

**REGULAR MEETING**  
**ASHEVILLE REGIONAL AIRPORT AUTHORITY**  
**February 11, 2011**  
**8:30 a.m.**

The Asheville Regional Airport Authority ("Authority") met on Friday, February 11, 2011 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport ("Airport"), 61 Terminal Drive, Suite 1, Asheville, NC 28732.

**MEMBERS PRESENT:** David R. Hillier, Chairman; David Gantt, Vice-Chairman; Jeffrey A. Piccirillo, Secretary-Treasurer; Brownie Newman; Chuck McGrady; Bob Roberts and Martha Thompson

**MEMBERS ABSENT:** None

**STAFF AND LEGAL COUNSEL PRESENT:** Vic Buchanan, Authority Legal Counsel; Lew Bleiweis, Airport Director; Michael Reisman, Deputy Airport Director of Development and Operations; C. Jeffrey Augram, Chief of Public Safety; David Nantz, Director of Operations and Maintenance; Royce Holden, IT Director; Vickie Thomas, Director of Finance and Accounting; Tina Kinsey, Director of Marketing and Public Relations; Suzie Baker, Administration Manager; Kevan Smith, Public Safety Captain; Amy Burritt, Marketing and Public Relations Supervisor; and Ellen Heywood, Recording Secretary

**ALSO PRESENT:** Bill Moyer; Mike Darcangelo, Avcon; Kevin Frank, Odyssey Aviation; Hartwell Carson, Western NC Alliance; Marty Kretchman, Landmark Aviation

**CALL TO ORDER:** The Chairman welcomed everyone in attendance and called the meeting to order at 8:30 a.m. The Chairman noted a public comment request and allowed for this item to be moved to the front of the agenda.

**PUBLIC AND TENANTS' COMMENTS:** Mr. Hartwell Carson, French Broad Riverkeeper for the Western NC Alliance thanked the Board for the tour of the westside fill site. After seeing the process for the fill project, Mr. Carson felt comfortable with what is going on and felt the site and project are being handled very well. The Board thanked Mr. Carson for his comments.

**APPEARANCES:** None

## **PRESENTATIONS:**

**A. Redesigned Website:** Mrs. Kinsey gave a presentation of the airport's new tagline, advertising campaign and website. The website is set to go live on the night of February 13 and will be a customer focused site. Samples of new television, radio and outdoor ads were also shown to the Board. The Chairman thanked Mrs. Kinsey for her presentation.

**B. Review and Summary of Runway Presentation:** The Director advised the Board that they had seen the presentation on several occasions but was presenting it again for the benefit of the new Board Members. The Director summarized the runway construction history and then reviewed the testing and evaluation of the pavement, airfield lighting and FAA design standards that was performed by RS&H in 2008 and first presented to the Board in April of 2009. The Director went through the options recommended by RS&H for repair of the runway as well as the cost estimates and time frame for each option. The Director reminded the Board that Option D, reconstruction of the runway with construction of a parallel taxi-way has been acknowledged and accepted by the Board as the best plan for this project.

The Director also reminded the Board that with their approval, staff has contracted with RS&H for completion of a Letter of Intent (LOI) seeking \$55 million from the FAA. The LOI will be submitted to the FAA by the end of the month. Staff will know of the FAA's decision by November of this year. The Environmental Assessment, a requirement for the LOI process, has been submitted in draft form to the FAA. The assessment shows the project will not have a negative impact on the environment. The Director further informed the Board that in January he had met with FAA officials in Atlanta and spoke with them about the runway project. He was told unofficially that the FAA could not fund the \$11-12 million rehabilitation of the existing runway in its current place because it does not meet the FAA separation standards. The FAA has to do something, the airport cannot close, so the FAA is moving toward the larger project, Option D. While in Atlanta, the Director also spoke with Richard Walls, Aviation Director for NCDOT. The state is on board with this project and has committed an additional \$500,000 to \$1,000,000 to the \$300,000 the state already gives the Authority for capital projects, if the runway project goes forward.

