

**BUDGET/WORKSHOP RETREAT MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY
February 26, 2010
8:33 a.m.**

The Asheville Regional Airport Authority ("Authority") met on Friday, February 26, 2010 at 8:33 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; Chuck McGrady, Secretary-Treasurer; Rhett Grotzinger; Susan C. Fisher, Brownie Newman; and Jeffrey A. Piccirillo.

MEMBERS ABSENT: None

STAFF AND LEGAL COUNSEL PRESENT: Victor Buchanan, Authority Legal Counsel; Lew Bleiweis, Airport Director; D. David Nantz, Director of Operations and Maintenance; Patti Michel, Director of Marketing and Public Relations; Royce Holden, IT Director; C. Jeffrey Augram, Chief of Public Safety; Vickie Thomas, Director of Finance and Accounting; and Ellen Heywood, Recording Secretary.

CALL TO ORDER: The Chairman welcomed everyone in attendance and called the meeting to order at 8:33 a.m.

The Director apologized for the absence of Kevin Howell, Director of Properties and Development and Suzie Baker, Administration Manager.

CONSENT AGENDA:

A. **Contingency Transfers:** Mr. Grotzinger requested this item be pulled for discussion. The Airport Director informed the Board that the budget transfer items were a compilation of expenses that have been or will be incurred and were before the Board for approval of the contingency transfer to cover these expenses. The Director reviewed each of the items and reported the total reduction from Contingency would be \$44,164.66 and would be transferred to the respective line items.

Mrs. Fisher questioned how this would affect Contingency and the Director responded that this transfer would leave approximately \$30,000 for the remainder of the fiscal year. Mrs. Fisher also inquired whether the Director anticipated any other items to

affect the bottom line in Contingency. The Director replied that potential snow removal costs were the only other expenses known at this time. These expenses may be taken from another line item and will come back before the Board for approval when the total cost is known.

Mr. Grotzinger asked about the relocation of the Civil Air Patrol's (CAP) communications antenna and if the Authority was obligated for this expenditure. The Director replied that the Authority was not required to pay for the relocation of the antenna but felt it was appropriate as the CAP is an integral part of the community and the aviation industry.

Mrs. Fisher moved to approve the amendment to the FY 2009/2010 budget by adopting the following budget ordinance amendment. Mr. Gantt seconded the motion and it carried by unanimous consent.

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, 2010:

Section 1. To amend the appropriations as follows:

EXPENDITURES:

	<u>Decrease</u>	<u>Increase</u>
Administration		\$10,536.30
Other		\$18,208.45
Business Development		\$11,714.91
Parking Lot/Roadway		\$3,705.00
Contingency	\$44,164.66	
Totals	<u>\$44,164.66</u>	<u>\$44,164.66</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 26th day of February, 2010.

David Hillier, Chairman

Attested by:

Charles W. McGrady, Secretary-Treasurer

PROPOSED FY 2010/2011 BUDGET: Vickie Thomas presented a brief overview of the proposed FY 2010/2011 Budget. Mrs. Thomas informed the Board that Operating Revenue has increased by 4%, Operating Expenses have increased by 10% and reviewed the sources of Operating Revenue and the Operating Expenses by Category. Mrs. Thomas also reviewed the funding sources for the Proposed Capital Budget as well as the Carry-Over Capital Projects.

The Director reviewed the proposed airport deicing effluent limitation guidelines as well as the fiscal impact to the Authority. These expenses were not included in the budget but staff wanted the Board to be aware of the potential fiscal impact. Mr. Grotzinger inquired where the funds were that would cover these expenses. The Director responded that staff has programmed FAA entitlements into the budget to cover the glycol recovery vehicle and liquid deicing equipment. Mr. Grotzinger further asked if staff had a recovery mechanism from the airlines in place and the Director stated that going forward the expenses would be recouped through the airlines rates and charges.

Mr. Grotzinger also requested a briefing on the Frequent Parking Program and the Director stated that this was in the early stages and staff had not yet met with the parking operator and equipment supplier regarding this program.

Mr. Grotzinger inquired about the definition of the reserve fund as he believed it was contrary to why it was originally set up as a cash reserve not to be touched and used as a leveling mechanism for cash flow. Mrs. Thomas stated that she was not aware of the history but the language is the same as used in prior years. The reserve funds would not be touched unless approved by the Board. Mrs. Thomas further stated use of these funds could possibly be needed for cash flow purposes while waiting to receive AIP

funds that have been delayed. The Director affirmed these funds would not be touched unless approved by the Board.

