

## **Minutes from Aviation Advisory Board Meeting – FAI – October 14 & 15, 2009**

### **Meeting called to order by Chairman Lee Ryan at 9:15 a.m.**

**PRESENT:** Lee Ryan, Al Orot, Jim Dodson, Tom George, Steve Strait, Ken Lythgoe, Mike Salazar, Judy McKenzie, Frank Neitz

**EXCUSED ABSENCE:** Bob Jacobsen

**ABSENT:** Jack Barber

**OTHERS IN ATTENDANCE:** Christine Klein (DOT&PF), Rebecca Cronkhite (DOT&PF), Tom Middendorf (DOWL HKM), Joy Journeay (AACA), Jane Dale (Alaska Airports Association) Heather Hasper (AK Airports Association) Ted Anderson (Juneau International Airport), Roger Maggard (DOT&PF), Judy Chapman (DOT&PF), Verne Skagerberg (DOT&PF) Ethan Birkholz (DOT&PF) Frank Richards (DOT&PF) Dan Buchholz (DOT&PF) Jesse Vanderzanden (DOT&PF), John Parrott (DOT&PF), Commissioner Leo von Scheben (DOT&PF), Linda Bustamante (DOT&PF), Becky Iles (DOT&PF).

**MINUTES:** Approved by the Board prior to meeting - via email.

**Welcome from Chair Lee Ryan** – recognized that there was almost a full board present and reviewed role of board - to make recommendations to the Commissioner with safety and customer service as top priorities and provide assistance for policy decisions. Mr. Ryan also asked to have minutes from the board meeting sent to him within 5 days of meeting and then he will forward. Board has 10 days to respond and then final approved minutes will be posted to the website.

Deputy Commissioner Klein added her welcome, introduced staff and reviewed packet information.

Attendee introductions were made including new board members Judy McKenzie, Frank Neitz and Steve Strait.

**Changes to the Agenda** – motion approved to change order of presentations on the agenda by Tom George. Motion seconded by Jim Dodson, approved by all.

### **AGENDA:**

**Update of the Alaska Aviation System Plan:** Rebecca Cronkhite advised that the System Plan has been underway for over a year and will develop policy and procedures. Aviation planners in each region and the Aviation Advisory Board (AAB) helped develop issues, scope of work and recommendations for the System Plan. Tom Middendorf advised that there are different studies in the system plan with lots of emphasis on policy issues. In reviewing key issues and status it was suggested by Chair Ryan that AAB participate and be more involved in the work group meetings. A flow chart was requested

and provided to outline where the AAB provides input to the AASP. Other board comments expressed concern that DOT&PF is allowing the U.S. Postal Service to control the upgrading of state airports in order to meet their proposed new postal hub designations. DOT&PF needs to take control of these decisions even if that means getting the Governor and Congressional Delegation involved. It is felt that the U.S. Postal Service is focused on saving money without regard for the cost to the State for infrastructure upgrades to airports.

**The inventory of an electronic database of airport**, seaplane base and heliport information was discussed. The type of data being collected includes state and non-DOT airports, length of runways, road access, etc. There are concerns that there might not be resources to keep data current and updated, and that a plan be developed to ensure records are routinely maintained. DOT feels that the FAA is committed to supporting the data base.

**Classifications and performance measures** were reviewed. The AAB requested that interim reports be provided after December and January/February work group meetings.

**The Runway Extension Analysis** study was provided to the board for review and comments. Comments are due in 10 days from AAB and the final version of the study will contain a graphical executive summary.

**Additional economic studies** coming up include airport specific economic studies; a video documentary of the role of aviation in rural Alaska and a comparison of capital and operating costs between Alaska and the Lower 48. Comments included explaining why runway construction costs are so high; the social impacts of aviation. Ryan suggested using the communities of Platinum and Goodnews for specific economic studies.

**The AASP Expanded Economic Analysis – Scope of Work** was provided for review.

**Verne Skagerberg, DOT&PF Southeast Aviation Planner** – provided an update on the System Plan Mission and Performance Measures. Discussed the System Plan mission statement; goals (safety, service, fiscal responsibility) with final goals, objections and measures completed in January or February. Discussion included a question from Jim Dodson – what will the goals and measures include versus establishing policies to measure them?

**Deputy Commissioner Klein** gave an update on aviation and airport issues. Title 17 rural airport lease rates will increase in 2010. The rates will increase slowly over time and will enable airports to meet FAA grant assurance requirements. The Aviation Safety Project has been transferred from DMVA to DOT&PF where it better fits the aviation mission. This project needs to be briefed to the AAB to come up to speed on the nature and support for this activity.

