

**State of Alaska
FY2008 Governor's Operating Budget**

**Department of Transportation/Public Facilities
Fairbanks International Airport
Results Delivery Unit Budget Summary**

Fairbanks International Airport Results Delivery Unit

Contribution to Department's Mission

Provide for the movement of people and goods at Fairbanks International Airport.

Core Services

- Administration including airport planning, marketing, operating and capital budget development, leasing, finance, engineering, environmental and Occupational Safety and Health Administration (OSHA) management, hazardous materials handling and disposal, and information technology support.
- Building maintenance and repair services including the airport terminal and other state owned or managed buildings, exterior electrical systems for airfield lighting, aircraft and vehicle parking areas.
- Maintenance and repair of paved and unpaved airside and landside surfaces, signage, security fencing/gates, state-owned heavy equipment; snow removal and ice control, vegetation and dust control.
- Airport operations duties including daily inspections and surface friction reports, Notices to Airmen (NOTAM), 24 hour central dispatch radio communications, maintenance of the Airport's Federal Aviation Administration (FAA) Certification Manual and Safety Manual, airfield safety training, and assistance to tenants and construction personnel on the airfield.
- Aircraft rescue, fire fighting, and required federal/state airport security response capability.

End Results	Strategies to Achieve Results
<p>A: Ensure safe operations on the airport.</p> <p><u>Target #1:</u> Reduce occupational injury and illness incidence rate to less than the national rate for airports. <u>Measure #1:</u> Fairbanks International Airport (FAI) occupational injury and illness incidence rate compared to the national incidence rate for airports.</p> <p><u>Target #2:</u> Reduce employee lost time to zero. <u>Measure #2:</u> Number of hours of employee lost time due to work-related injuries.</p> <p><u>Target #3:</u> Reduce public property damage and injuries to zero. <u>Measure #3:</u> Number of third party property damage and injury claims paid annually</p>	<p>A1: Maximize the safety and security of the traveling public.</p> <p><u>Target #1:</u> Zero major discrepancies on annual Part 139 inspections. <u>Measure #1:</u> Number of Part 139 inspection discrepancies.</p> <p><u>Target #2:</u> Zero environmental Notices of Violation (NOVs) or Non-Compliance letters (NCL's). <u>Measure #2:</u> Number of Notice of Violations or Non-compliance Letters from the Environmental Protection Agency (EPA), Alaska Department of Environmental Conservation (ADEC), and Corps of Engineers (COE).</p> <p><u>Target #3:</u> Maintain adequate runway conditions for safe operations. <u>Measure #3:</u> Number of hours per year the airport is closed due to acts of nature (snow, wind, earthquake, etc) that impact aviation operations compared to a three year rolling average.</p> <p><u>Target #4:</u> Reduce the number of airfield deviations and incursions per year. <u>Measure #4:</u> Number of deviations and incursions compared to a three year rolling average.</p> <p><u>Target #5:</u> Zero law enforcement officer response times that do not meet or exceed Code of Federal Regulation guidelines. <u>Measure #5:</u> Number of occurrences law enforcement</p>

	<p>officer response time does not meet federal guidelines.</p> <p><u>Target #6:</u> Ensure adequate emergency medical response on the Airport.</p> <p><u>Measure #6:</u> Number of occurrences an Emergency Trauma Technician (ETT) is not available during operational times.</p> <p><u>Target #7:</u> Ensure fire response time meets or exceeds CFR Part 139 federal guidelines.</p> <p><u>Measure #7:</u> Number of occurrences fire response does not meet federal guidelines.</p>
End Results	Strategies to Achieve Results
<p>B: Decrease revenue gap</p> <p><u>Target #1:</u> Decrease gap between revenues and expenditures.</p> <p><u>Measure #1:</u> Expenditures in excess of revenues, net of depreciation compared to prior year.</p>	<p>B1: Increase revenue</p> <p><u>Target #1:</u> Increase concession and permit revenues by 5% per year</p> <p><u>Measure #1:</u> Percent change in concession revenue per year.</p> <p><u>Target #2:</u> Increase land lease revenues by 2% per year.</p> <p><u>Measure #2:</u> Percent change in land lease revenues per year.</p> <p><u>Target #3:</u> Increase private investment by 2% per year</p> <p><u>Measure #3:</u> Amount of private investments per year compared to a 5-year adjusted rolling average.</p> <p>B2: Maintain or Decrease Costs</p> <p><u>Target #1:</u> Maintain or decrease operational cost per enplaned passenger per year.</p> <p><u>Measure #1:</u> Operational cost per enplaned passenger per year compared to a 3 year rolling average.</p>
End Results	Strategies to Achieve Results
<p>C: Enhance customer satisfaction</p> <p><u>Target #1:</u> Zero customer complaints associated with facility cleanliness, keeping, and stocking.</p> <p><u>Measure #1:</u> Number of customer complaints logged on Fairbanks International Airport customer hotline.</p>	<p>C1: Timely response to all maintenance requests</p> <p><u>Target #1:</u> Respond to all public maintenance requests within 3 business days.</p> <p><u>Measure #1:</u> Average number of days taken to respond to maintenance requests.</p> <p>C2: Ensure business friendly leasing and permit process</p> <p><u>Target #1:</u> 90% customer service satisfaction rating of potential/actual applicants seeking land leases, building permits, and supplements.</p> <p><u>Measure #1:</u> Percent of potential/actual applicants who rate the leasing process 4 or higher on a scale of 1-5.</p>