Mr. Roberts inquired about FAA guidelines for using a taxiway as a temporary runway. The Director responded that use of a taxiway as a runway is not the standard but it has been done. The taxiway would have to meet FAA standards to be used as a temporary

runway. Since there is some property located near this area that may be too close to the taxiway to meet FAA safety regulations for it to be used as a temporary runway, the Authority may receive exemption for a year from the FAA so the property will not have to be purchased.

Ms. Thompson questioned if the last two winters have contributed to an advanced degradation of the runway. The Director replied that it was not helping the conditions of the runway but that staff keeps up with the maintenance of the runway and the FAA inspects the runway each year.

Mr. McGrady asked what the Authority would fund for the project and what the FAA would fund. The Director responded that the Authority was entitled to 95% funding for this project but that staff was not counting on 95% funding. In the Capital Improvement Plan that the Board approved in December, staff has budgeted for an 80% to 85% contribution from the FAA with the Authority contributing 15% to 20%. Mr. McGrady stated that he hoped for a larger contribution from the FAA for this project since they are the ones requiring it to meet their design standards. The Director stated that roughly \$52 million has been programmed into the FAA's National Plan of Integrated Airport Systems (NPIAS) for this project. The Director did not believe that this amount would have been programmed into the NPIAS if the FAA were not intending to fund the project.

Mrs. Thompson stated that costs go up over time and asked if there were plans for this. The Director said that guesstimates were used in 2009 and these numbers can change. The FAA understands this and that the percentage of funding stays the same.

Mr. Newman asked if there was any way to rehab the runway and add the 75' separation without constructing a new taxiway. The Director responded this could possibly be done and that the FAA had also asked if there were alternatives to building a new taxiway. The Director advised the Board that 75' would be built on the west side of the runway and 75' would be taken from the east side to meet the separation standards. The problem is the runway needs to be open during the construction period. This means construction would take place during the night for limited hours but also still need to meet safety standards during the day when there are flights. Staff does not believe it's a viable option without impacting safety standards. The Director further stated that building a taxiway on the west side for future development is a pure discretionary project and would never receive FAA funding but is needed for safety reasons for the reconstruction of the runway.

Mr. Newman asked about the likelihood of the FAA funding this project. The Director replied that the FAA would not let the airport close, something would have to be done to maintain the structure and integrity of the runway. The Director was given a commitment by the FAA Atlanta office last summer although staff is unsure what the FAA would do if they decided not to fund the reconstruction project. However, it is possible that someone in the FAA office in Washington DC could decide to grandfather the exception of the runway separation longer and fund the rehabilitation of the runway in its current location.

The Director advised the Board that staff would come to the Board once the decision from the FAA is received.

**C. Airport Property Ownership:** A map and property listing were distributed to the Board for their information. The Director stated this was still a work in progress although most of the property has been identified. The Director reviewed the original footprint of the airport from 1958 and all the parcels acquired and divested since then.

There was a discussion of some tracts of land that were purchased without consent from Henderson County. Mr. Newman asked if they were purchased using airport funds and the Director responded that they were along with federal funds and that the airport worked with the City of Asheville using the Housing Authority as the airport's arm to purchase the property. There was also a discussion of land bought from the airport by the state as the FAA never released this land from the airport's possession. There was further discussion of land in front of the J&S Cafeteria in question as to whether it belongs to Buncombe County or Henderson County. The Director stated that a lot of the financial records were permanently lost in the City of Asheville due to Y2K computer issues but that airport staff, legal counsel's staff, as well as our consultants have been working together to gather this information.

Mr. McGrady thanked the Director for his diligence on this project and stated that this was exactly the information he was looking for and that it would be very useful.

**D. Proposed FY 2011/2012 Budget Presentation:** Mrs. Thomas presented a brief overview of the proposed FY 2011/2012 Budget. Financial statistics were reviewed including passenger traffic growth, a history of operating revenue and expenses, net operating income and interest income. Mrs. Thomas reviewed the operating revenue and operating expenses budget assumptions as well as the sources of operating revenue and operating expenses by category. A review of the proposed capital budget as well as the funding sources was presented.

