





CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Amy Ainslie, Acting Public Works Director 

Date: October 15, 2024

Subject: Rocky Gutierrez Airport Terminal (SIT) Improvements Project – Request for FAA Grant and Supplemental Appropriation

Background

The Rocky Gutierrez Airport Terminal Improvements project stemmed from Master Plans completed in both 2005 and 2011 which identified critical deficiencies in the terminal building. 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. 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.

Phase 1 of the project, with sub phases A and B, includes construction of a 2-story addition on the southeast side of the terminal to house new passenger screening and passenger gate lounges with an up escalator, an elevator, restrooms, and a concessions area. This phase also includes the demolition of the existing Bag-Makeup and Passenger Ramp to be replaced with a two-story addition housing an enlarged bag makeup room with a passenger boarding bridge above and a ramp connecting deplaning passengers to the bag claim area. Phase 1 is fully funded through FAA Airport Improvement Program's Bipartisan Infrastructure Law (BIL) and BIL Airport Terminal Program (ATP) grants. Phase 1 is currently under construction and is anticipated to be complete June 2025.

Phase 2 involves interior remodeling of the existing terminal to improve passenger flow, TSA baggage screening and expand the baggage claim belt and area. This phase also includes improvements on the curb side of the terminal with new entrances/exits for arrivals and departures and a new curbside canopy along the length of the building.

New interior finishes and building systems will tie the remodeled building into the additions. The design is complete and building permits have been applied for. Construction is scheduled to begin July 2025.

The project is currently preparing to pursue the grant funding needed for Phase 2 construction.

Analysis

The project approach has evolved with collaboration from the Construction Manager At Risk (CMAR) Contractor that was added to the team in summer 2022. The Contractor has applied value engineering principles and constructability efficiencies to the design, allowing the work to be completed while the terminal remains fully operational.

Phase 2 design is complete, and the CMAR has finalized their guaranteed maximum price (GMP) for construction. The GMP was verified and negotiated with CBS and a third-party estimator. With this GMP, the project budget has been finalized, bringing the total estimated cost of the project to approximately \$56M.

The construction industry has seen significant market volatilities in both material costs and availability since the project's original cost estimates in 2018. The Covid-19 pandemic also had cost increasing effects on labor and transportation, especially in Alaska. When the approximately \$47M estimate was provided to the Assembly last year, the basis of the estimate included up-to-date estimates for Phase 1 plus the 2018 estimate for Phase 2 with some inflation adjustments; the total project cost is now reflective of finalized design and estimating.

CBS is seeking to apply for the final grant for the project to cover Phase 2 construction. Accounting for the previously approved grants, an additional \$9 million in contingent grant funding is needed. Additionally, a supplemental appropriation of \$300,000 in working capital is needed to cover grant ineligible scope, including furniture for the new terminal (estimated at \$180K) and the existing, renovated terminal (estimated at \$100K).

CBS is also seeking other funding to cover approximately \$140K in eligible costs incurred before November 15, 2021 (which are currently ineligible under our existing BIL/ATP grants).

Fiscal Note

Phase 1 construction is fully funded. This requested additional contingent grant amount and working capital will cover the remaining project costs to completion.

The grants secured and being pursued cover 93.75% to 95% of all costs. This equates to at most \$6,250 of local funds required as match for every \$100,000 of project costs.

Approved funding (authorized and contingent):	\$46,739,414
Requested contingent grant amount:	\$ 9,000,000
<u>Requested working capital:</u>	<u>\$ 300,000</u>
Total funding:	\$56,039,414

The costs associated with work prior to November 15, 2021, are eligible for a grant from a different source; CBS is actively pursuing this avenue. The grant would have a local match of 6.25%. Should this grant be approved, working capital would be returned to the Airport Fund upon completion of the project.

Authorization of the contingent grant amount also constitutes assembly approval to apply for and execute any grants for the project—with the added \$9,000,000, not exceed total grant funding of \$51,474,947.

Recommendation

Approve the supplemental appropriation authorizing the CBS Municipal Administrator to apply for and execute additional grant funding up to \$9 million for the final phase of construction and provide \$300,000 in working capital to support the Rocky Gutierrez Airport Terminal Improvements project.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2024-24
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA MAKING SUPPLEMENTAL
APPROPRIATIONS FOR FISCAL YEAR 2025
(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 FY2025.

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, 2024 and ending June 30, 2025.

Table with 1 column and 4 rows. Row 1: FISCAL YEAR 2025 EXPENDITURE BUDGETS. Row 2: GENERAL FUND. Row 3: Fund 760- Sitka Airport Terminal Improvements Project #90835: Increase the amount of funding by \$9,000,000 in contingent grant funding and \$300,000 funded from working capital from the Airport Fund. Row 4: (Empty)

EXPLANATION

Final cost estimates on phase 2 of the SIT Airport Terminal project have been finalized. To complete both the addition to the terminal (phase 1) and renovation of the existing terminal (phase 2), and to purchase furniture and fixtures (not covered by the grant funding) An additional \$9,000,000 in federal grant funding as well as \$300,000 in working capital from the Airport 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 12th day of November 2024.

ATTEST:

Steven Eisenbeisz, Mayor

Jessica Earnshaw, CMC
Acting Municipal Clerk

1st reading: 10/22/24
2nd and final reading: 11/12/24

Sponsor: Administrator