

Aviation Advisory Board Meeting Minutes
August 28, 2021
City of Kenai ARFF Training Center
450 Marathon Rd., Kenai, AK
(Board also traveled to Homer and Seldovia for airport tours)

Meeting called to order by Chairman Lee Ryan at 8:38 a.m.

PARTICIPANTS:

Board Members Present: Steve Strait, Lee Ryan, Frank Neitz, Jim Dodson, Mike Stedman, Bob Hajdukovich

Board Members Online: Gideon Garcia, Marilyn Romano, Bob Kaufman

Excused Absense: Mike Reeve, Dennis Parrish

DOT&PF Present: Deputy Commissioner John Binder; Division Operations Manager Troy LaRue; Development Specialist Linda Bustamante; Commissioner John MacKinnon, Administrative Assistant Jennifer Rackliff; UAS Program Manager Ryan Marlow

FAA Present: Kristi Warden, Director Alaska Region Airports

OTHERS: Tom George, Aircraft Owners and Pilots Association (AOPA); Jane Dale, Alaska Air Carriers Association (online); Adam White, Alaska Airmen's Association (online); Eland Conway, Kenai Airport Manager

AGENDA and MINUTES—Steve moved to adopt May meeting minutes; Bob Hajdukovich seconded. Steve moved to accept agenda with the addition of Sitka seaplane dock added to board discussion; Mike Stedman seconded. Motions passed unanimously. Approved May meeting minutes posted to [website](#).

Commissioner John MacKinnon Comments:

Discussed the infrastructure bill that passed the senate, but may only pass through the house with a social infrastructure addition. The funds in the infrastructure bill would require GF match. Also discussed the challenge to DOT&PF to manage and put into projects that are deliverable. The department could see an influx of 40% more funding. He is holding a meeting next week with department heads to discuss the departments ability to deliver better and faster projects. Discussed the state needing to do business differently than 'how it's always been done'. Discussed alternate methods where the state might not save money, but could save time without being more expensive. Talked about how additional steps were put into place to avoid problems that occurred without closely looking at how time consuming/expensive those are vs how frequent or not the problem might occur and how expensive the fix was. Talked about using a Construction Manager/General Contractor (CMGC) process that could reduce time on projects and not cost more than the current Design/Bid/Build process. Is looking for opportunities to manage all projects and working with the legislature to have access to general fund match.

Chairman Ryan asked if there is anything the board can do (offer a resolution, etc.) to advocate for the needed match funds. Commissioner answered that we usually have about a 6 month cushion of match available, so we should not need assistance in getting match funds.

Lee inquired if any of the incoming funds can be used for match. Commissioner responded that he believes all incoming funds will require match. Funds received through CARES/CRRSAA could have potentially been

used for capital projects and not required match, but the legislature decided not to use them for that, and to use them for operating expenses instead, and now we are having difficulty using those funds.

Steve asked how big the infrastructure bill is as it relates to funds for capital projects coming in to the department. Commissioner responded that regular formula funds are about \$3.5 billion over 5 years. It would be about an extra \$200 million a year on top of the \$500 million of straight formula funds. We are going to need \$70 million a year just for highway match. There is also some additional funding through programs for deficient bridges (and clarified that a 'deficient' bridge is not unsafe, and no bridges in the state are unsafe to cross, just that the bridge has had some weakening over time), ferrys, etc. Steve asked how much match we will be asking for this year in the budget due December 15th. Commissioner responded that it was unknown at this time.

Bob Hajdukovich asked how the 'pow-wow' for aviation will go as opposed to other programs, and how we will try to get funding for backlogged maintenance issues, and old equipment replacement, that we haven't been able to get funding for in the past. The Commissioner talked about how the state needs to do things differently and communicate better amongst the different phases instead of being so siloed and how that could move a project from conception to completion much faster. Gave example of northern region changing their process to a project development team approach. Also discussed situations where projects may be built for less and faster in a way that is functional for Alaska but may not be up to federal standards/funding but may be less expensive to build and maintain and still be functional for our needs.

Chairman Ryan wanted to advocate for upgrades and repairs to central region airports with some of this new funding. Commissioner said that one of the stumbling blocks the state is having is getting supplies that meet standards, and how standards aren't flexible to fit Alaska's actual needs. Different airports have different levels of traffic and different needs due to environmental conditions and maintenance needs.