The Director reviewed the budget appropriations for the Airport Deicing Effluent Limitation Guidelines stating that \$750,000 of FAA entitlement funds have been set aside for when the regulations are finalized by the EPA. The EPA is expected to release the ruling and final laws in April of 2011. The airport will have to change the way it operates. Staff has looked into purchasing a vacuum truck to pick up the residue of the deicing fluid used by the airlines. A new type of deicing fluid will also have to be purchased at a cost significantly greater than the urea that is currently used.

Mrs. Thomas reviewed the reserve funds and informed the Board that staff is proposing to add a second reserve fund, Emergency Repair Reserve. Funds have been in the budget in the past for emergency repairs but rather than being a budgeted capital item, staff intends to show this as a reserve of cash balance. Also reviewed were changes in the Proposed Fees with the major change occurring with parking fees. To help offset the changes in the parking fees, a cell phone lot will be established south of the terminal building in the valet lot for people to stay and wait for passengers who need to be dropped off or picked up.

The Director also informed the Board that an additional person in Guest Services will be proposed in the budget. Currently there are four part-time positions and staff will propose adding one additional part-time position at no additional cost to the Authority. The savings from not providing benefits from the full-time position that was changed to two part-time positions in December, 2010 will cover the cost of one more part-time position. This added position will afford the Guest Services Coordinator time to market and sell brochure rack ads thereby increasing revenue for the Authority.

The Chairman noted that Mr. Gantt would need to leave the Authority Board Meeting early and called for the Closed Session to be moved before the remaining items on the agenda.

**CLOSED SESSION:** At 10:17 a.m. Mr. Piccirillo moved to go into Closed Session pursuant to Subsections 143-318.11(a)(3) and (6) of the General Statutes of North Carolina, to consult with legal counsel in order to preserve the attorney-client privilege and to consider personnel matters. Mr. McGrady seconded the motion and it carried unanimously.

Open Session resumed at 11:05 a.m.

**AIRPORT DIRECTOR EVALUATION:** Mr. Gantt moved to increase the Airport Director's salary by 2.5% or \$3,625.00 effective July 1, 2011. Mr. Roberts seconded the motion and it carried unanimously. The Chairman noted that the Director received a substantial increase in salary last year and that the 2.5% increase was in no way indicative of his performance but is a function of the historical situation of the last two years.

Mr. Gantt left the meeting at 11:06 a.m.

**FINANCIAL REPORT:** The Director reviewed the airport activity section of the Executive Summary for the month of December noting another good month with a 16.4% increase in enplanements over the same period last year and a 26.9% increase in enplanements over 2009. The Director stated that a press release regarding the increase in enplanements would be going out next week. Mrs. Thomas reported on the financial results for the month of December informing the Board that operating revenue was 3.3% over budget and operating expenses were 21.6% below budget. Cash Balance was also reviewed by Mrs. Thomas.

**CONSENT AGENDA:**

**A. Approval of the Asheville Regional Airport Authority January 14, 2011 Regular Meeting Minutes:**

**B. Approval of the Asheville Regional Airport Authority January 21, 2011 Special Meeting Minutes:**

Mr. McGrady moved to approve Consent Agenda Items A & B. Mr. Roberts seconded the motion and it carried by a 6 to 0 vote.

**OLD BUSINESS:**

**A. Approval of Lease Agreement with Landmark Aviation, Inc. for a Fixed Based Operation:** The Director reminded the Board that at the last Board meeting, more detailed information was requested by the Board for the approval of a lease agreement with Landmark Aviation. The Director reviewed the background information on the two FBO's located on the airport including their current lease agreement terms. The Director stated that as the Board was aware, Landmark Aviation is in the process of acquiring Odyssey Aviation and has requested that all the agreements between both FBOs and the Authority be terminated and new agreements be executed concurrently. Under the current lease agreement with Landmark, the Authority is obligated to build a

ramp at a cost between \$850,000 and \$1,000,000 to the Authority. Combining the Odyssey and Landmark lease agreements would negate this obligation.

