

**State of Alaska
FY2016 Governor Amended Operating
Budget**

**Department of Transportation/Public Facilities
International Airport Systems Office
Component Budget Summary**

Component: International Airport Systems Office

Contribution to Department's Mission

Provide relevant and reliable financial information to the Alaska International Airports System (AIAS) and its stakeholders.

Core Services

- Establish uniform rates and charges for air carriers, concessionaires, and others using the AIAS, which consists of the Ted Stevens Anchorage International Airport (ANC) and Fairbanks International Airport (FAI). Perform ongoing evaluation of those rates and charges to ensure financial goals are achieved.
- Provide for timely and informative financial reporting for use by state, Federal Aviation Administration (FAA), airport management, air carriers, rating agencies, bondholders, and other stakeholders.
- Ensure effective and appropriate accounting and financial internal controls, policies and procedures are in place.
- Evaluate the fiscal impact of airport development and administration plans such as terminal and field expansion, parking garages, land lease rates and aircraft tie-down fees. Develop fiscal constraints to be followed by management.
- Identify auditing needs and arrange for, and oversee the annual enterprise fund external financial audit.
- Assist in the ongoing implementation of the Alaska International Airport System Passenger Terminal Lease and Operating Agreement.
- Monitor AIAS capital project funding needs, ensuring that appropriate financing methodologies are employed and alternatives are reviewed and considered as market conditions and funding requirements warrant.
- Coordinate with the Department of Revenue on AIAS revenue bond issues and assure timely fulfillment of ongoing disclosure requirements.

Major Component Accomplishments in 2014

- Negotiated and executed ten-year contract with AirIT for replacement of existing legacy mainframe based revenue accounting and lease management system. The new system will provide a platform supporting improved revenue billing and management and significantly improved lease management functionality supporting both terminal and land rental activities along with concession management with anticipated overall reduction in total cost.
- Began design & development of Customer Self Service Portal based on analysis of certified activity reporting process (the self-reporting system under which a majority of AIAS revenues are collected) and identified significant opportunities to implement efficiencies and enhanced internal controls over revenue collection activities through electronic reporting methods and use of independent audit sources.
- Initiated several capital improvement project ballot processes in accordance with AIAS operating agreement in order to secure required airline concurrence on capital project program additions.
- ANC and FAI passenger facility charge programs and worked to secure 100% of current collection levels as source of funding for debt service related to capital projects.
- Web pages intended to provide general information about AIAS and serve as investor relations resource.
- Continued work with Department of Revenue providing guidance to Goldman-Sachs for development of a debt management plan intended to reduce annual AIAS debt service in order to help hold rates and fees lower while balancing capacity requirements.
- FY2014 optional redemption of \$35.7 million AIAS Series 2003A bonds effecting \$8.7 million reduction in future interest payments at an estimated \$7.2 million net present value.
- Projected financial conditions at AIAS to credit agencies Moody's and Fitch; although stability in most recent annual ratings, slightly moderated concerns continue regarding international cargo traffic. Both agencies affirmed previous AIAS stable ratings and ranking within top third of rated airports..

Key Component Challenges

Maintaining customer confidence in AIAS through stability of rates and use terms continues to be challenging in an

environment where AIAS has experienced volatility in trans-Pacific air cargo activity levels. Projecting activity levels to develop accurate revenue budgets and managing expenses well helps produce stable and reliable rate and fee levels which in turn helps provide airline customers, especially international cargo carriers, with confidence needed to support current and planned operations.

Significant Changes in Results to be Delivered in FY2016

No significant changes are anticipated.

Statutory and Regulatory Authority

FAR Part 108, 612
AS 18 Health and Safety
AS 37.15.430

Contact Information
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**International Airport Systems Office
Component Financial Summary**

All dollars shown in thousands

	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	823.2	899.8	931.6
72000 Travel	6.3	29.0	15.9
73000 Services	329.5	1,269.8	1,266.1
74000 Commodities	5.3	6.6	6.6
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,164.3	2,205.2	2,220.2
Funding Sources:			
1027 International Airport Revenue Fund	1,164.3	2,205.2	2,220.2
Funding Totals	1,164.3	2,205.2	2,220.2

**Summary of Component Budget Changes
From FY2015 Management Plan to FY2016 Governor Amended**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2015 Management Plan	0.0	0.0	2,205.2	0.0	2,205.2
Adjustments which continue current level of service:					
-FY2016 Salary Increases	0.0	0.0	19.3	0.0	19.3
-FY2016 Health Insurance Rate Reduction	0.0	0.0	-0.6	0.0	-0.6
-Transfer to Statewide Administrative Services to Consolidate Funding for Computer and Telecom Services	0.0	0.0	-3.7	0.0	-3.7
FY2016 Governor Amended	0.0	0.0	2,220.2	0.0	2,220.2