Adam asked about the possibility of DOT using some of the infrastructure funds in helping municipal airports once again with their match. The Commissioner said that it is not in the budget and the state does not have the funds to help with municipal match. The state cannot divert FHWA funds for those uses. It was also suggested to invite AIDEA to the next AAB meeting. Tom asked a follow up question about the prior program that existed to help municipal airports with match, and how that worked, and what would be the right route to try to pursue starting that up again. Deputy Commissioner Binder responded that it was a departmental decision that was made in the past when DOT had match funds set aside that they could not use. Adam responded that the municipal airports are part of Alaska's aviation system, and by strengthening them it strengthens the whole infrastructure. It was suggested to talk to legislators about getting match for assistance as part of non-participating funds.

ANC Airport Update:

Airport Manager Jim Szczesniak updated the board on the increased activity at ANC. Cargo is up 23% compared to 2021 and passenger service is up 348% over the same point in 2020 and at 83% of our peak season of 2019. They are up 438,000 passengers from last year. The forecast for September through December is actually 1.7% above 2019 levels. One of the contributing factors of that is that Alaska Airlines is getting back to their 2019 schedule, Delta is keeping their Atlanta flight through the holidays, and American Airlines is keeping their Dallas flight through the holidays. The airport has been administering a lot of vaccinations, mostly to Alaskans. 69% of vaccines given away through the airport are to Alaskans, 15% to people from other states, and 14% is to non-US citizens.

There are five airport cargo development projects moving forward, 2 have signed leases, 1 is imminent and the other 2 are FedEx and UPS which could take some time. The other is signature point support, at the old Kulis

ramp, rehabilitating one of the buildings, and they will be putting in a customs and border patrol inspection area in that facility. That will allow business jets to clear customs over in that area which cleans up runway traffic.

Bob Kaufman asked about projected passenger numbers, since to date numbers have been less than 2019, but traffic for the rest of the year is expected to be higher and how that determination was reached. Jim responded that there were a few things out of the airport's control, including travel from Europe and not getting Condor Eurowings in that timeframe. The booking data suggests fairly full airplanes which leads to the higher projected numbers. Working with the tourism industry to advertise in the right markets to fill the scheduled flights.

Steve Strait asked about the status of the Southeast Airpark lawsuit. There is concern that tenants can't lease buildings while waiting for lawsuit resolution. Jim said leases have been extended with a term that the airport is comfortable with.

FAI Airport Update:

Airport Manager Angie Spear said FAI has seen increase with passenger activity. Sun Country and American Airlines are new carriers to the market. They have seen a 26% increase over 2019; and expect to end up close to 2019 numbers since they had a bit of a slow start to the year. They have seen a lot of additional military passenger charters with families and soldiers coming back from long deployments due to Covid. Amazon business has exceeded expectations. FAI is expecting fall and winter numbers to be on par with pre-covid. The flight schedule is returning to pre-covid routines. Delta moving it's Salt Lake City and Minneapolis service from Anchorage now, is a loss to Fairbanks community but not Alaska as a whole. Federal mask mandate extended to January 18th. On the West Ramp, Lifemed's new hangar grand opening is tomorrow. Omni Logistics grand opening is September 9th. Alaska Air Fuel has leased Lot 4, Block 1. Additional lots are getting appraised and going up to bid. FedEx has been supplemented to include additional ramp space. As part of the master plan that they did, they received a lot of public comment from the general aviation community that were looking for smaller lots for personal hanger development. In response they opened up Block 99, which is adjacent to the float pond extension and there are 14 lots that vary in size. They put those out in late July and they went up for public notice in the beginning of August, and the rent on those lots is 18-2400 per year. They are receiving a lot of interest and think they will go very fast. BLM applied for block 108 lots 8-13 and are looking at a large development. MHS, LLC started hanger construction on block 104, lot 2.

Tom George asked about BLM's interest in the space, if it is for firefighting. Angie responded that it is. He also asked if both Anchorage and Fairbanks are changing landing fees for 4,000 – 6,000 pound aircraft. Deputy Commissioner Binder responded that we just public noticed a rate reduction due to Covid relief funds and a bond transaction. There is no change to what aircraft are paying landing fees, but they are going down from \$1 to around 75/79 cents per 1,000.

Bob Kaufman asked how long Angie thinks the new lots will be available, and she said she expects them to be all taken within a year.

FAA Alaska Region Airports Update:

Kristi discussed federal funding and infrastructure bill. This bill includes \$20 billion in aviation investment of which \$5 billion will be available for terminal buildings. The other \$15 billion will be handed out on a location specific formula for capital projects.

Many of Alaska's rural airports do not have terminals so the board suggested warming huts/shelters be considered for rural airports in order to tap into this specific funding.