FY2008 Resources Allocated to Achieve Results

FY2008 Results Delivery Unit Budget: \$14,531,900	Personnel:	
	Full time	102
	Part time	7
	Total	109

Performance Measure Detail

A: Result - Ensure safe operations on the airport.

Target #1: Reduce occupational injury and illness incidence rate to less than the national rate for airports.

Measure #1: Fairbanks International Airport (FAI) occupational injury and illness incidence rate compared to the national incidence rate for airports.

FAI annual incidence rate

Year	YTD Total	Nat'l Rate
2003	7.93	11.8
2004	15.8	
2005	6.4	10.1

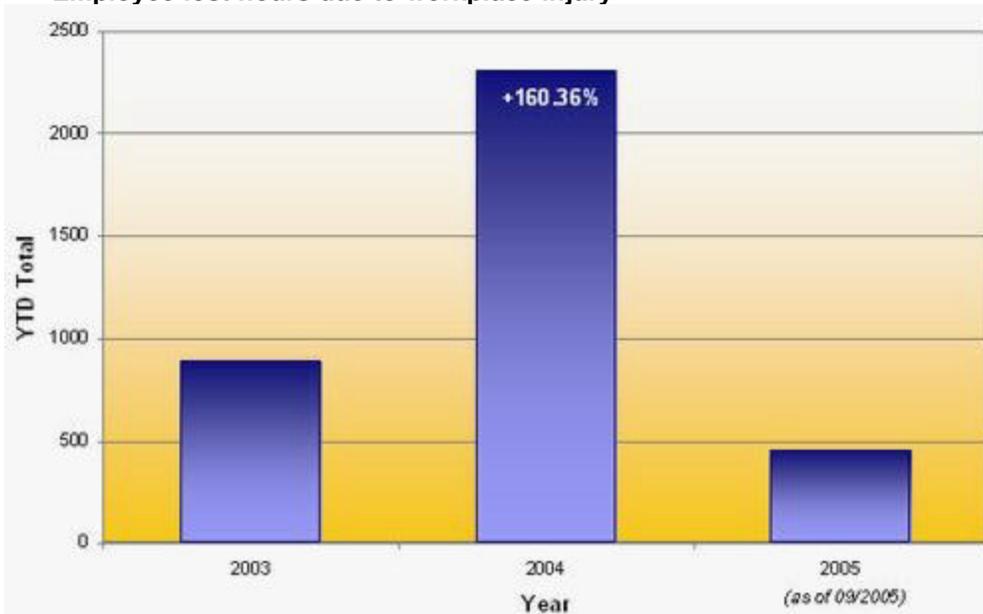
Analysis of results and challenges: Ensuring the safety of our workforce helps keep the airport running year around – and our customers traveling. We "stay safe" through aggressive training and a safety conscious attitude when getting the job done. We measure how well we do every year by comparing our Incidence Rate (the number of injuries and illnesses per 100 full time equivalent (FTE) workers) to the national incidence rate for airports of similar size. We utilize a standard US Dept. of Labor formula and our OSHA 300 log to calculate the rate.

Employee lost hours due to workplace injury: 736 in calendar year 2005.

Target #2: Reduce employee lost time to zero.

Measure #2: Number of hours of employee lost time due to work-related injuries.

