if measures are not taken to generate additional revenue from airport users. Increases in the terminal operating expenses, capital expenses and maintenance could result in the need for subsidization from the General Fund.

Current Revenue:

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

Terminal Revenue	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Driver Facility Charge	56,518	26,766	53,136	72,077	66,265	91,618
Terminal Leases	424,722	459,909	417,142	428,698	428,808	412,359
Total Terminal Revenue	481,240	486,674	470,278	500,775	495,073	503,977

Expenses:

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

Description	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Personnel	-	-	-	-	71,643.11	127,445.40
Utilities	90,548.12	90,498.65	96,994.70	110,310.08	108,503.50	117,620.25
Heating Fuel	17,031.41	18,968.62	36,518.76	37,571.16	25,562.05	33,059.72
Telephone	4,445.12	4,259.34	4,234.02	4,226.45	3,860.81	1,448.87
Insurance	11,210.02	15,897.55	16,615.40	18,761.23	28,133.02	28,657.68
Supplies	-	-	850.48	-	111.23	2,567.32
Bldg Repair & Maintenance	68,938.42	68,244.00	74,562.96	74,430.24	86,919.60	113,892.96
IT Fees	-	-	-	-	17,322.00	20,084.04
Contracted Services	82,005.61	80,797.83	81,782.04	87,502.86	92,435.97	111,361.51
Interdepartmental Svcs	111,013.06	95,374.66	87,756.32	95,435.93	110,338.88	118,905.71
Advertising	-	-	-	494.00	845.35	-
Rent - Equipment	11,202.93	16,025.68	(4,874.19)	881.94	2,493.51	17,498.90
Credit Card Expense	891.75	1,569.63	2,042.06	1,566.00	2,244.82	1,277.48
Total Operating Expenses	397,286.44	391,635.96	396,482.55	431,179.89	550,413.85	693,819.84

Maintenance Schedule:

The long-term sustainability and integrity of the airport terminal also include capital improvements separate from the ongoing improvement project. These regular investments ensure continued operations that may not be covered by future grants. It includes major repairs and refurbishments such as HVAC replacement, roof replacement, window replacement, interior and exterior finishes refurbishment, flooring replacement, and other essential equipment and systems, such as TSA or communication equipment. The table below outlines a cost estimate and schedule for these capital improvements.

Equipment	Maintenance Schedule	Cost
HVAC Replacement	12 - 20 years	\$100,000
Roof Replacement	5 - 10 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	TBD	

Operating Short Fall:

The airport terminal is expected to experience a shortfall in the coming years due to the increase in operating costs caused by the terminal's expansion through the improvement project. The anticipated annual shortfall is estimated to be between \$400,000 and \$500,000 by 2032.

The following is a summary of the anticipated increases in operating expenses:

Anticipated Operating Expenses Increases	
Janitorial (New contract 9/1/25)	\$ 150,000.00
Debt Service (2032)	\$ 170,000.00
Utilities (9/3/25)	\$ 150,000.00
Additional Lease Parcel P (2026)	\$ 24,114.56
Interdepartmental Services (2026)	\$ 10,000.00
Total	\$ 504,114.56

Generating Additional Revenue through Airport Operations:

Potential additional sources of revenue are as follows:

1. Paid Parking
 - a. Will require coordination between CBS and ADOT
2. Lease Space at the Terminal.
3. Commercial Vehicle Permits
4. TSA Reimbursable Agreement Program (Pilot program authorized under FY25 appropriation)
5. Passenger Security Fee per passenger

Of these potential revenue streams, paid parking has the highest potential to meet the shortfall and make the airport self-sustaining.

Paid Parking Business Case:

Overview

Sitka Rocky Gutierrez Airport introduces a paid parking system for short-term and long-term parking by leasing parcel P from the State. The system would use a Parking App for mobile payments and validations.



The following CBS estimate details what a potential paid parking fee structure could generate at the airport terminal based on different rates/capacities used, as detailed in the November 8, 2023, Assembly Memo, Sitka Airport Lease terms and Renewal Analysis:

Short Term Partking Revenue				
Spaces Available	145			
Occupancy Rate	25%	50%	75%	100%
Price Per Hour				
\$ 0.50	\$ 158,775	\$ 317,550	\$ 476,325	\$ 635,100
\$ 1.00	\$ 317,550	\$ 635,100	\$ 952,650	\$1,270,200
\$ 2.00	\$ 635,100	\$1,270,200	\$1,905,300	\$2,540,400
\$ 3.00	\$ 952,650	\$1,905,300	\$2,857,950	\$3,810,600
\$ 4.00	\$1,270,200	\$2,540,400	\$3,810,600	\$5,080,800
Long Term Partking Revenue				
Spaces Available	68			
Occupancy Rate	25%	50%	75%	100%
Price Per Day				
\$3	\$18,615	\$37,230	\$55,845	\$74,460
\$4	\$24,820	\$49,640	\$74,460	\$99,280
\$5	\$31,025	\$62,050	\$93,075	\$124,100
\$6	\$37,230	\$74,460	\$111,690	\$148,920
\$7	\$43,435	\$86,870	\$130,305	\$173,740
\$8	\$49,640	\$99,280	\$148,920	\$198,560

A separate analysis was performed by the DOT&PF when an [RFP](#) was publicized in 2022. Bid documents are archived [here](#).

