

Agency: Commerce, Community and Economic Development**Grants to Municipalities (AS 37.05.315)****Grant Recipient: Ketchikan Gateway Borough****Federal Tax ID: 92-0084626****Project Title:****Project Type: Remodel, Reconstruction and Upgrades**

Ketchikan Gateway Borough - Ketchikan International Airport Operations and Infrastructure

State Funding Requested: \$9,905,000**House District: 1 / A**

One-Time Need

Brief Project Description:

Funding for improvements to the state's Ketchikan International Airport, including replacement of the failing airport ferry terminal moorage facility, and airport parking and lighting improvements.

Funding Plan:

Total Project Cost:	\$9,905,000
Funding Already Secured:	(\$0)
FY2013 State Funding Request:	<u>(\$9,905,000)</u>
Project Deficit:	\$0

Funding Details:

The amount of funding requested for the infrastructure portion of this proposal is \$9,905,000. The request for monies for the infrastructure is a one-time funding request.

Detailed Project Description and Justification:

Funding for improvements to the state's Ketchikan International Airport, including replacement of the failing airport ferry terminal moorage facility, and airport parking and lighting improvements.

The Ketchikan International Airport is the fifth busiest airport in Alaska (behind Anchorage, Fairbanks, Juneau, and Bethel). Among the 255 State-owned airports in Alaska, the Ketchikan International Airport is the only one operated by a local government (the Ketchikan Gateway Borough).

FY13 State capital funding for the State-owned Ketchikan International Airport is sought for the following five components:

1) \$3,950,000 to Replace Failing Airport Ferry Terminal Moorage Facility. The Borough seeks funds to replace the 71-year-old Gravina Island Terminal II ("Terminal") located on the State-owned Ketchikan Airport Reserve.

The nearly three and quarter of a century-old terminal was closed to the public six years ago by the Alaska Department of Transportation & Public Facilities due to safety concerns. While closed to the public, the terminal continues to be used for moorage of the two airport ferries that transport approximately 350,000 passengers and 80,000 vehicles annually across Tongass Narrows between the Ketchikan International Airport and Ketchikan. The two ferries, with a replacement value of \$20 million, provide the only link to the Airport. The ferries are also used in critical missions involving every medevac transport in and out of Ketchikan.

Estimates for improvements include the following:

2) \$2,047,500 for Airport parking and lighting improvements. The Borough seeks funds to improve vehicle parking areas at the Ketchikan International Airport. The Airport parking areas on Gravina Island are unpaved and lack adequate lighting. The lack of paving increases maintenance costs. Additionally, the lack of paved parking and adequate lighting create public safety hazards and inconveniences to the traveling public.

In addition to providing for public safety and convenience, the Airport parking and lighting improvements project will help reduce costs. The Ketchikan Gateway Borough in partnership with the Alaska Department of Transportation and Public Facilities is searching for ways to reduce costs and increase operating revenues at the State-owned and Borough-operated Ketchikan International Airport.

3) \$1,197,500 - Replace failing Airport Terminal heating system and to make other energy-saving improvements. The Borough seeks funds to replace the 40-year-old inefficient diesel boilers currently used to heat the Airport Terminal. The inefficient boilers have reached the end of their useful life. Replacement of the existing heating system with one that is modern and efficient will result in significant reductions in operating costs. Project funding will allow for other energy-saving and cost reduction measures as well.

4) \$2,500,000 - For contractual costs recovery. Under the terms of the 1984 agreement between the Borough and the State concerning operation of the Ketchikan International Airport, the State is obligated to pay 90 percent of major maintenance costs at the Airport. Compliance with the contractual cost recovery provisions of the contract have been lacking over the past twenty-eight years. The Borough seeks to recover those costs, conservatively estimated at \$2.5 million. Funding would eliminate the accumulated operating debt of the Airport Enterprise Fund, putting the Airport on a secure fiscal footing for the future.

5) \$210,000 - Pay remaining debt for M/V Oral Freeman. The Borough seeks funds to pay off the remaining debt for construction of the M/V Oral Freeman.

Recognizing that the Airport ferry system is the only link for passengers and vehicles between the Airport and Ketchikan, the State accepted its moral obligation to provide for this critical transportation link by appropriating \$700,000 to pay debt on the Airport ferry MV Oral Freeman. In 2010, the State of Alaska further recognized its moral obligation to provide for the critical transportation link by funding the construction of a new Airport ferry at a cost of \$8.5 million. \$210,000 in debt for the MV Oral Freeman remains outstanding.

The amount of funding requested for the infrastructure portion of this proposal is \$9,905,000. The request for monies for the infrastructure is a one-time funding request.

As noted above, the Borough and the Alaska Department of Transportation & Public Facilities are negotiating over ways to increase revenues and decrease expenses at the Ketchikan International Airport. The Governor has included operating funding for the Ketchikan International Airport in his FY 2013 Budget (as he has included funding for all other State-owned airports in his budget). The funds requested above are separate from any funds requested through negotiations with the Alaska Department of Transportation and Public Facilities.

The Ketchikan Gateway Borough will operate and maintain the Gravina Island Terminal and the Gravina Island parking

areas for the Airport as long as the Borough remains responsible for operation of the Airport. The five projects for which funding is requested here will reduce operating costs and increase operating revenues, which, in turn, will help to reduce the existing annual deficit.

Fundamental State Responsibilities: The State of Alaska owns 255 airports, 253 of them are fully funded with State General Fund money; two others (Anchorage and Fairbanks) are self-sustaining following investment by the State in infrastructure. The Ketchikan Airport is the only State airport operated by a local government. Despite the levy of more than \$3 million in Airport fees and charges by the Borough annually, the Ketchikan Airport cannot operate on a self-sustaining basis. Funding of these projects will significantly cut the deficit.

Deferred Maintenance: The Airport ferry terminal moorage facility is 71 years old. It was condemned for public use by the State of Alaska more than six years ago. The facility has deteriorated to the point where it must now be replaced. The Airport parking areas require pavement and lighting to improve public safety and convenience, reduce costs, and increase revenue for the Airport Enterprise Fund.

Public Safety: The lack of pavement and adequate lighting increase risks of personal injury to users of the Airport.

Project Timeline:

2012

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Ketchikan Gateway Borough

Grant Recipient Contact Information:

Name: Dan Bockhorst
 Title: Borough Manager
 Address: 1900 First Avenue
 Ketchikan, Alaska 99901
 Phone Number: (907)228-6625
 Email: danb@kgbak.us

Has this project been through a public review process at the local level and is it a community priority? Yes No