

# City and Borough of Sitka


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*Coast Guard City, USA*

## MEMORANDUM

**To:** Mayor Eisenbeisz and Assembly Members

**Thru:** John Leach, Municipal Administrator 

**From:** Michael Harmon, Public Works Director 

**Date:** March 17, 2021

**Subject:** Rocky Gutierrez Airport Terminal (SIT) Improvements Project Update for Discussion/Direction

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### Background

There are critical deficiencies at the Rocky Gutierrez Airport (SIT) Terminal that were identified in the 2005 and 2011 Master Planning Studies. The final conclusion of the 2011 study were twofold:

- Short term- correct the most critical terminal deficiencies.
- Long term- develop a long-term financial plan in order to construct a new 35,000 square foot terminal at the Sitka Rocky Gutierrez Airport, which has proven impracticable.

The terminal is congested, there are conflicts between arriving and departing passengers, luggage, and fish boxes. There are problems in the Transportation Security Administration (TSA) baggage screening area and outbound baggage handling area. The passenger departure lounge is too small and often too warm. In 2014 a Baggage Screening Study was undertaken. Then in 2015 Delta Airlines started service to Sitka, which contributed to the congestion in the terminal and the difficulties for the TSA Baggage Screening operations. In 2016 the CBS received a design grant from TSA for the Baggage Screening Area.

Stakeholder representatives from TSA, Alaska Airlines, Delta Airlines, Terminal Vendors, CBS Staff, and the Design Consultants met at the SIT Terminal for the project kick-off meeting. The Stakeholders voiced a collective desire that the project address other existing terminal critical deficiencies besides the TSA Baggage Screening Area. Since the TSA Baggage Screening Area is in the middle of the terminal and altering its shape and/or size would impact the adjacent terminal areas, it became evident that over-all planning was required and that a conceptual plan (15% diagrammatic design) needed to be developed that addressed the critical deficiencies for the full terminal before design for the baggage screening continued so the future terminal improvements would be integrated.

In 2017, conceptual design options were developed and were reviewed with stakeholders. One option was chosen as the preferred option. The 15% design concept was presented at a public meeting July 20, 2017 for public review and comment and then to the Assembly August 8, 2017, where overall support was received for the preferred concept plan.

The Assembly approved moving the project forward as planned by the project team to the 35% schematic design and then to the 65% design development milestones, during which time, the team would continue to develop a project funding plan. The budget appropriation, ORD 2017-29S appropriating remaining Passenger Facility Charges (PFC) collected prior to 2018 to the project was approved on second and final reading 9/12/2017.

The Airlines sent letters to CBS supporting the collection of PFC to help fund the terminal improvements. In March 2017 the Assembly approved preparation of a new application to collect PFC. The Federal Aviation Administration (FAA) and Alaska Department of Transportation-PF (ADOT) determined the proposed improvements would increase *Airport Capacity, Safety, and Security* and approved the PFC application March 27, 2018. Collection of PFCs began May 1, 2018. In July 2018 the Assembly approved a \$4.025 million Revenue Bond Funded by PFC.

The preferred concept was developed to the 35% schematic design milestone and in August 2018, it was submitted to ADOT with a request for AIP Grant Funding. \$7 million in project funding was included in the ADOT FFY'23 AIP Expected Spending Plan. It was also included as an FFY'22 AIP Contingency project, for consideration in the event that currently unexpected funding becomes available in FFY'22.

The Baggage Screening 35% schematic design was submitted to TSA for review and approval in November 2018. It was still under TSA review when the Federal Government Shut Down occurred December 2018. This instigated a significant project delay which lasted through 2019 and caused additional design costs to the project.

In 2020 we received TSA's conditional approval of the Baggage Screening 35% schematic design and additional grant funding to pay for the additional design costs incurred. It is anticipated that the TSA Baggage Screening portion of the project will receive a TSA construction grant.

### **Analysis**

The SIT Terminal Improvements Project is a complicated project, made more complicated by the fact the SIT Terminal must remain in operation during construction of the improvements. This will require a phased construction approach. It is typically easier to secure a funding shortfall for a 'shovel ready' project, especially for Aviation/Transportation projects.

There are funding restrictions for the different funding types. We anticipate receiving grant funds in Federal FY'22 & FY'23, which also supports a phased construction approach. The \$4 million Revenue Bond provides funding leverage for the full project. There are fewer use restrictions on this funding than on the anticipated grant funding. Most importantly, it can be used for the required 6.25% local match for an AIP Grant.

### **Fiscal Note**

#### **Secured Funding:**

Revenue Bond funded with new PFCs	\$4,045,000
TSA Design Grant for Baggage Screening	\$245,386
Accrued PFCs prior to May 2018, etc.	<u>\$264,468</u>
<b>Sub-total</b>	<b>\$4,554,854</b>



**Anticipated Grant Funding:**

TSA Baggage Screening Construction Grant	\$3,271,076	Federal FY22
FAA/ADOT Aviation AIP Grant	<u>\$7,000,000</u>	Federal FY23
<b>Sub-total</b>	<b>\$10,271,076</b>	

**Total Secured and Anticipated Funding** **\$14,825,930**

**Estimated Project Cost** **\$18,278,965**

Predicted Funding Shortfall **\$3,453,035**

Given current revenue streams in the Airport Fund as well as the impact of the pandemic on the fund, additional bonding is not an option to fill the shortfall. In addition, the delay in securing additional funding for the project has meant that expenditure of bond proceeds on the project has been delayed, which could result in tax audit implications for the existing bond proceeds, as bond proceeds ideally should be expended within 3 years (bond proceeds were received in December 2018).

**Recommendation**

Design the full SIT Terminal Improvements Project, continue to seek funding, and get the contractor on the project team as soon as possible to help develop construction phasing, project costs, and funding plan. Proceed with phased construction approach as funding is secured.