It should be understood by the Assembly and community that parking at the airport is considered an unutilized revenue stream by the DOT&PF. While they have not been successful in their RFP process in finding a paid parking operator, they would most likely continue to seek an operator to manage parking at the airport.

The rate structure would be entirely at the discretion of this concessionaire, and the revenue generated would be captured by this concessionaire. Concession fees for paid parking, implemented through the State, would be remitted to the State of Alaska instead of being retained locally in Sitka.

SITKA AIRPORT PARKING LOT REVENUE EXAMPLES

CITY & BOROUGH OF SITKA AIRPORT COSTS SHORTFALL: \$470,423

Short Term Parking Revenue

Spaces Currently Available: **136 *** for 6 hours per day on average

OCCUPANCY RATES				
\$ Per Hour	25%	50%	75%	100%
\$0.50	\$ 37,230	\$ 74,460	\$ 111,690	\$ 148,920
\$1.00	\$ 74,460	\$ 148,920	\$ 223,380	\$ 297,840
\$1.50	\$ 111,690	\$ 223,380	\$ 335,070	\$ 446,760
\$2.00	\$ 148,920	\$ 297,840	\$ 446,760	\$ 595,680
\$2.50	\$ 186,150	\$ 372,300	\$ 558,450	\$ 744,600
\$3.00	\$ 223,380	\$ 446,760	\$ 670,140	\$ 893,520

Long Term Parking Revenue

Spaces Currently Available: **68 *** for 24 hours per day on average

OCCUPANCY RATES				
\$ Per Day	25%	50%	75%	100%
\$3.00	\$ 18,615	\$ 37,230	\$ 55,845	\$ 74,460
\$4.00	\$ 24,820	\$ 49,640	\$ 74,460	\$ 99,280
\$5.00	\$ 31,025	\$ 62,050	\$ 93,075	\$ 124,100
\$6.00	\$ 37,230	\$ 74,460	\$ 111,690	\$ 148,920
\$7.00	\$ 43,435	\$ 86,870	\$ 130,305	\$ 173,740
\$8.00	\$ 49,640	\$ 99,280	\$ 148,920	\$ 198,560

* The current split of parking spaces between short term and long term parking is completely negotiable. With Permitter's approval, a successful Permittee will have the flexibility to divide the parking spaces between short and long term as they deem feasible.

Total Estimated Revenue

At 50% Occupancy Short Term & 75% Occupancy Long Term

\$1 per hour/\$5 per day	\$241,995	\$2 per hour/\$5 per day	\$390,915
\$1 per hour/\$6 per day	\$260,610	\$2 per hour/\$6 per day	\$409,530
\$1 per hour/\$7 per day	\$279,225	\$2 per hour/\$7 per day	\$428,145
\$1 per hour/\$8 per day	\$297,840	\$2 per hour/\$8 per day	\$446,760
\$1.50 per hour/\$5 per day	\$316,455	\$2.50 per hour/\$5 per day	\$465,375
\$1.50 per hour/\$6 per day	\$335,070	\$2.50 per hour/\$6 per day	\$483,990
\$1.50 per hour/\$7 per day	\$353,685	\$2.50 per hour/\$7 per day	\$502,605
\$1.50 per hour/\$8 per day	\$372,300	\$2.50 per hour/\$8 per day	\$521,220

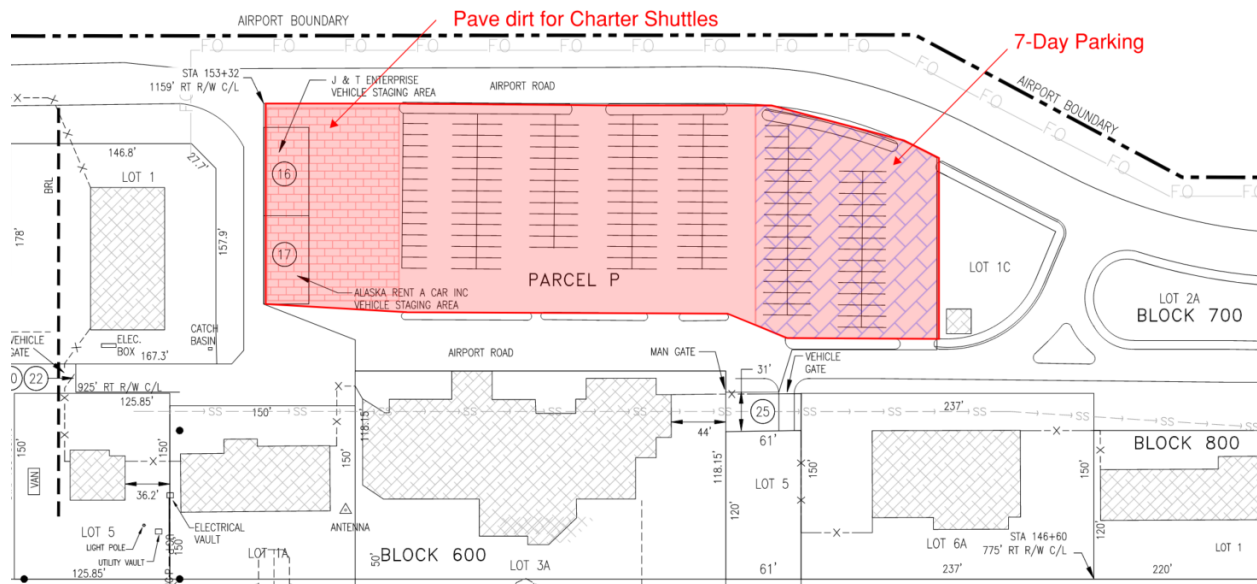
Paid Parking Infrastructure Improvements:

