

## **POSSIBLE MOTION**

**I MOVE TO** authorize the application for new Passenger Facilities Charges to fund the Sitka Rocky Gutierrez Airport terminal improvements.

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**MEMORANDUM**

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**To:** Mayor Hunter and Members of the Assembly  
Mark Gorman, Municipal Administrator

**From:** Michael Harmon, P.E., Public Works Director *MH*  
Dan Tadic, P.E., Municipal Engineer *DT*  
Jay Sweeney, Chief Finance and Administrative Officer *J*  
Kelli Cropper, MPM, Project Manager *KC*

**Reviewed:** Tori Fleming, Contract Coordinator *TF*

**Date:** March 6, 2017

**Subject:** Sitka Rocky Gutierrez (SIT) Airport Terminal Improvements - Project No. 90736  
'New Passenger Facilities Charges (PFC) to Fund Improvements'

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**Background:**

The State of Alaska owns and operates the existing SIT Airport. However, the terminal building is owned and operated by the City of Sitka. The existing terminal building has been renovated and expanded many times since its original construction predating 1967. The Terminal Building is the subject of the 2005 Airport Terminal Masterplan, *'Terminal Siting Options'*, and the follow up 2008-2011 *Terminal Master Plan*. Both documents detail the many deficiencies inherent in the current building that impact safety, security, operations, transportation and potentially commerce including; *Passenger Circulation Conflicts; Passenger Queuing Conflicts; Constrained Departure Lounge without Restrooms; Constrained TSA Passenger Screening Area; Constrained Outbound Baggage Makeup Area and Inadequate TSA Baggage Screening Area; Inadequate Fish Box Handling, and Screening; and Limited Terminal Expansion Potential.*

Restrooms have since been added to the Departure Lounge, which further reduced its size, as well as the size of the baggage area near the passenger baggage belt. However, many deficiencies have not yet been addressed. Local businesses and the airlines have voiced support for terminal improvements to enhance passenger flow and airport operations.

CBS awarded a contract to McCool Carlson Green Architects (MCG) in October 2013 for the preliminary design of terminal improvements to address and resolve existing terminal deficiencies with a focus on passenger flow and baggage issues. TSA recently entered into a grant with the City to design new TSA Baggage Belts and Screening equipment. This equipment and its clearances will require a larger TSA secure area, which will impact other areas in the terminal exacerbating some of the deficiencies.

Passenger Facility Charges (PFC) funds are identified in the Terminal Master Plan as a funding source for terminal improvements. Currently, PFC funds are not being collected for the SIT Terminal.

**Analysis:**

PFCs collected from ticketed passengers flying into or out of an airport (enplanements), and are a secure standard way of funding necessary airport improvements at individual airports. The PFC cost to passengers at the SIT Airport would be \$4.50 per enplanement. Collection of PFC funds must be approved by the FAA and supported by the Airlines. Both Alaska Airlines and Delta Airlines have submitted letters supporting CBS proceeding with the PFC Application process.

The PFC application process can be a long one and CBS would benefit from starting it as soon as possible. PFC funds cannot be collected until the application is complete and approved by all parties.

The next steps would entail, preparing a preliminary financial plan and developing the concept plan options based on the budget. These preliminary/concept plans with a preliminary project schedule would then be presented to the Assembly for approval in order to move forward with the project.

We estimate these steps can be completed within 3 months and will cost approximately \$37,000 of the existing remaining budgeted project funds. This amount includes fees for preparing the PFC application and reimbursable travel expense for the Consultants travel to Sitka, as well as design and financial planning fees.

**Fiscal Note:**

Based on Airline data for the number of enplanements (passengers in and out of Sitka) the annual PFC collection will equal approximately \$330,000.00. PFCs will generate a continuous external revenue stream which could serve as the source for debt service payments for terminal design and construction improvements. The estimated amount of annual PFCs could support project financing of approximately four million dollars.

Staff believes that applying to collect PFCs to finance improvements to the SIT Airport Terminal is a prudent method in which to finance the needed improvements.

**Recommendation:**

**Approve CBS application for new PFC's to fund SIT Terminal improvements.**



February 6, 2017

Ms. Kelli Cropper, MPM  
Project Manager  
City and Borough of Sitka  
100 Lincoln St.  
Sitka, AK 99835

RE: Support for PFC funding

Dear Kelli,

Please consider this Alaska Airlines' letter of support to move forward with an analysis and estimates for funding capacity available using Passenger Facility Charges (PFCs) for terminal improvements at Sitka Rocky Gutierrez (SIT) Airport. The funding will be used in conjunction with the TSA funded Baggage Handling System (BHS) project to pay for improvements to baggage throughput, passenger flows, and baggage make-up area expansions not eligible under the federal TSA grant.

Mike Kruse and I will work with your team and Delta Air Lines on the PFC application process and the development of the needs assessment and project description for submission to the FAA. We are also committed to moving through the PFC approval process expeditiously in order to meet the TSA grant timeline and preserve the funding for the BHS project.

We look forward to a continued strong business relationship with your team and the City and Borough of Sitka. Alaska Airlines remains committed to providing high quality air service for the residents and visitors of Sitka.

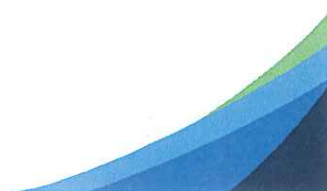
Sincerely,

ALASKA AIRLINES, INC.

A handwritten signature in black ink that reads "Kathy Smith".

Kathy Smith  
Director State of Alaska Airport Real Estate

Cc: Mike Kruse, Manager State of Alaska Airport Real Estate  
Mandy Odenheimer, Customer Service Manager  
Bridget Thompson, Regional Manager, Station Operations





**Sonja Reeves**  
Regional Director  
Corporate Real Estate  
Delta Air Lines, Inc.  
1030 Delta Blvd., Dept. 877  
Atlanta, GA 30354  
(404) 773-3042 (O)  
(404) 677-7000 (F)  
(678) 428-9805 (C)

February 6, 2017

Ms. Kelli Cropper, MPM  
Project Manager  
City and Borough of Sitka  
100 Lincoln Street  
Sitka, AK 99835

**SUBJECT:** Support for PFC Funding

Dear Kelli,

Delta Air Lines supports an analysis and estimate for funding capacity available using Passenger Facility Charges (PFCs) for terminal improvements at Sitka Rocky Gutierrez (SIT) Airport. The funding will be used in conjunction with the TSA funded Baggage Handling System (BHS) project to pay for much needed improvements to baggage throughput, passenger flows and baggage make up area expansions not eligible under the federal TSA grant. Due to the current constraints of the baggage make up area, Delta has limited access to this area for staging passenger bags. Expansion of this area would allow for joint use and provide for a more efficient operation which better meets the needs of the residents and visitors of Sitka.

Delta Air Lines will work with Alaska Airlines on the PFC application process and the development of the needs assessment and project description for submission to the FAA. We are also committed to moving through the PFC approval process expeditiously in order to meet the TSA grant timeline and preserve the funding for the BHS project.

We look forward to a continued relationship with your team and the City and Borough of Sitka.

Sincerely,



Sonja Reeves