Employee lost hours due to workplace injury



Analysis of results and challenges: Employee lost time, similar to an incidence rate, is another measurement of how safe the work environment is and how well we're doing to prevent injuries. FAI tracks employee lost time by utilizing the OSHA 300 logs (# days away from work x 8 hrs.). We try to keep this number at a minimum by providing aggressive employee training and stressing a safety conscious attitude when getting the job done. We analyze the effectiveness of our training in part by comparing current years to past years, further, focusing in on challenging areas, namely repeat incidences or incidences that result in many lost hours, i.e., a broken arm. In essence, no one tool is good enough to measure employee safety – so FAI uses two.

Target #3: Reduce public property damage and injuries to zero.

Measure #3: Number of third party property damage and injury claims paid annually

Annual Property Damage and Injury Claims

Year	YTD Total
2003	2
2004	0
2005	3

Analysis of results and challenges: Analysis of results and challenges: FAI felt one of the best ways to measure whether we are at fault for property damage or injury was to measure the number of settled claims against FAI per year. Claims are measured annually from fiscal year data provided by Department of Administration, Risk Management. Reduction of claims may be possible through improved performance of airport operations and maintenance of FAI property.

A1: Strategy - Maximize the safety and security of the traveling public.

Target #1: Zero major discrepancies on annual Part 139 inspections.

Measure #1: Number of Part 139 inspection discrepancies.

Number of Part 139 inspection discrepancies

Year	YTD Total
2002	3
2004	2
2005	3
2006	4

Analysis of results and challenges: As a federally assisted airport, Fairbanks International Airport must comply with all FAA operational and airfield requirements. Compliance is awarded based on an annual certification inspection. Typically, there are numerous minor discrepancies discovered during certification inspections that do not affect the passing results. However, with extraordinary efforts, the airport can keep these discrepancies to a very low level with no major discrepancies. Measured annually by calendar year.

Target #2: Zero environmental Notices of Violation (NOVs) or Non-Compliance letters (NCL's).

Measure #2: Number of Notice of Violations or Non-compliance Letters from the Environmental Protection Agency (EPA), Alaska Department of Environmental Conservation (ADEC), and Corps of Engineers (COE).

Number of Notice of Violations/Non-compliance letters

Year	YTD Total
2003	0
2004	0
2005	0

Analysis of results and challenges: Environmental stewardship is important – and like other business entities - FAI must comply with all environmental regulations related to activities, property and facilities managed by the airport. We measure how well we're doing by implementing preventative environmental programs that reduce or eliminate environmental violations. This measurement does not include actions issued to tenants or other airport users. Calendar year.

Target #3: Maintain adequate runway conditions for safe operations.

Measure #3: Number of hours per year the airport is closed due to acts of nature (snow, wind, earthquake, etc) that impact aviation operations compared to a three year rolling average.

Number of hours per year runway is closed that impact aviation operations

Year	YTD Total	3yr Average
2003	2	2
2004	1	1
2005	0	1

Reporting is on a calendar year basis.

Analysis of results and challenges: Fairbanks International Airport uses flex staffing and preventative maintenance in accord with challenging weather conditions to ensure our airways and air surfaces remain open for business. We measure our success by tracking the amount of time the airfield is closed as recorded on Notice to Airmen (NOTAMS) issued by permitted agencies. The time "counted" for the measurement are those times in which airfield closure impacts scheduled operations. Closures normally last for 10 minutes or less.

Target #4: Reduce the number of airfield deviations and incursions per year.

Measure #4: Number of deviations and incursions compared to a three year rolling average.

Number of deviations and incursions

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total	3yr Average
2003	0	1	5	2	8	8
2004	0	2	2	0	4	6
2005	0	0	1	0	1	4.3

Analysis of results and challenges: Deviations and Incursions are terms used to describe a pedestrian or vehicle entering radio-controlled surfaces at an airport without permission; i.e., not receiving clearance from the air traffic control tower to cross a taxiway or runway. Unlike airports that have two or more main runways that can afford a choice to landing or departing aircraft, Fairbanks International Airport's (FAI) challenge is that we must perform maintenance on the large air carrier runway when it is also available for aviation operations. To accomplish this, FAI is vigilant about training all badged personnel in proper radio procedures to ensure deviations and incursions are avoided, further, if they do occur, to retrain or remove non-compliant users from the airfield. This is measured by adding the number of deviations and incursions recorded by permitting agencies and reported to FAI.

Target #5: Zero law enforcement officer response times that do not meet or exceed Code of Federal Regulation guidelines.