In a normal year, AIP is about \$3.35 billion appropriation and authorization, which is \$225 million annually to Alaska, and we are looking at an additional \$15 billion. This is a hundred percent increase. Projects are paid with 94% AIP and require a state match of 6%. Alaska is often able to take unused AIP and generate match to use those funds, and have projects ready to use those funds. We have years to obligate the funds and 4 years to perform on each grant. The \$15 billion will be allocated out as \$3 million per year.

Deputy Commissioner Binder asked about how these funds will be prioritized along with the CRRSAA and other programs. Kristi said that they are going to be hiring staff nationally and within her office to handle this increased load. At present her office is fully staffed, still teleworking.

139 inspections are well underway. Compliance program is alive and well. Wins in the environmental program also.

Kristi will be acting as the regional administrator for the Alaska region August 29th through mid December. Rodney Clark will be the acting director of the Alaska region airports division. Katrina Moss will be the deputy division director.

FAASI – FAA Alaska Aviation Safety Initiative – 1 year rollout, underway for 10 months now. Started with NTSB recommendations on a bunch of controlled flight into terrain accidents. NTSB put forth a number of recommendations to the FAA administrator advising that Alaska specific solutions for safety enhancements need to be developed, so the FAA put together ‘lines of business’ (divisions of FAA) to put together an interim report of all of the initiatives that were received. On approx. May 1st it went to the stakeholders and they have been hosting stakeholder meetings, about 2 per week for 1.5 – 2 months. Input has been received by the stakeholders, and it largely matches what the FAA has been doing. AWOS and operational issues for Part 135 air carriers are being discussed as well as the possibility of needing more certificated airports (Part 139) in the state. It is not just an academic exercise – it also involves allocating the funding and rolling it out.

Bob Hajdukovich inquired about the flexibility of the infrastructure funds, and if there is something that can be done to ensure the flexibility Alaska needs in terms of match funding, ability to use for operations, etc. Commissioner and Kristi said they were not sure how much change is possible at this point. It is a 2700 page document written in legalese and there is risk that if changes are requested then things can get lost. Some of the funds in this bill are repurposed CRRSAA funds that could not be used by the deadlines.

Bob asked if there could potentially be flexibility in the way Capital vs Operational costs are categorized. He stated that technically some of our maintenance costs are capital costs because the projects don’t last as long as expected because of materials available, environmental impacts, rural airport training, and lowest bidder struggles. He suggests that additional capital funding be allocated for maintenance to keep the runway to standard for the expected life of the project. Lee suggests the board continue this discussion later to determine advocacy opportunity.

Steve Strait asked when the funds might be available, and when they might end. Kristi said that she is hoping this fall. There will be 5 years to obligate the grants. 4 year period of performance to get each project done. It will be allocated through formulas. Lee asked about dug outs at some of the smaller airports in place of a full terminal, and Kristi suggested sheltering places and it was agreed that would be an excellent use of the terminal funds – to build something simple that would not require much maintenance but would provide shelter from the elements. The next board meeting to include strategy discussion to access additional terminal funds in order to expand/build “terminals” at rural airports such as warming huts/modular/shelters.

Chairman Lee requested the FAA’s Bethel User Group meetings be continued. There have been many lessons learned in these meetings that can transition across the state.

Mike asked if the \$15 billion is nationwide or for the state of Alaska. Kristi answered that it is nationwide.

Troy asked if some of the money could be used for tee hangars. Kristi said that tee hangars are eligible, and that they are a revenue generating opportunity.

Steve asked if there are any opportunities for fees in regards to the terminals and if there are any revenue funding opportunities there. Kristi said there is the Passenger Facility Charge (PFC) program. There are 5 airports in the state collecting PFCs - Sitka, Ketchikan, Juneau, Anchorage, & Fairbanks and there are other airports in the state that could be eligible to collect these fees based on the service. The FAA regulation that runs PFCs has an Alaska provision – you can only charge a PFC on a passenger travelling on an aircraft that carries 60+ passenger seats. There is a misunderstanding in the community that we can't charge PFCs to essential air service points. But you can not charge them *to* the point but you can charge them *from* the point. So enplanements at the essential air service community back to Anchorage, back to Fairbanks, wherever the EAS point are eligible. Deadhorse, Barrow, Bethel, Cold Bay, Adak, anywhere there are 60 passenger airplanes going in to. Currently the PFCs collected are \$4.50 per passenger and are collected at the first two airports that have PFCs implemented, each direction. The air carrier gets to keep \$0.11 of that charge. These fees could be used to fund match. The change to charge PFCs is a business decision by the airport sponsor. Steve wanted to know what DOT&PFs position is. DOT&PF supports the collection of PFC's but would need approval from the Governor's office to implement fees. The PFC funds would have to stay at that airport, and could be used on anything that is AIP eligible.