Discussed controversy over Alaska's tiny airports receiving big stimulus dollars – Statewide Aviation (SWA) focuses on lack of access and funding issues are based on

safety and efficiency priorities. There are two new positions in SWA – one filled and the other to be hired by year-end. The House Transportation Committee toured Bethel and three surrounding villages on September 29<sup>th</sup>. They were able to see first-hand the issues/challenges/needs of constructing rural runways, required infrastructure and staffing. The Board commented that it is the function of the AAB to work with the Legislature to support a DOT&PF funding plan for M & O. The Deputy Commissioner discussed her trip to Washington D.C. this past July where she met with FAA Administrator Kate Lang and Alaska delegation members and staff. One key issue discussed with Kate Lang was the ability to have non-aviation businesses at airports to offset costs since airports are required to be self sufficient.

**DOT&PF Commissioner Leo von Scheben** discussed the SWOT's of Statewide Aviation:

**Strengths** – we have a system and we have received stimulus dollars.

**Weaknesses** – national perception - we need to sell aviation in Alaska.

**Opportunities** – the cluster concept is proceeding and a consultant has been retained.

**Threats** – availability of fuel and storage capacity.

Funding is a big concern and we will need to be able to sell what we're doing if we want to continue to use federal funds.

The board asked about the rural cluster village concept study, and is interested to see if it will make it less expensive to live in rural communities especially those that are within 15 miles of each other. Also, regarding the U.S. Postal Hubs, the board is advocating that the department weigh in with the Postal Service, the FAA and our Congressional Delegation in the identification of airports for future hubs that consider the costs of infrastructure that must be developed. We must also consider the impact on hubs the Postal Service plans to abandon, and complete a study on the impacts of the previous hub expansion of Emmonak and the social and economic impact of the downsized hub of St. Marys. Although the Postal Service has identified a loss of \$60 M, the cost to the State of Alaska may far exceed that amount.

**Role of Statewide Aviation** – Rebecca Cronkhite advised that the initial outreach of the Aviation System Plan identified issues of concern to the aviation community. The role of statewide aviation was identified as a primary concern so a scope of work to identify the concerns and provide possible alternatives resulted in a preliminary draft report titled Statewide Aviation Role Assessment. The draft document was presented to the Commissioner who reviewed it with regional directors. They have provided comments and concerns with the report. The board requested a copy of the draft document with those comments and the Commissioner agreed to provide this. In addition, the Commissioner expressed concern with the plan to hire a management consultant. Members of the board had reservations that no one with airport operational experience was part of the proposed team. The Commissioner intends to form a working group comprised of the three regional directors, Deputy Commissioner Klein, SWA staff and himself to meet and further discuss the role of statewide aviation and what the

Department as a whole wants to do. Chair Ryan will have the names of board members for this working group to the Commissioner by November 6<sup>th</sup>.

**Frank Richards, DOT&PF Deputy Commissioner and Howard Thies, Northern Region Maintenance Operations** – Richards reviewed the M & O Fact Sheets and discussed the overall increase in costs that have burdened the current budget. Increases have been realized with personnel, fleet costs, commodities, equipment and contractor costs. DOT&PF has 170 airport contractors. Other costs come in the form of unfunded mandates and regulatory compliance – specifically increased security regulations and environmental compliance. He advised the Board that the Department does hear from user groups and the concerns of the Board are heard loud and clear. Additional funds will be needed to keep runways safe. The Bethel hub (3<sup>rd</sup> busiest state airport) is expected to have an Airport Manager by this December. Comments from the Board included concern over deferred maintenance and there was a request for an analysis of the health of rural airports. Howard Thies provided a couple of hand-outs with information about the Northern Region's M&O deferred maintenance projects and aviation costs. Aviation costs including overhead have doubled since FY01 (\$8.9M) to FY08 (\$16.1M). These costs are GF funded. Richards advised the Board that there is currently a bill going through congress (Waxman-Markey Energy Bill) that will reduce greenhouse gases and affect the aviation industry.

**Ethan Birkholz, DOT&PF Northern Region** – gave an airport overview of the Northern Region. There are 104 airports within the Northern Region and often they provide the only year-round access to a community. Ethan reviewed 2009 construction projects including 4 stimulus projects and discussed FFY2010/2011 projects.

**Verne Skagerberg, DOT&PF Southeast Region** - gave an aviation system update from the Southeast Region. It was noted that that Ketchikan Airport received an FAA award for keeping the runway operational while a tunnel was constructed. The Petersburg Airport was closed for a month for construction so airline passengers ferried back/forth to Wrangell – no one complained!

**Judy Chapman, DOT&PF Central Region** – reviewed Central Regions current and future projects and provided a snapshot of regional airport development issues. Many airports in the central region are located in areas where there is a lack of material for airport construction and poor soil conditions (YK area) therefore contributing to the high cost of runway construction.