Measure #5: Number of occurrences law enforcement officer response time does not meet federal guidelines.

Number of occurrences where the response was not within federal guidelines

Year	YTD Total
2003	0
2004	0
2005	0

Reporting is on a calendar year basis.

Analysis of results and challenges: Per federal law and in an effort to provide a safe facility, FAI must ensure that an accredited police officer is able to respond to the passenger screening point within 10 minutes. To accomplish this, FAI has at least one accredited police officer on the premises at all times. We respond to hundreds of requests per year and by doing so, ensure a safe traveling environment.

Target #6: Ensure adequate emergency medical response on the Airport.

Measure #6: Number of occurrences an Emergency Trauma Technician (ETT) is not available during operational times.

of occurrences

Year	YTD Total
2003	0
2004	0
2005	0

Reporting is on a calendar year basis.

Analysis of results and challenges: Federal regulation requires at least one full-time emergency trauma technician (ETT) be available during all operational times. To increase staff efficiency and ensure safe operations, FAI dual trains their police and fire officers to also provide first responder medical services until an ambulance can arrive. Last year FAI responded to over 70 medical requests on the premises. This is measured by recording the number of occurrences in which a fully trained ETT is not available to respond to emergency calls for assistance on the Airport. Calendar year.

Target #7: Ensure fire response time meets or exceeds CFR Part 139 federal guidelines.

Measure #7: Number of occurrences fire response does not meet federal guidelines.

of occurrences

Year	YTD Total
2003	0
2004	0
2005	0

Reporting is on a calendar year basis.

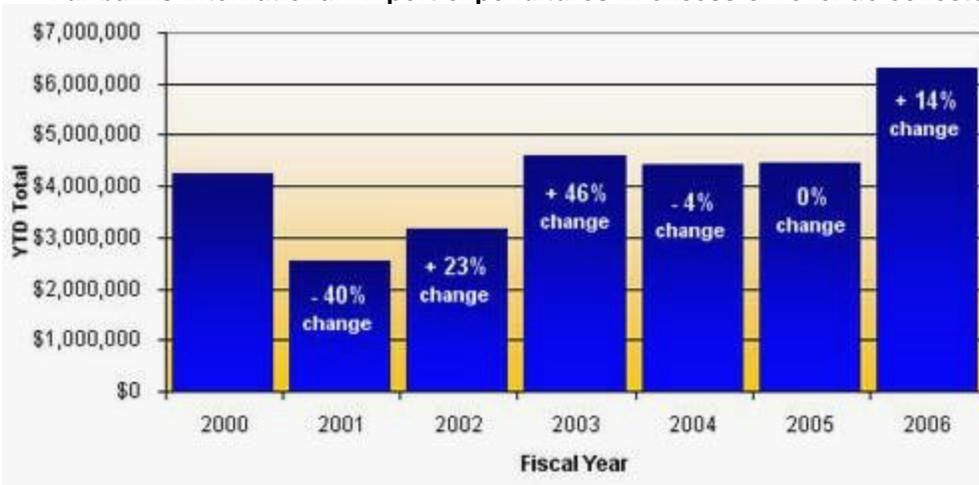
Analysis of results and challenges: Federal regulation requires a training response time of three minutes or less to the centerline of the runway for aircraft rescue fire fighting. FAI accomplishes this by ensuring our fire trucks are in excellent working condition and by dual training our police and fire officers so in the event of an emergency, all officers can respond. This is measured by recording the number of occurrences in which fire response time, training or otherwise, does not meet federal regulations. Calendar year.

B: Result - Decrease revenue gap

Target #1: Decrease gap between revenues and expenditures.

Measure #1: Expenditures in excess of revenues, net of depreciation compared to prior year.

Fairbanks International Airport expenditures in excess of revenue collected net of depreciation