International Airport Systems Office Personal Services Information				
Authorized Positions			Personal Services Costs	
	FY2015 Management Plan	FY2016 Governor Amended		
Full-time	9	9	Annual Salaries	575,902
Part-time	0	0	COLA	19,744
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	364,752
			<i>Less 3.00% Vacancy Factor</i>	(28,812)
			Lump Sum Premium Pay	0
Totals	9	9	Total Personal Services	931,586

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant II	1	0	0	0	1
Accountant IV	1	0	0	0	1
Accounting Tech I	2	0	0	0	2
Accounting Tech II	1	1	0	0	2
Accounting Tech III	1	0	0	0	1
Intl Airpts Controller	1	0	0	0	1
Trans Planner I	1	0	0	0	1
Totals	8	1	0	0	9

Component Detail All Funds
Department of Transportation/Public Facilities

Component: International Airport Systems Office (AR57526) (1649)
RDU: International Airports (189)

	FY2014 Actuals	FY2015 Conference Committee	FY2015 Authorized	FY2015 Management Plan	FY2016 Governor Amended	FY2015 Management Plan vs FY2016 Governor Amended	
71000 Personal Services	823.2	899.8	899.8	899.8	931.6	31.8	3.5%
72000 Travel	6.3	29.0	29.0	29.0	15.9	-13.1	-45.2%
73000 Services	329.5	1,227.4	1,227.4	1,269.8	1,266.1	-3.7	-0.3%
74000 Commodities	5.3	6.6	6.6	6.6	6.6	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	1,164.3	2,162.8	2,162.8	2,205.2	2,220.2	15.0	0.7%
Fund Sources:							
1027Int Airprt (Other)	1,164.3	2,162.8	2,162.8	2,205.2	2,220.2	15.0	0.7%
Unrestricted General (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	1,164.3	2,162.8	2,162.8	2,205.2	2,220.2	15.0	0.7%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	9	9	9	9	9	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios with Descriptions
Department of Transportation/Public Facilities

Component: International Airport Systems Office (1649)
RDU: International Airports (189)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2015 Conference Committee To FY2015 Authorized *****												
FY2015 Conference Committee												
1027 Int Airprt	ConfCom	2,162.8	899.8	29.0	1,227.4	6.6	0.0	0.0	0.0	9	0	0
		2,162.8										
Subtotal		2,162.8	899.8	29.0	1,227.4	6.6	0.0	0.0	0.0	9	0	0
***** Changes From FY2015 Authorized To FY2015 Management Plan *****												
Transfer from the Fairbanks Airport Administration for Common Use Passenger Processing System (CUPPS) Contract												
1027 Int Airprt	Trin	42.4	0.0	0.0	42.4	0.0	0.0	0.0	0.0	0	0	0
		42.4										
Subtotal		2,205.2	899.8	29.0	1,269.8	6.6	0.0	0.0	0.0	9	0	0
***** Changes From FY2015 Management Plan To FY2016 Governor Amended *****												
FY2016 Salary Increases												
1027 Int Airprt	SalAdj	19.3	19.3	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
		19.3										
Cost of living adjustment for certain bargaining units: \$19.3												
Year three cost of living adjustment for non-covered employees - 2.5%: \$3.7												
Year three cost of living adjustment for Alaska State Employees Association/General Government Unit - 2.5%: \$13.3												
Year three cost of living adjustment for Alaska Public Employees Association/Supervisory Unit - 2.5%: \$2.3												
FY2016 Health Insurance Rate Reduction												
1027 Int Airprt	SalAdj	-0.6	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
		-0.6										

Change Record Detail - Multiple Scenarios with Descriptions
Department of Transportation/Public Facilities

Component: International Airport Systems Office (1649)
RDU: International Airports (189)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
Select Benefits health insurance rate reduction from \$1,371 to \$1,346: \$-0.6												
Align Authority to Comply with Vacancy Factor Guidelines												
	LIT	0.0	13.1	-13.1	0.0	0.0	0.0	0.0	0.0	0	0	0
The International Airports Systems Office is a small component with only nine positions and little to no turnover. Authority is being transferred from the travel line to meet the required vacancy factor.												
Authority is available to transfer to the personal services line due to travel line expenditures being projected at levels less than what were previously budgeted.												
Transfer to Statewide Administrative Services to Consolidate Funding for Computer and Telecom Services												
	Trout	-3.7	0.0	0.0	-3.7	0.0	0.0	0.0	0.0	0	0	0
1027 Int Airprt		-3.7										
Transfer funding to Statewide Administrative Services component to consolidate Computer and Telecom Services funding. This transfer reduces paperwork and consolidates a majority of the funding for these core services.												
Totals		2,220.2	931.6	15.9	1,266.1	6.6	0.0	0.0	0.0	9	0	0