**Meeting adjourned at 4:30 p.m.**

**October 15, 2009**

**Meeting called to order by Chairman Lee Ryan at 8:36 a.m.**

**Roger Maggard, Statewide Aviation** – provided a briefing on APEB 101. The Aviation Project Evaluation Board (APEB) meets annually to score proposed airport projects. There are 16 criteria for airfield improvement projects such as safety, health & quality of life, economic benefits and community support. This board includes the State Maintenance Chief, Regional Director's, Deputy Commissioner of Aviation and the Program Development Director. It's an effective process and provides solid documentation in case there are questions about how a project is scored. Over the past 13 years there have been \$1.5B spent on projects that have been scored by APEB. The AAB board asked about the 3,300' standard for rural runway lengths and also asked that the Aviation System Plan evaluate this standard to see if shorter lengths might be appropriate in some cases – suggested looking at community needs rather than standards. One of the main policy issues that the AAB Board recommends discussing in the immediate future is the high per capita costs – such as the Ouzinkie Airport. The Board feels that for the last 25 years there has been a focus of keeping communities “out of the mud” and onto safer runways that are also lighted for night time operations. Larger communities now meet these standards but today the concern is over the smaller communities. It is a significant capital investment to upgrade runways in small communities for example Stony River. To relocate the airport it would cost approx. \$10M but if state funds were used it could be improved for about \$5M. The Board noted advantages to using state funds such as not having to go through the NEPA process or requiring full runway safety areas. A State Transportation Fund should be added to the Board's next agenda in order to review other options to fund state airports. The Board would like to have this policy crafted before the legislative session begins in 2010.

**Jesse Vanderzanden (FAI Airport Manager) and John Parrott (ANC Airport Manager)** - reviewed the Alaska International Airports System (AIAS) land lease rates. AIAS raised land rents in 2003 from \$.06 and \$.09 for Aviation and from \$.09 and \$.12 for Auxiliary leases. Both airports had appraisals done in July 2009 which resulted in much higher rates per square ft. at both airports. Federal grant assurances require airports to maintain a fee and rental structure for facilities and services at the airport to be as self sustaining as possible.

**Becky Iles (Northern Region Chief of Aviation Leasing)** – reviewed the upcoming rural lease rate changes. The first aviation land use increase will be on January 1, 2011 and will be a 4% increase over the 2002 rate. Non-aviation land use will increase 8% over the 2002 rate on January 1, 2010. Staff has sent rent change notices to rural airport and non-aviation use leaseholders.

The Board discussed the potential of lease rate increases for AIAS. There was concern expressed that discussion increases implemented during times of relatively little demand for aviation use might further reduce as opposed to increase revenues to the system. Third party development at AIAS will be stymied even more so with higher rates. There is concern that the appraisers report did not reflect local economy issues. The Board would

like to see an analysis of the impact of any proposed rate increases to evaluate possibility that the increase might actually reduce system revenues.

The Board would like revenue updates from the Rural Airports added to the next agenda. They would like to know what the lease revenue and any other revenue streams are at the rural airports and what the occupancy rate is at the hub airports.

**Tom Middendorf (DOWL HKM)** – reviewed the AAB Issues and Status and the APEB Group Issues Identification Meeting (handout in packet). This was a brainstorming session to review 30-40 issues including the APEB scoring process. There will be a more formal group meeting in December to fine tune issues with planners, design and leasing staff. It was suggested that the work groups need to include other stakeholders. Chair Ryan asked the Board to participate in the APEB work group. He also requested a comprehensive risk analysis to target areas of need for the greatest improvement of our airports. He suggested ranking all airports by risk factor, not by regions.

**Deputy Commissioner Klein** – reviewed the presentation that she gave to the Greater Fairbanks Chamber of Commerce earlier in the week. AIAS was implementing cost control measures before other national airports because of freight revenue trends that were being closely monitored at the Anchorage Airport. Decreased revenue started in FY08 and continues today. ANC lost about \$2M in revenue because of diversions during the Mt. Redoubt eruptions. International cargo carriers lost revenue by not being able to land in Alaska during this time frame since they needed to carry more fuel and less freight to overfly Alaska. Klein has since met with many international operators to review the advantages of the AIAS system and remind them that Fairbanks could be used while Anchorage is dealing with potential ash issues. Currently AIAS has a budget deficit of \$22M. Cost saving measures include keeping the hiring freeze, travel & training restrictions and reduced capital improvement projects.

**Verne Skagerberg (DOT&PF)** briefed the group on the Transportation Research Board. He explained the aviation arm and his participation in two standing committees. He encouraged the Board to participate in the selection of projects. Verne proposed a project that was accepted – a handbook on air space issues for non-aviation planners. This hand book will be available in 6 months.