Tom asked if the PFC funds can be used for self fueling or fueling facilities. A lot of airports don't have fuel available, and the state doesn't want to run fuel, but if the money could be used to put fuel in, and contract out the running of it, then there's a revenue stream and increased value at the airport. Kristi said the funds can be used for that, and also for revenue generating parking lots. PFCs can also be used for bond service and consultant fees.

Jim asked the commissioner if we have 5 years of data to build a theoretical model of what we would have gained from these fees, and how much it would cost a passenger. Troy said that we do have that data and could run some numbers, and that he has a paper that was put together for this idea previously.

Eland said that he said he'd discussed this with Kristi before and she gave him some information on how to make it less political in terms of the smaller villiages, and said that a large portion of the fees are going to be paid by tourists.

Ryan asked Kristi about the green initiatives pillar of the FAA, if the funding could be used for charging arrays, solar backups, buying into wind farm co ops, etc. Kristi said she has the information at her office, and will have to look into it. Having charging stations at the airports would be a good revenue stream and attract business to the airport. Steve said there is a statutory rule that utility companies can charge the public, but that no one else can. He says it is something they are working on, and expects it to have been resolved within a year. He suggested that it would be good to discuss more with Senator Mia Costello.

DC Binder Statewide Aviation Update:

CARES funds are able to be used on any eligible aviation revenue expense – operational/capital it doesn't matter. The capital piece does have to align with FAA/AIP restrictions. DOT has chosen to use those primarily for operational. The legislature has chosen to use those funds to replace general funds in the budget. This frees up those funds for use elsewhere. The caveat to that is that the administration did want to get some capital

projects going this fall, so they did allocate \$11 million of those funds to be used for capital from our deferred maintenance list.

CRRSAA/ARPA – allocated per airport to primary airports over 10,000 enplanements, 23 of them. \$1.1-\$1.3 million each. Must be used on airport operational expenses at those airports. Some of these airports do not cost that much to operate, but we cannot redirect those funds to other airports. In this infrastructure bill it has language that reappropriates unused covid relief funding that was unable to be used in previously given guidelines. We just received ARPA amounts. \$35.5 million to rural airports, \$32 is specific to airports. AIS got \$52 million. Estimated \$17 million lost in the international system due to covid, but brought in \$109 million to ‘make up the difference.’ Funds need to be obligated by September of ’24.

Bob asked how that is reconciled to the vendors that lost revenues due to covid, were they given rent relief? DC Binder responded that yes, they got rent relief. Bob asked if we have lost concession areas at the internationals due to covid. DC Binder answered that we have not lost them permanently but there are concession areas that have not reopened due to not being able to hire staff, etc. In their contracts there is a force majeure clause that says if passenger enplanements dropped below about 25% of the last 3 year average, rent was stopped, which saved them a bunch. On the airport side that is lost revenue that was able to be reimbursed by fed funds. There is not a mechanism in place for providing that money directly to tenants. 2:21

The struggle that DOT is facing is not how the funding will be allocated. There are plenty of projects listed that have been scored. The problem is that they scored so low that it looked like they weren’t ever getting funding, so no work has been done on them. Now suddenly we are getting funding, and they can be funded, but now we have to start them and deliver them in 1-2 years instead of the average 3, 5, 7 years it takes to deliver most DOT projects.

Bob asked a question on behalf of the air carriers, if the AIP scoring system has changed. DC Binder responded that the scoring system has not changed, just that the scores that will be funded will go lower than usual.

Steve made a motion to write a letter to the Governor and Legislature recommending funds be increased to improve rural airports rather than used to reduce general funds. Seconded by Jim with recommended committee members. DC Binder will help craft letter before August 31st. Kristi Warden, John Binder, Tom George, Bob Hajdukovich, and Jim Dodson on the committee. Airport improvements include addressing deferred maintenance and capital needs. Motion carried.

Rural Contractor Training – additional funding for grader training is available through the department’s research development and technology transfer section. LTAP (local technical assistance program), funding provided by FHWA, will cover grader training with each class consisting of DOT&PF operators; local government operators and tribal government. There are classes scheduled in Nome, Tok, Bethel, Tazlina. This is a huge win for funding this much needed training across the state especially since many of the state’s airports are maintained by rural contractors. The funding covers all expenses including travel. Anna Bosin is our tribal coordinator who is reaching out to tribes about this training opportunity.