The Director stated that at the last Board meeting Mr. McGrady had inquired about the legality of having one FBO and the Director advised the Board that staff has checked into this and there are no legal issues with having one FBO. The Director also spoke on the differences between a monopoly or a sole provider and an exclusive agreement. The Director reviewed the fiscal impact of combining both lease agreements. By converting the agreements into a land rent and fuel flowage fee agreement, an estimated \$900,000 in revenue will be generated annually, an increase of approximately \$80,000 to \$100,000 a year. The Director also reviewed the return of investment for all the properties. By extending the leases out to 2039, the Authority will realize an additional \$750,000 a year or \$13.5 million over time in guaranteed revenue.

Mr. McGrady thanked the Director for addressing his concerns about creating a monopoly and for providing the details of the return on investment as this was the information he was looking for. Mr. McGrady still expressed concern over the length of the lease agreement. Mr. McGrady felt it was possible to square up the payment differences between the two lease agreements without having to extend the lease out to 2039 with a 10 year extension. Mr. McGrady wanted more flexibility for the Board in the future, felt improvements needed to be made to the ramp, and would prefer the Director be allowed to enter into negotiations with Landmark to extend the lease perhaps 10 years. Mr. McGrady stated he would not support the agreement that was currently before the Board.

Mr. Roberts questioned if the Authority would still be under obligation to build the ramp at an estimated \$850,000 to \$1,000,000 if the Board did not extend a new contract to 2039. The Director responded that if the leases did not change and the Landmark lease stayed intact, the Authority was under obligation to build a new ramp, however he did not know if Landmark would hold the Authority to that obligation.

The Director advised the Board that \$750,000 of the \$900,000 combined rent under the combined leases was from the Odyssey piece. The property used by Odyssey could come back to the Authority with no revenue coming in. The Director also stated that according to the current lease, Landmark has to spend an additional \$3 to \$4 million before 2018 so improvements will need to be done for their lease to extend out. Provisions are also in the agreement that prohibit Landmark from taking advantage of its customers. The Director further stated that the \$750,000 is approximately 10% of the Authority's revenue stream which is a big portion. This revenue also supports the general aviation portion of this airport. The revenue from the airlines only supports

approximately 27% of the general aviation expenditures. Taking out the \$750,000 revenue, the airline portion will not make up the expenditures and costs for general aviation.

Mr. Newman inquired what the likelihood was of Landmark coming back to us and saying they did not want some of the property currently used by Odyssey if the leases were kept on different timelines. Mr. Newman also wanted to know what the options were of leasing the property to someone else and wanted to know if there was a risk that the Authority would not be able to generate revenue. The Director acknowledged that this was a good question and stated that Landmark would not want to give us the property back if there was the opportunity to generate revenue. The Director further stated that the south ramp produces no revenue. It is mainly used by the military and the Authority does not charge them for the use of the ramp. The proposed lease is a guarantee of revenue for the airport.

Mr. Roberts suggested a spreadsheet outlining in detail the financial aspects of the proposed lease agreement would be beneficial for the next meeting. The Chairman agreed that this was a good idea and requested the Director have this available for the next meeting.

### **NEW BUSINESS:**

**A. Approval of Airline Incentives for Vision Airlines:** The Director advised the Board of Vision Airlines' proposal to offer non-stop service between Asheville and Ft. Walton Beach, Florida two times per week to begin April 1, 2011. The Director recapped the Authority's policy of airline incentive money for marketing and ancillary start-up costs for new air service to any of the airport's top 20 non-stop destinations. Since Ft. Walton Beach is not one of the airport's top 20 destinations, the Director requested the Board's approval to offer \$40,000 for initial marketing, up to an additional \$60,000 for marketing if the service is successful throughout the remainder of the 12 month period, and \$20,000 for start up costs, \$15,000 of which would be for the Air IT system and \$5,000 for other start up costs.

Mr. Newman moved to approve the airline incentives with Vision Airlines for service between Asheville and Ft. Walton Beach and authorized the Airport Director to execute the necessary documents. Mr. Roberts seconded the motion and it carried by a 6 to 0 vote.