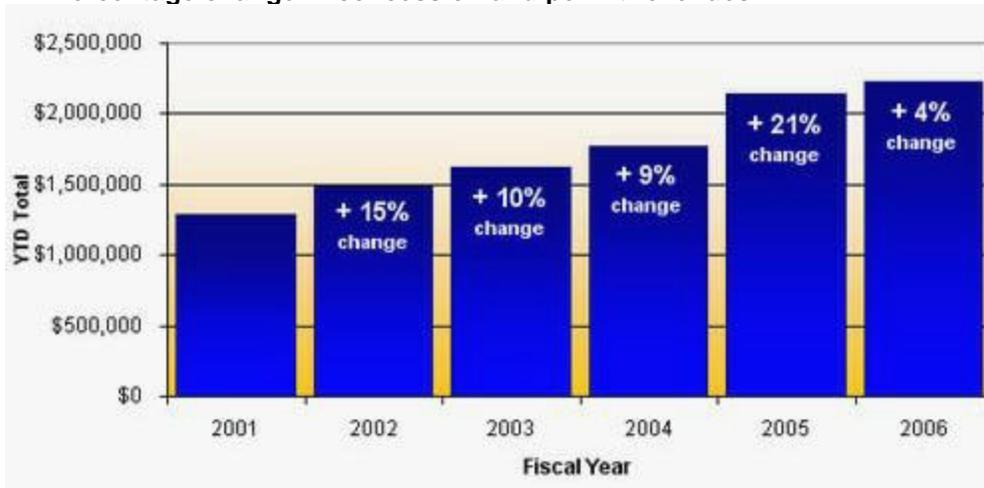
Analysis of results and challenges: FAI has embarked on an aggressive program to reduce our revenue gap without sacrificing our most important result: safe operations. Our program is simple: increase revenue and maintain or decrease costs. How we intend to do this is listed in the strategies below. Measured annually from Alaska International Airport System audited financial statements. The International Airports (Anchorage and Fairbanks) are a self-sustaining facility. The Fairbanks International Airport serves as the primary alternate for Anchorage International Airport and incurs operational costs in excess of operational revenues to sustain alternate viability.

The increase in FY2006 is attributed to increased fixed expenses (fuel/power) and the loss of cargo flights to Central Asia due to a four hour block time savings one way.

B1: Strategy - Increase revenue

Target #1: Increase concession and permit revenues by 5% per year

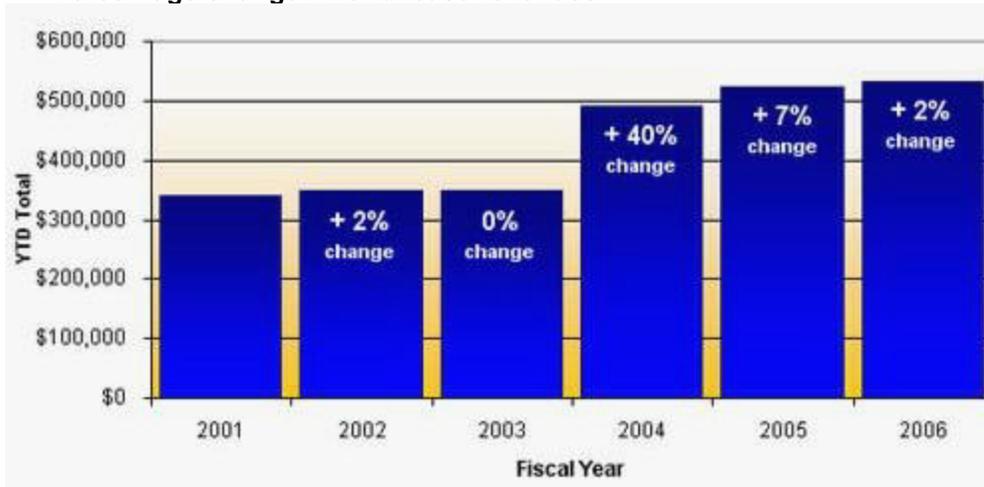
Measure #1: Percent change in concession revenue per year.

Percentage change in concession and permit revenues

Analysis of results and challenges: Fairbanks International Airport (FAI) is reviewing all concession contracts to ensure they are current and based on fair market value compared to airports of similar size. We're also looking at infrastructure improvements that could lead to a better business environment – and more concession sales. Measured by fiscal year from FAI concession income summary report. This includes concession, vehicle parking, and other revenues as listed on year-end AIAS audited financial statements.

Target #2: Increase land lease revenues by 2% per year.

Measure #2: Percent change in land lease revenues per year.

