



TO: Loren Jones, Chair, Assembly Finance Committee

FROM: Patty Wahto, Airport Manager

DATE: April 10, 2020

RE: COVID-19 Impacts to Airport Revenue

The Airport Board (Board) approved budgets for FY20 Projected, and FY21/FY22 Proposed. The impact of COVID-19 has not been factored into the presented budgets. The full impact of COVID-19 may not be known for years.

**FY20/21/22 Budget Overview:**

At a special March 19, 2020, Airport Board meeting, the Board approved the use of \$290,200 of Airport Fund Balance (AFB) to balance FY20. The Board also approved use of \$522,800 of AFB for FY21 Proposed, and \$6,600 of AFB for FY22 Proposed, while raising fees (Airport Rates & Fees Regulation) for FY22.

AFB has an available (unrestricted) balance of \$1.9M plus an additional 3-month operating reserve<sup>1</sup> currently at \$1.9M (\$3.8M total AFB funds). As presented, FY20/21/22 proposes using a total of \$819,600 of AFB, leaving \$1.09M unrestricted AFB, plus the \$1.9M in operating reserve.

**COVID-19 Impacts:**

The Airport has been working with FAA, TSA, airlines and airport professional/advocacy groups to assess operational impacts and revenue losses. Revenue impacts are expected to both the operational budgets as well as capital budgets (airport improvement program funds).

Operationally, staff has assessed each 'variable' revenue (contracts based on a percentage of revenue/sales; revenues based on number of passenger, number of landings or amount of fuel, etc.), and has estimated the anticipated loss based on historical as well as proposed revenues. Set revenues (rents based on lease space, minimum guarantees, etc) are still expected as outlined in lease/contracts, without a loss/decrease.<sup>2</sup>

Airport Staff took a 'crystal ball' look at how variable revenues may be impacted currently (FY20), as well as future (FY21). Revenue losses are expected to range from a 95% decrease (now), to a 25% decrease in anticipated revenues by the middle of FY21 and beyond. The table, below, summarizes the expected (*guesstimated*) losses to FY20 (down \$1.32M) and FY21 (down \$2.44M). As of April 10, airline passenger numbers and variable operating revenue were down 95% in April. March numbers were normal in the first half of the month, but decrease by the end of March. Passenger numbers and revenues are expected to rebound somewhat over the next few months. The losses presented in table are in addition to the Board approved budget shortages mentioned above.

<sup>1</sup> The 3-month operating reserve is based on the current year expenses. The reserve will equate to \$2.02M by FY22.

<sup>2</sup> Per FAA grant assurances, FAA has made it clear that airports may not waive rents/fees, but may defer (without interest) through December 2020, at this time.

		<b>JNU Anticipated Revenue Losses</b>			
<b>Revenue Type</b>	<b>Revenue</b>	<b>FY20 Projected</b>	<b>FY 20 projected rev loss</b>	<b>FY 21 Proposed</b>	<b>FY21 projected rev loss</b>
<b>Landing Fees</b>	Landing Fees	2,292,500	(461,500)	2,371,400	(1,114,800)
<b>FFF</b>	FFF	1,004,700	(371,800)	1,039,100	(462,700)
<b>Secur/User Fees</b>		677,800		693,200	
	Secuirty Fees	500,000	(146,300)	500,000	(210,900)
	Uber/Lyft	17,800	(6,000)	17,800	(10,100)
	misc		(11,000)		(20,000)
<b>Rentals</b>		2,805,000		2,775,300	
	Rental Car %	450,000	(87,900)	450,000	(221,300)
	Vending	30,000	(7,900)	30,000	(13,900)
	Restaurant/Bar	120,000	(20,700)	120,000	(49,900)
	REEF Parking Lot	460,000	(202,000)	460,000	(315,700)
	Gift Shop	24,800		14,100	
<b>State/Fed Rev</b>		254,700		200,400	
	St Aviat Fuel Tax	44,000	(8,000)	44,000	(20,000)
<b>Total Anticipated Loss</b>			<b>(1,323,100)</b>		<b>(2,439,300)</b>

### Capital Improvement (CIP):

JNU Airport has two major projects underway: \$27.1M Taxiway project (\$25.4M FAA grant, \$1.7M PFCs) funds appropriated in 2019; and the \$24.7M Terminal project (\$5.9M GO Bond, \$1.1M local AFB/Sales Tax, and \$17.7M Airport Revenue Bonds) funds appropriated in 2019. The Airport revenue bonds are scheduled for reimbursement from an \$11.8M multi-year FAA Airport Improvement Project (AIP) Entitlement grant (FY20-23), and \$5.9M Passenger Facility Charge (PFC) multi-year collections (FY19-26).

JNU Airport's FFY20 AIP grant<sup>3</sup> is not anticipated to be impacted, but subsequent years (FFY21-23) may be short of the \$2.96M/annual estimate. JNU Airport FY20 PFCs are anticipated to be short of the \$1M/annual collections by an estimated -\$215,000. PFCs for FY21 are estimated to be short -\$430,000 of the annual collections. Based on decreased enplanements, PFC collections may take an extra 1-1/2 to 2 years to collect.

### Summary/Funding Shortage Stopgap:

The Airport is prepared to use the remaining \$1.09M AFB and \$1.9M operating reserves, outlined above, as a stopgap for FY20/FY21 operating budgets, however a shortfall of -\$772,000 is still anticipated. FY22 budget will be readdressed next year for expense cuts/increased fees. FY20 Terminal CIP would require \$215,000 to cover the immediate, anticipated PFC shortages. PFC collections would continue, but take longer to collect for the project. JNU's multi-year FAA AIP grant for the terminal project may require an extra grant year as well.

In March, Congress approved the third coronavirus bill (CV3) which includes \$10b in economic relief to airports nationwide as a part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. At least two of the four pots of FAA 'airport' money would potentially give relief to JNU Airport: general funding for commercial airports; and funding for FFY20 AIP with 100% matching funds (no local match requirements).

The first pot of funding may be used for any lawful airport purpose including, but not limited to, airport operations (due to revenue losses) or CIP funding/match. The second pot could provide additional funding for current CIP projects (terminal reconstruction project) as well as 100% of the grant match. The FAA has cautioned airports against making any assumptions on available funds until there is more clarity from FAA HQ; expected within the next couple weeks. JNU will inform the Assembly as soon as FAA releases funding information.

<sup>3</sup> AIP Entitlement grants are based on airport enplanements and paid through the collection of airline fees/taxes (federal). Funding and basis for FAA grants is from the prior year's data (currently 2018).