Personal Services Expenditure Detail
Department of Transportation/Public Facilities

Scenario: FY2016 Governor Amended (12201)
Component: International Airport Systems Office (1649)
RDU: International Airports (189)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	UGF Amount
25-0280	Accounting Tech III	FT	A	SS	Anchorage Intl Airport	600	16L / M	12.0		68,303	2,344	0	41,781	112,428	0
25-0862	Accounting Tech I	FT	A	GP	Anchorage Intl Airport	200	12B / C	12.0		38,970	1,337	0	31,330	71,637	0
25-2556	Intl Airpts Controller	FT	A	XE	Anchorage Intl Airport	N00	24K / L	12.0		114,422	3,909	0	58,816	177,147	0
25-2956	Accounting Tech II	FT	A	GP	Anchorage Intl Airport	200	14B / C	12.0		43,839	1,504	0	33,144	78,487	0
25-2975	Accountant II	FT	A	GP	Anchorage Intl Airport	200	16G / J	12.0		61,883	2,123	0	39,865	103,871	0
25-2986	Accounting Tech I	FT	A	GP	Anchorage Intl Airport	200	12B / C	12.0		39,024	1,339	0	31,350	71,713	0
25-3075	Accounting Tech II	FT	A	GP	Fairbanks	203	14E / F	12.0		50,172	1,722	0	35,503	87,397	0
25-3458	Accountant IV	FT	A	GP	Anchorage Intl Airport	200	20K	12.0		84,564	2,902	0	48,314	135,780	0
25-3737	Trans Planner I	FT	A	GP	Anchorage Intl Airport	200	21C / D	12.0		74,725	2,564	0	44,649	121,938	0
													Total Salary Costs:	575,902	
													Total COLA:	19,744	
													Total Premium Pay:	0	
													Total Benefits:	364,752	
													Total Pre-Vacancy:	960,398	
													Minus Vacancy Adjustment of 3.00%:	(28,812)	
													Total Post-Vacancy:	931,586	
													Plus Lump Sum Premium Pay:	0	
													Personal Services Line 100:	931,586	
Total Component Months:		108.0													

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1027 International Airport Revenue Fund	960,398	931,586	100.00%
Total PCN Funding:	960,398	931,586	100.00%

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Transportation/Public Facilities
Travel

Component: International Airport Systems Office (1649)
RDU: International Airports (189)

Line Number	Line Name		FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
72000	Travel		6.3	29.0	15.9
Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
72000 Travel Detail Totals			6.3	29.0	15.9
72100	Instate Travel	Instate employee travel (per diem, airfare, mileage, and parking).	3.1	15.0	8.4
72400	Out Of State Travel	Out of state employee travel for airline meetings (per diem, airfare, mileage, parking).	3.2	14.0	7.5

Line Item Detail
Department of Transportation/Public Facilities
Services

Component: International Airport Systems Office (1649)
RDU: International Airports (189)

Line Number	Line Name		FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
73000	Services		329.5	1,269.8	1,266.1
Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
73000 Services Detail Totals			329.5	1,269.8	1,266.1
73025	Education Services	Conference registration, memberships and employee tuition (excluding information technology).	52.6	60.0	60.0
73050	Financial Services	Contract for financial audit for international airports.	50.6	50.6	50.6
73150	Information Technlgy	All information technology (IT) contractual costs such as software licensing, software maintenance, IT training, IT consulting, and IT equipment leases. Includes Microsoft Enterprise Agreement. Common Use Passenger Processing System (CUPPS) maintenance costs, Revenue accounting system replacement project (Airt Propworks) and Airport operations database (Airt AODB).	2.0	443.4	443.4
73225	Delivery Services	Freight, courier and postage.	0.4	0.2	0.3
73450	Advertising & Promos	Advertising (rates and fees public notices)	0.6	0.5	1.0
73675	Equipment/Machinery	Equipment/machinery repair/maintenance.	0.0	0.0	0.3
73750	Other Services (Non IA Svcs)	Alaska International Airport System business and economic development projects, Airport Technical Representative (ATR) contract and other services including PASSUR contract (radar based aircraft activities recording system).	203.5	451.6	451.6
73805	IT-Non-Telecommunication	Enterprise Technology Services			
		Computer services provided by the Department of Administration, Enterprise Technology Services, such as central server, data storage, printing, network services, open connect, and task order system.	7.6	8.0	3.4
		FY2016 transfer of \$3.7 to Statewide Admin Services for consolidation of EPR lump sum funding.			
73806	IT-Telecommunication	Enterprise Technology Services			
		Telecommunications services provided by the Department of Administration, Enterprise Technology Services, such as basic telephone services, equipment	1.3	1.7	1.7