**B. Proposed FY10/11 Budget Amendment:** Mrs. Thomas informed the Board that the contract with Standard Parking provides for upgrades to the parking equipment to be purchased by Standard Parking and reimbursed by the Authority. Standard



Parking has paid \$344,330 for the new parking equipment. The FY10/11 Operations Department budget allows for \$101,772 for monthly amortization payments. The 5.73% interest rate that the Authority would be charged for the monthly amortization is considerably higher than the 1% rate the Authority earns on its funds. Since the FY10/11 Parking Lot revenue is over budget enough to cover the \$242,558 additional cost, staff recommended the Authority purchase the equipment outright in FY10/11.

A budget amendment is required and will increase the FY10/11 budgeted Equipment and Small Capital Outlay expenditures by \$344,330, decrease the budgeted Operations Department expenditures by \$101,772, and increase Parking Lot revenues by \$242,558. Mrs. Thomas requested the Authority Board resolve to amend the FY10/11 budget by adopting the following budget ordinance amendment:

BE IT ORDAINED by the Asheville Regional Airport Authority that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2011:

Section 1. To amend the appropriations as follows:

**EXPENDITURES:**

|                                    | <u>Decrease</u>  | <u>Increase</u>  |
|------------------------------------|------------------|------------------|
| Equipment and Small Capital Outlay |                  | \$344,330        |
| Operations Department              | \$101,772        |                  |
| Totals                             | <u>\$101,772</u> | <u>\$344,330</u> |

This will result in a net increase of \$242,558 in the appropriations. To provide the additional revenue for the above, revenues will be revised as follows:

**REVENUES:**

|                     | <u>Decrease</u> | <u>Increase</u>  |
|---------------------|-----------------|------------------|
| Parking Lot/Roadway |                 | \$242,558        |
| Totals              | <u>\$0</u>      | <u>\$242,558</u> |

Section 2. Copies of this budget amendment shall be furnished to the Secretary of the Asheville Regional Airport Authority, who for purposes of this ordinance, is designated as the Clerk to the Asheville Regional Airport Authority, and to the Budget Officer and to the Finance Officer for their direction.

Adopted this 11<sup>th</sup> day of February, 2011.

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David Hillier, Chairman

Attested by:

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Jeffrey A. Piccirillo, Secretary-Treasurer

Mr. McGrady moved to approve the Amendment to the FY10/11 Budget as presented by staff. Mr. Roberts seconded the motion and it carried by a 6 to 0 vote.

**DIRECTOR'S REPORT:**

The Director advised the Board that he had a couple of items to report that were not on the agenda.

**A. Recap of Washington DC Trip:** While in Washington, DC for a conference, the Director met with Senator Hagan and Burr's offices, and Congressman Shuler's office to discuss aviation related issues including a long term AIP bill. Senator Rockefeller introduced a bill to the Senate for two years. A long-term bill has been proposed by Representative Mica of Florida for four years. The goal is to have a long-term bill signed by March.

**B. Update of Westside Fill Tour:** The Director advised the Board that Mr. Carson's comments made earlier in the meeting addressed this agenda item.

**C. PFC Application Update:** The Director informed the Board that PFC Application No. 4 is set to expire soon. A meeting has been set up for February 15 with the airlines to review the new PFC application. The PFC application identifies \$9.4 million for projects of which \$2.1 million will be reimbursed to the Authority for money already spent on projects. The remaining \$7.2 million is for projects coming down the road. It is expected that it will take 6 to 7 years to collect the PFC funds under this new application. Staff hopes to have the collection of the PFCs in place by April 1.

**D. Meeting in Atlanta:** While in Atlanta for an FAA conference a couple of weeks ago, the Director learned that the FAA Office of Inspector General is auditing three airports in the South who received stimulus funds. Asheville has been chosen as an airport to be audited. Staff will work with the auditors beginning in early March.

**E. Airport Magazine:** The Director showed the Board two photos of the new terminal area that were featured in a recent publication of Airport Magazine.

**F. AirTran:** The Director advised the Board that AirTran announced Tampa service will return to AVL and is planned as a yearly service rather than seasonal. The Southwest Airlines acquisition of AirTran should be finalized in early May. AirTran should operate as is until the end of the calendar year. After that, staff is not sure what will happen. AirTran is recommending AVL market the AirTran flights so staff may come back to the Board to use some of the business development money for marketing in Florida.