Infrastructure improvements constructed to implement paid parking at the airport include two options: Option one details a minimal investment by CBS to bring the system online. Option two represents a more substantial investment in infrastructure to improve the user experience.

Paid Parking			
Option 1		Option 2	
Striping	\$ 5,000	Striping	\$ 5,000
Snow Removal	\$ 10,000	Snow Removal	\$ 10,000
Sand	\$ 5,000	Sand	\$ 5,000
Enforcement	\$ 15,000	Enforcement	\$ 30,000
Tow Abandoned Vehicles	\$ 2,000	Tow Abandoned Vehicles	\$ 2,000
Interdepartment Services	\$ 15,000	Interdepartment Services	\$ 20,000
Ice Melt	\$ 1,000	Ice Melt	\$ 1,000
LPR Cameras	\$ 20,000	LPR Cameras	\$ 65,000
Software	\$ 10,000	Software	\$ 20,000
Signage	\$ 5,000	Signage	\$ 5,000
Insurance	\$ 5,000	Insurance	\$ 10,000
		Pave Shuttle Parking	\$ 150,000
		Lift Gates	\$ 40,000
		Ticket Kiosks	\$ 15,000
		Barriers	\$ 5,000
		Lighting	\$ 10,000
Totals:	\$ 93,000		\$ 393,000

Leasing Parcel P from the State:

The leasing of parcel P from the State would enable CBS to implement paid parking. The cost of leasing this property, including 111,127 square feet, would be approximately \$24,114.56 annually. The lease would be for a 10-year period, to expire in 2035.



Risk Assessment:

Economic and Market Demand Risk

Alaska Airlines has a long history as a sublessor and poses minimal risk of vacating the airport. Recent capital upgrades to the 737 hardstand at aircraft parking position #1, along with the

installation of a new jet bridge, demonstrate the airline's long-term commitment to operations in Sitka.

Rising costs of concessions, which impose a percentage fee on sales, will necessitate a pass-through expense to consumers, increasing the cost of goods and services, while the cost of goods increases due to tariffs. This places significant pressure on concessionaires.

Paid Parking Challenges and Mitigations

Paid parking offers CBS a flexible mechanism to supplement revenue, matching the need created by the improvement project. Prices could be adjusted up or down depending on the surplus or deficit of the airport enterprise fund. Paid parking should be evaluated through a trial period to assess fluctuations in airport expenses and then determine if alternative revenue streams should be implemented. Paid parking may not generate enough revenue to solve the budget shortfall alone, necessitating implementation of alternate revenue streams.

- **Cost:** Airport infrastructure may be expensive for a small airport. While the initial setup for Paid Parking's contracting, signage, lot mapping, and infrastructure may be minimal (< \$ 100,000), planning and implementation should be carefully considered to utilize internal staff time efficiently.
Mitigation: Minimize physical infrastructure improvements at the onset.
- **User Adoption:** Some customers may not use apps or refuse to pay.
Mitigation: Provide clear signage, kiosk options, and enforcement through the LPR camera system.
- **Technical Issues:** App or gate malfunctions could frustrate users.
Mitigation: Train staff in troubleshooting and offer a helpline.
- **Validation Abuse:** Customers might request vouchers without qualifying.
Mitigation: The Nugget verifies spend thresholds before issuing codes.
- **Pilot Program:** A trial to assess user adoption and revenue.
- **Code Compliance:** A separate ordinance would likely need to be passed by the assembly to enable the airport to mail tickets to individuals who have neglected to pay for parking.

Recommendation:

It is my recommendation that the Assembly review the findings of the financial analysis and risk assessment to provide guidance to the Municipal Administrator on whether to implement paid parking at the Airport Terminal building. We are requesting Assembly direction on how to make the airport self-sustaining and to continue to meet CBS's obligations of grant match funds, debt obligation, and operating costs as terminal operations continue through the Airport Improvement Project's Phase 2, and ensure that the terminal will be adequately funded without support from the general fund.

If the Assembly determines that Paid Parking is the most appropriate revenue stream to achieve sustainability, it is our recommendation that the Assembly authorize the administrator to lease Parcel P from the State for the purpose of implementing Paid Parking at the Sitka Airport Terminal.