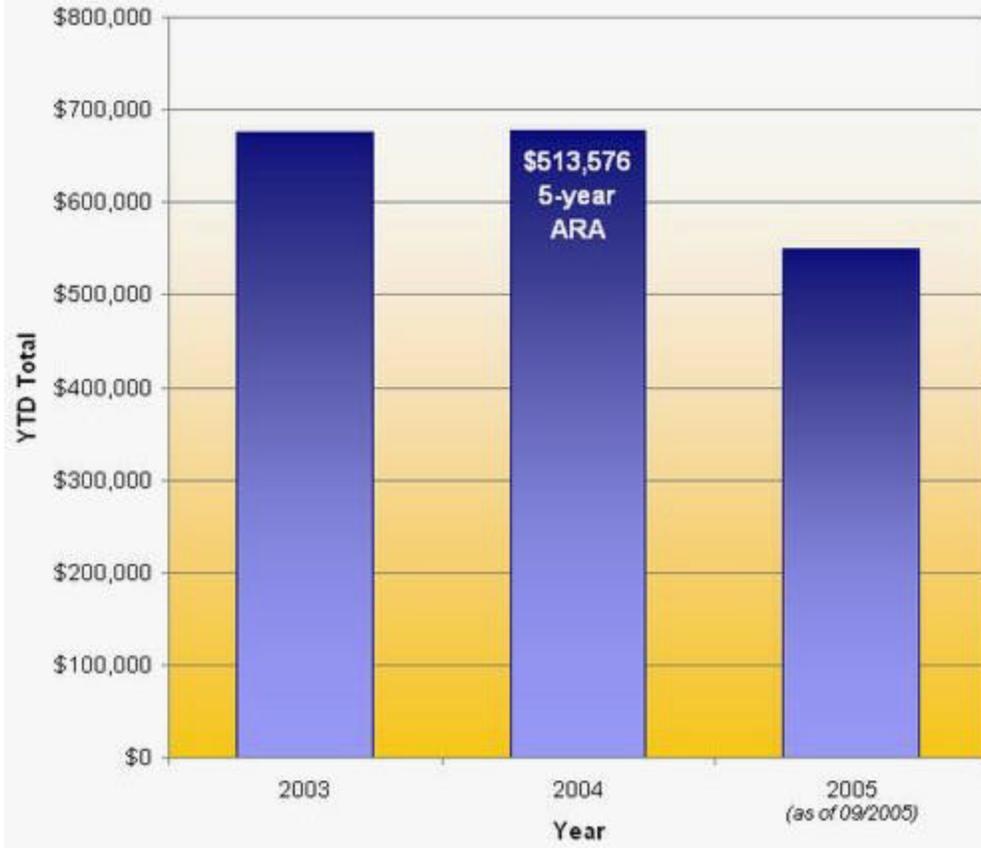
Percentage change in land lease revenues

Analysis of results and challenges: FAI continues to aggressively market vacant land and provide top-notch customer service as indicated by the results herein. Lease revenues include land rental fees as listed on year-end AIAS audited financial statements.

Target #3: Increase private investment by 2% per year

Measure #3: Amount of private investments per year compared to a 5-year adjusted rolling average.

Amount invested per year compared to a 5-year adjusted rolling average (ARA)



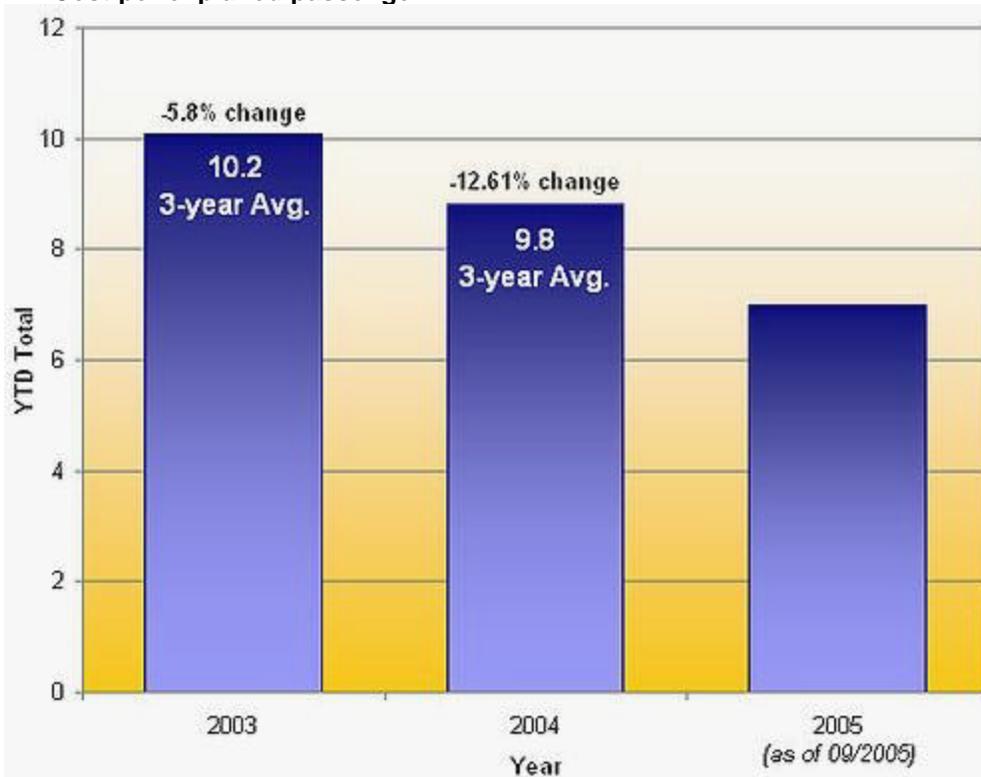
Analysis of results and challenges: Fairbanks International Airport witnessed a boom in construction last summer; from three new hangers to an all-inclusive private fixed base operation. Measured annually by fiscal year from the dollar amount of permanent improvements to leaseholds as requested on airport building permits.