**G. Return of 105<sup>th</sup> MP Battalion:** On Sunday, February 13, the 105<sup>th</sup> MP Battalion is set to return to AVL from Afghanistan. 145 troops will be returning and staff is expecting over 500 visitors on the GA south ramp. Patriot Guard Riders will be escorting the Battalion off the airport.

**INFORMATION SECTION:** No comments

**AUTHORITY MEMBERS' REPORTS:** Mr. McGrady advised the Board that he had two items he wanted to bring up. First, he wanted to state that the tour of the Westside Fill area went very well and felt the approach taken for this fill project is the correct way and hopes the Board will be overly transparent in the future. He was very pleased to see Mr. Carson speak to the Board earlier. Second, he informed the Board that Representative Tim Moffitt has taken an interest in the airport and what it can provide to the community. Mr. McGrady recommended staff reach out to Representative Moffitt as well as Representative Patsy Keever to familiarize them with all that is happening at the airport.

**SERVICE RECOGNITION AWARD – CHARLES MCGRADY:** The Chairman stated that it was a great pleasure to call Mr. McGrady a friend and read the following resolution of appreciation for his service to the Authority Board:

***Asheville Regional Airport Authority***

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***~ Resolution ~***

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**WHEREAS**, the Asheville Regional Airport Authority was created by the City of Asheville and the County of Buncombe for the purpose of maintaining, operating, regulating and improving the Asheville Regional Airport; and

**WHEREAS**, Charles W. McGrady served as an Ex-Officio Member of the Asheville Regional Airport Authority from October 2005 through July 2008; and

**WHEREAS**, Mr. McGrady was the first resident of Henderson County to serve as Member of the Authority, serving from August 2008 through February 2011; and

**WHEREAS**, Mr. McGrady served as Secretary/Treasurer of the Authority from August 2008 through September 2010; and

**WHEREAS**, during his tenure the Authority focused on growth and development, and has strengthened its role and image in the community; and

**WHEREAS**, Mr. McGrady provided invaluable guidance, common sense, and good judgment as Authority Member, as a result of which the Authority continued to be successful and experienced positive growth and development;

**NOW, THEREFORE, BE IT RESOLVED**, that the Asheville Regional Airport Authority expresses its sincere thanks and gratitude for Mr. McGrady's tireless and dedicated efforts in serving the needs of the Asheville Regional Airport Authority and the Western North Carolina community.

**Adopted this 11th day of February, 2011**

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**David R. Hillier, Chairman**

**ATTEST:**

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**Jeffrey A. Piccirillo, Secretary/Treasurer**

Mr. McGrady thanked the Board and stated that he had enjoyed his service on the Board and felt the Authority was in good shape and in a financially good position.

Mr. Roberts moved to approve the Resolution of Service Recognition for Charles McGrady. Mr. Newman seconded the motion and it carried by a 6 to 0 vote.

**CALL FOR NEXT MEETING:** The Chairman stated that the Board would be having a Budget Workshop/Retreat meeting on February 25, 2011 at 8:30 a.m. in the Authority Conference Room.

Ms. Thompson moved to call the next regular meeting of the Board for March 11, 2011 at 8:30 a.m. in the Authority Conference Room. Mr. Roberts seconded the motion and it carried by a 6 to 0 vote.


**WELCOME AND SWEARING IN OF NEW BOARD MEMBER – WILLIAM MOYER:**

Mr. Moyer was sworn in as a Member of the Authority Board by the recording secretary. The Board welcomed Mr. Moyer and Mr. Moyer thanked the Board for their confidence and support. Mr. Moyer stated that he was looking forward to working with the members of the Authority Board.

**ADJOURNMENT:** Mr. Moyer moved to adjourn the meeting at 12:08 p.m. Mr. Roberts seconded the motion and it carried by a 6 to 0 vote.

The next regular meeting of the Authority will be on Friday, March 11, 2011 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport, 61 Terminal Drive, Suite 1, Asheville, NC 28732.

Respectfully submitted,



Jeffrey A. Piccirillo  
Secretary-Treasurer

Approved:



David R. Hillier  
Chairman