Certificate of Compliance – Statewide Aviation is considering expanding this program to include Part 91 operators; flight schools/certified flight instructors; and commercial drone operators. The board would like to have an underwriter/broker and possibly an attorney at the next meeting to review tort reform and other insurance issues. The board views this as a large public policy discussion. Adam White said insurance is an issue and many operators can’t get coverage at any price.

The North Slope Borough has put together a plan on establishing port authority. They had an assembly meeting 2 weeks ago that approved that port authority plan. Their airport commission portion is already funded. There have been many work sessions that were topic specific discussions on maintenance & operations, revenue generation, capital funding, etc. FAA has been involved. They are gaining understanding of what all operating that airport will entail. Discussions are moving forward with the North Slope Borough to transfer ownership and management of this airport to the NSB. There will be more opportunities for public comment.

Unalaska Airport Master Plan – looking at EMAS as the preferred alternative. Public comment underway. Lee said he asked about an alternate location and if they were looking at that, and was told that was not part of the project scope, so it is not something they were considering. Troy responded that the alternate locations were included in the old master plan, and that they are still considered an alternative but that there is not much more to be investigated on it.

Klawock Airport Wildlife Study – study continues with end result of a wildlife plan that will be executed. Troy and Rich visited the site and Troy gave an update. They have determined that much of the wildlife problem is migratory, so hazing efforts can be concentrated during specific periods.

Rural Airport Runway Markings – department moving forward with implementing markings would like a priority list from air carriers. Board suggested adding markings at all rural runways less than 2,400', and prioritize airports south of the Yukon River and north of Dillingham.

UAS business opportunities – it was suggested by the board to keep the private sector economic opportunities in mind and not have DOT own and operate their own UAS fleet. Ryan Marlow said that the state does not plan to operate drone aircraft rather create regulatory opportunities and using technology effectively.

Homer/Nanwalek and Port Graham Overview – Jenelle Brinkman gave the board an overview of projects at these communities. Homer's airport will be rehabilitated to including runway 04/22; taxiways A, B, and D; the GA apron; and RSA areas. The project schedule has construction beginning Fall of 2022 through Summer 2023. Nanwalek-Port Graham – a federally funded project will develop a new airport between these communities. The airport will service both communities and the existing airports will be closed when the new airport is opened. Construction is scheduled for 2025 to be completed in 2027. She also mentioned that the Seldovia Airport has been identified as needing resurfacing and this project will be going to the APEB committee for scoring. (Airport Project Evaluation Board)

Rural Airport Development – Judy Chapman, Planning Chief and Al Beck, Group Chief provided the board an overview on program development and statewide planning efforts in Northern Region. The region has implemented teams resulting in a collaborative approach with more informed section heads making better decisions with more cooperation and communication. There is also less pushback on fiscal challenges and they have better readiness for ramping the program up or down.

PFAS – there are 30 airports where foam has been discharged. DOT is halfway through the list of airports where there is suspected/known foam usage. Testing is AIP elidgale, but treatment is not. Oregon treats soil that must be removed. Steve says there is a treatment facility in process of being built in Nikiski. Some airports are non-detect or very low levels. Concentration has been found in asphalt. The department applied for a grant.

Call for Public Comments:

Paul Ostrander, City Manager of Kenai welcomed group and was pleased board was meeting in the City of Kenai's ARFF Training Center. This is a great facility that should be utilized even more. Board will be taking tour of facility.

Board Discussion:

Board recommends including PFCs in the "letter of opportunity" to the Governor and Legislature. Frank mentioned that the McGrath and Aniak airports are looking good and there is a big gravel Project at Kasigluk. There is a need for lease lots at the Bethel airport. General aviation access is a challenge at many airports making it difficult to get on the ramps.

Marilyn said that Alaska Airlines will be submitting comments about implementing PFC charges.

Gideon gave kudos to Josh Stucky and Annette in Fairbanks. He recently saw drones inspecting a bridge.

Bob Kaufamn – fuel tax, news projects , minimize maintenance costs.

Tom George – think about managing airports and getting back to revenue generation.

Eland Conway, Kenai Airport Manager, wants Kenai Airport to also be able to collect PFCs. Supports the letter but would also need a change in the regulation since aircraft under 60 seats use this airport.

Marilyn added that ASA is not in favor of the Barrow Airport transfer.

Board was given a tour of the ARFF Facility.

Meeting adjourned after tour without setting a date for the next meeting. Steve moved to adjourn this meeting. Mike seconded.

Meeting adjourned 3:15 p.m.