B2: Strategy - Maintain or Decrease Costs

Target #1: Maintain or decrease operational cost per enplaned passenger per year.

Measure #1: Operational cost per enplaned passenger per year compared to a 3 year rolling average.

Cost per enplaned passenger



Analysis of results and challenges: This number is generated by the Alaska International Airport System Controller's (AIAS) office and represents the average cost per enplanment for all airlines serving the Ted Stevens Anchorage and Fairbanks International airports. The airports and airlines use the CPE benchmark to evaluate annual operating costs by passenger, a widely-used measurement in the aviation sector. The AIAS methodology is based on that used by its bond issue feasibility consultants. AIAS passenger airline operating revenues are divided by total enplanements for the period to arrive at CPE.

Fairbanks International Airport uses this benchmark on an annual basis to see how well we're doing and what we need to do to keep costs down.

C: Result - Enhance customer satisfaction

Target #1: Zero customer complaints associated with facility cleanliness, keeping, and stocking.

Measure #1: Number of customer complaints logged on Fairbanks International Airport customer hotline.

Customer complaints

Year	YTD Total
2003	0
2004	0
2005	0

Analysis of results and challenges: Fairbanks International Airport (FAI) has placed customer placards and notices in every restroom advising passengers to call a hotline should they have concern over the cleanliness, keeping, and stocking of the facility. The calls are logged to monitor nature of call and response time and measured annually by calendar year. FAI's policy is "extreme clean" – an attitude our valued employees take to

work every day. In fact, last year FAI was used as a national example for how to maintain carpets – we have carpet in use that's over 25 years old!

C1: Strategy - Timely response to all maintenance requests

Target #1: Respond to all public maintenance requests within 3 business days.

Measure #1: Average number of days taken to respond to maintenance requests.

Average time in days taken to respond to maintenance requests

Year	YTD Total
2004	0
2005	0

Analysis of results and challenges: Measured quarterly and based on initial response time, i.e., call back, to customer queries and requests. FAI categorizes maintenance requests in order of priority starting with public safety, operational impact not safety related, and long-term predictable maintenance. The category of maintenance request will dictate the response time, ranging from immediate to long-term, however, each request will be logged and responded to at least verbally within 3 business days.

C2: Strategy - Ensure business friendly leasing and permit process

Target #1: 90% customer service satisfaction rating of potential/actual applicants seeking land leases, building permits, and supplements.

Measure #1: Percent of potential/actual applicants who rate the leasing process 4 or higher on a scale of 1-5.

Percentage of satisfied applicants

Year	YTD Total
2004	100%
2005	100%

Analysis of results and challenges: Customer satisfaction can assist the airport in achieving its revenue generating targets. It is important that potential and actual applicants seeking land leases, building permits and supplements find the leasing and permit process open to competition, customer friendly, responsive, and oriented to problem solving. An exit survey is used that contains 5 to 10 questions. It has a rating scale of 1 to 5 that provides feedback to management regarding how well we serve our customers and possible areas of improvement. This measure is shown on a calendar year basis.