Line Item Detail
Department of Transportation/Public Facilities
Services

Component: International Airport Systems Office (1649)

RDU: International Airports (189)

Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
73000 Services Detail Totals			329.5	1,269.8	1,266.1
		and features, dedicated voice/data line service, statewide paging, two-way radio, and video conferencing.			
73809	Mail	Central Mail			
		Chargeback fees for central mail services such as mailing vendor payments from the state accounting system (AKSAS) and payroll warrants from the state payroll system (AKPAY).	0.1	0.1	0.1
73810	Human Resources	Personnel			
		Chargeback fees for human resource services such as labor relations, position classifications and payroll processing.	0.2	0.5	0.5
73812	Legal	Transportation Section			
		Legal services provided by the Department of Law. FY2015 increased by \$250.0 for legal services. This item funds legal services across both international airports providing efficiencies and better information flow to decision makers.	10.0	250.0	250.0
73815	Financial	Finance			
		Chargeback fees for the state accounting system (AKSAS) and the state payroll system (AKPAY).	0.4	0.5	0.5
73816	ADA Compliance	Americans With Disabilities			
		Chargeback fees for the statewide coordinator of the Americans with Disabilities Act (ADA).	0.1	0.2	0.2
73818	Training (Services-IA Svcs)	Finance			
		Department of Administration, Division of Finance training classes.	0.0	2.0	2.0
73819	Commission Sales (IA Svcs)	State Travel Office			
		Processing fees charged by the State Travel Office.	0.1	0.5	0.5

Line Item Detail
Department of Transportation/Public Facilities
Commodities

Component: International Airport Systems Office (1649)
RDU: International Airports (189)

Line Number	Line Name		FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
74000	Commodities		5.3	6.6	6.6
Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
74000 Commodities Detail Totals			5.3	6.6	6.6
74200	Business	Books, office supplies, subscriptions.	5.3	6.6	6.6

Interagency Services
Department of Transportation/Public Facilities

Component: International Airport Systems Office (1649)
RDU: International Airports (189)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
73805	IT-Non-Telecommunication Computer services provided by the Department of Administration, Enterprise Technology Services, such as central server, data storage, printing, network services, open connect, and task order system. FY2016 transfer of \$3.7 to Statewide Admin Services for consolidation of EPR lump sum funding.	Inter-dept	Enterprise Technology Services	7.6	8.0	3.4
73805 IT-Non-Telecommunication subtotal:				7.6	8.0	3.4
73806	IT-Telecommunication Telecommunications services provided by the Department of Administration, Enterprise Technology Services, such as basic telephone services, equipment and features, dedicated voice/data line service, statewide paging, two-way radio, and video conferencing.	Inter-dept	Enterprise Technology Services	1.3	1.7	1.7
73806 IT-Telecommunication subtotal:				1.3	1.7	1.7
73809	Mail Chargeback fees for central mail services such as mailing vendor payments from the state accounting system (AKSAS) and payroll warrants from the state payroll system (AKPAY).	Inter-dept	Central Mail	0.1	0.1	0.1
73809 Mail subtotal:				0.1	0.1	0.1
73810	Human Resources Chargeback fees for human resource services such as labor relations, position classifications and payroll processing.	Inter-dept	Personnel	0.2	0.5	0.5
73810 Human Resources subtotal:				0.2	0.5	0.5
73812	Legal Legal services provided by the Department of Law. FY2015 increased by \$250.0 for legal services. This item funds legal services across both international airports providing efficiencies and better information flow to decision makers.	Inter-dept	Transportation Section	10.0	250.0	250.0
73812 Legal subtotal:				10.0	250.0	250.0
73815	Financial Chargeback fees for the state accounting system (AKSAS) and the state payroll system (AKPAY).	Inter-dept	Finance	0.4	0.5	0.5
73815 Financial subtotal:				0.4	0.5	0.5
73816	ADA Compliance Chargeback fees for the statewide coordinator of the Americans with Disabilities Act (ADA).	Inter-dept	Americans With Disabilities	0.1	0.2	0.2
73816 ADA Compliance subtotal:				0.1	0.2	0.2
73818	Training (Services-IA Svcs) Department of Administration, Division of Finance training classes.	Inter-dept	Finance	0.0	2.0	2.0
73818 Training (Services-IA Svcs) subtotal:				0.0	2.0	2.0
73819	Commission Sales (IA Svcs) Processing fees charged by the State Travel Office.	Inter-dept	State Travel Office	0.1	0.5	0.5