**Tom Middendorf (DOWL HKM)** – recapped the **Aviation System Plan IOU's** to the AAB:

**Runway Length Study**

- Comments from AAB in 10 days
- Final version to include graphical executive summary

• **Additional Economic Studies**

- AAB comments on scopes in 10 days
- AAB members invited to participate in scope discussions with NEC – just let us know if interested

- Social effects video to include a quantitative handout
- NEC present at next AAB meeting?
- **Role of Statewide Aviation**
  - DOT&PF to send AAB prior study related information, with understanding it's still an in-house draft document being revised, by November 6
  - Would like aviation expertise involved in next stage
  - Two AAB members and the Chair will meet with Regional Directors and Statewide Aviation to agree on scope for next stage
- **APEB Work Group**
  - AAB participation
  - Consider comprehensive risk analysis to define airport needs
  - Reconsider runway length needs based on several types of communities
- **M&O Work Group**
  - What is overall health of M&O of airports – how to measure?
  - AAB participation
- **Classifications and Performance Measures**
  - Send out interim reports to AAB after December and January/Feb Work Group meetings
  - Report status at next AAB meeting
- **Postal Hub**
  - Steve Deaton update?
  - Define airports that would be suitable for postal hubs given infrastructure required
  - Define costs of infrastructure improvements at USPS candidate hubs “fiscal impact”
  - Discuss damage to existing hubs when new hub is created (ex. St. Marys and Emmonak)
  - Commissioner more in depth briefing on the topic

**Board Member Discussion** – included the following board resolution:

Resolution No. 2009-2  
**Aviation Advisory Board**

Resolution concerning rate changes at the Alaska International Airport System

Whereas: The Advisory Board believes that an increase in land lease rates at the Alaska International Airport System, in these continued difficult economic times, would negatively impact system revenues.

Therefore be it resolved: The Board would like to see the proposed reason for any rate increase and an analysis of the impact of any proposed rate increase on the System and all stake holders.

Be it further resolved: The Board requests that the DOT develop a comprehensive plan designed to increase system revenues.

All board members were in favor of the resolution and the motion carried. Deputy Commissioner Klein requested that the resolution be sent to Keith Day and the AIAS signatory carriers.

The next AAB board was proposed for early December or mid-January. Once the draft report 'Role of Statewide Aviation' is received by the Board there will be an executive session probably between November 10<sup>th</sup> and 16<sup>th</sup>.

**Additional comments from Board –**

**Al Orot** – welcomed new board members and noted that there is now a full roster. He would like to see a calendar distributed for the next 6 months to ensure maximum participation at future meetings. He was pleased that the Commissioner would be releasing the draft report to the Board. And he asked what the plans are at ANC for landside concessions?

**Judy McKenzie** – requested that agenda materials be provided electronically prior to meetings and that Q & A information be added to minutes.

**Mike Salazar** – Likes the idea of a 6 month calendar and asked if we are obligated to publish meeting notices (Yes – public notice 10 days prior to meeting and press releases issued)

**Tom George** – Appreciates having a full board and requested that the Chair contact the absent members and query about attending future meetings. Noted there are challenges to maintaining airports and suggested changing from a reactive to a proactive role. He agrees that the Board should line out at least the next two meetings and have fewer items on the agenda to allow more time for discussion.

**Steve Strait** – Likes documents available on the web and since this was his first meeting he recognized the professionals working at DOT&PF and enjoyed getting to know the Board.

**Ken Lythgoe** – Thanks to new board members and appreciates their enthusiasm.

**Frank Nietz** – Pleased to be a new board member and looks forward to contributing to the AAB, and added a thanks for the resolution.

**Jane Dale** – Enjoys participating in these meetings and would appreciate also receiving the agenda and materials.



**Joy Journey** – Added her thanks to the Board for their efforts to protect aviation – the largest non-profit in the state.

**Tom Middendorf** – Looking forward to making positive changes and providing the final reports on the system website.

**Judy Chapman** – Appreciates the Board's interest in DOT&PF issues and is always available if additional information is needed.

**Becky Cronkhite** – Agenda is determined by Chair Ryan.

**Lee Ryan** – Will work with the agenda earlier and requests that items be posted earlier. He prefers an agenda with fewer items and more time for discussion. Also, would like meeting packets two weeks in advance. Thanks to Becky, Marcy, and Linda for all of their support. It's good to have a full board with renewed energy and will look into absenteeism issues. Aviation is the backbone of the State. Need to plan Juneau trip and have items ready. Looking at mid to late February.

**Adjourned the meeting at 3:00 p.m.**