Key RDU Challenges

- Construction has begun on replacement of the existing terminal building. The need to replace this building resulted from three independent structural evaluations which found portions of the building structurally unsound and that, under a design level seismic event, the building could possibly collapse. Portions of the facility do not meet required fire and life safety codes, are functionally deficient and the buildings' physical systems are near the end of their useful lives requiring major repair or replacement in the near future. A great deal of time and resources will be directed toward assisting in the management of this \$99 million multi-year project.
- One of Fairbanks International Airport's (FAI) greatest challenges is generating more revenue opportunities and maintaining existing revenues to support airport functions. In an effort to attract other air carriers or businesses to the airport to replace lost revenues, FAI staff will concentrate on marketing and outreach efforts. When it makes sense to do so, projects will continue to be outsourced to private consultants. Additional efforts will be directed to develop and implement new competitive offerings for the food and beverage, news and gift, parking, vending, and telecommunications concession agreements in coordination with the Terminal Area Development Project.
- Dealing with geopolitical developments in world wide cargo transport that directly affect revenues. In May 2006 Lufthansa Airlines ceased operations totally, rerouting flights through Almaty Airport in Kazakhstan because of its "advantageous geographical location on the route from Southeast Asia to Europe and back" that offered four hour one way block time savings. Similarly, Cargolux Airlines International terminated FAI operations in October 2006. Revenue projections and collections will change accordingly. Global air transport will continue to change as economic and political conditions evolve in rapidly developing countries such as China and Russia, as well as in

central Asia. The impacts to the Airport will be enormous as airlines make these important business decisions. Continuing high energy costs may have a major impact on the budget. Increased prices for products and supplies

- continue in effect from last year. Heating and vehicle fuel costs remain high, which may require foregoing other planned expenditures and diverting budgets to pay utility and fuel bills.

Significant Changes in Results to be Delivered in FY2008

Continuation of existing service levels may be adversely affected if the price of oil remains high and continues to influence costs for heating fuel, electricity, and supplies.

Major RDU Accomplishments in 2006

- Completed 65% design of the Terminal Area Development capital project.
- Selected Davis Construction as the Construction Management at Risk firm.
- Completed drainage network to enhance the marketability of newly developed general aviation lease areas.
- Completed construction of Taxiway Alpha parallel to the primary runway to meet Federal Aviation Administration (FAA) requirements.
- Worked with Department of Transportation and Public Facilities (DOT&PF) Northern Region to complete design and contract award for the relocated heavy aircraft cargo apron.
- Responded to twenty-two hazardous substance spills and ensured proper cleanup and disposal of 19,550 pounds of non-hazardous hydrocarbon contaminated waste and 5,800 pounds of hazardous waste.
- Passed annual FY06 FAA airport certification inspection with no major deficiencies.
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Contact Information

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**Fairbanks International Airport
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2006 Actuals				FY2007 Management Plan				FY2008 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula												
Expenditures												
None.												
Non-Formula												
Expenditures												
FIA	0.0	0.0	1,664.1	1,664.1	0.0	0.0	1,690.4	1,690.4	0.0	0.0	1,940.2	1,940.2
Administration												
FIA Facilities	0.0	0.0	2,979.5	2,979.5	0.0	0.0	3,008.0	3,008.0	0.0	0.0	3,239.8	3,239.8
FIA Field & Equipment Maint	0.0	0.0	3,202.8	3,202.8	0.0	0.0	3,502.4	3,502.4	0.0	0.0	3,854.1	3,854.1
FIA Operations	0.0	0.0	1,421.6	1,421.6	0.0	0.0	1,707.1	1,707.1	0.0	0.0	1,917.0	1,917.0
FIA Safety	0.0	42.6	2,594.1	2,636.7	0.0	20.0	3,055.6	3,075.6	0.0	20.0	3,560.8	3,580.8
Totals	0.0	42.6	11,862.1	11,904.7	0.0	20.0	12,963.5	12,983.5	0.0	20.0	14,511.9	14,531.9

**Fairbanks International Airport
Summary of RDU Budget Changes by Component
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	0.0	20.0	12,963.5	12,983.5
Adjustments which will continue current level of service:				
-FIA Administration	0.0	0.0	0.2	0.2
-FIA Safety	0.0	0.0	77.9	77.9
Proposed budget increases:				
-FIA Administration	0.0	0.0	249.6	249.6
-FIA Facilities	0.0	0.0	231.8	231.8
-FIA Field & Equipment Maint	0.0	0.0	351.7	351.7
-FIA Operations	0.0	0.0	209.9	209.9
-FIA Safety	0.0	0.0	427.3	427.3
FY2008 Governor	0.0	20.0	14,511.9	14,531.9