Mr. Grotzinger questioned where the \$100,000 in bad debt that was previously carried as an expense item appeared in the budget. Mrs. Thomas replied that she was not aware of any bad debt items as payments to the Authority are current. Staff carefully reviews and stays on top of all accounts received each month and was not sure the Authority could justify \$100,000 for bad debt. The Director affirmed that accounts receivable is current. The Director further mentioned that the airlines would be the only entity staff would be concerned with but the airlines do have a cash reserve with the Authority to cover any bad debt situations.

Mr. Grotzinger mentioned the Customer Facility Charge (CFC) revenues outstrip debt service by approximately a couple hundred thousand dollars and asked if the change was operating revenue on the CFC's. The Director responded yes, as long as the Authority is meeting the debt coverage ratio the bonds allow us to use.

The Director reviewed the Budget Message. The Chairman inquired about the payroll costs under the Operating Expenses and the Director stated that a 3% pool has been budgeted for raises. Mrs. Thomas explained that the 3% pool for raises is included in the payroll number and not a part of the total benefits number of 44.5%. A brief discussion about benefits and raises followed.

Mr. Grotzinger questioned why projected revenue for the parking lot decreased as the lot is full and parking rates increased a couple of years ago. The Director responded that while the parking lot remains full, passengers are using alternative methods to get to the airport to help save costs. A discussion of the parking rates ensued and the possibility of increasing the rates. The consensus of the Board was for the rates to remain as is.

Mr. Newman was concerned with the increasing trends in health benefit costs and inquired how staff was managing these trends. The Director reminded the Board that the Authority is part of the North Carolina Association of County Commissioners pool and takes advantage of their health plan. Staff has compared these rates with outside private carriers and has found the pricing to be more cost effective with the pool. The Director further stated that staff takes these costs very seriously and has made some changes in the options offered to employees to help offset the costs. The Director also mentioned the possibility of employees becoming responsible for some of the health insurance costs. The consensus of the Board was for staff to look at the health benefits

and report back to the Board when the Board adopts the FY 2010/2011 budget. If needed, a budget amendment can be made if changes in the benefits plan would affect the budget.

Mr. Grotzinger requested the Board consider looking at Guest Services to review why the Authority created the department, determine if it is meeting the Authority's goals and objectives, and if it makes sense to continue. A discussion of the value of Guest Services took place with the Director commenting that staff receives many compliments from passengers and the service provided makes Asheville Regional Airport distinguishable from other airports. The consensus of the Board was to leave Guest Services in the budget.

The issue of employee raises was discussed with members of the Board offering varying opinions on the percentage increase. Staff was challenged to find approximately \$72,000 in the budget to cover the cost of employee raises. The Director offered to cut the proposed Frequent Parking Program to help offset the cost of employee raises. The consensus of the Board was to cut the Frequent Parking Program and for staff to report back to the Board at the next Board meeting with reductions to the budget to cover the remainder of the cost of employee raises.

The Board recessed for a break at 10:55 a.m.

The Board reconvened at 11:06 a.m.

DISCUSSION ON AIRPORT PROPERTY OWNERSHIP: The Director distributed drawings of the airport boundaries to the Board members. Staff is working on gathering the information to determine the original property of the airport as well as parcels purchased since that time, how the parcels were purchased, and what jurisdiction that property was in. When complete the Authority will have a full inventory of the entire property. Mr. McGrady and Mr. Newman updated the Board on property issues that have occurred between the City of Asheville and Henderson County in the past as well as issues on the way land was acquired and divested.

Mr. Grotzinger requested the Board review the proposed capital budget in the Proposed FY2010/2011 Budget. A brief discussion on the appearance of air service business incentives in the capital budget took place with the Director informing the Board that this is done on the recommendation of the auditors as this is an expense that may not necessarily be used.

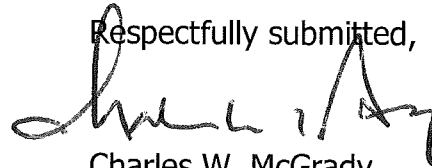
CLOSED SESSION: At 11:23 a.m. Mr. McGrady moved to go into closed session pursuant to subsections 143-318.11 (a) (3), (4) and (6) of the General Statutes of North Carolina, for the following purposes: To consult with the Asheville Regional Airport Authority's legal counsel in order to preserve the attorney-client privilege; to discuss matters relating to the location or expansion of industries or other businesses in the area served by the Asheville Regional Airport Authority, including agreement on a tentative list of economic development incentives that may be offered by the Asheville Regional Airport Authority in negotiations; and to consider personnel matters. Mr. Newman seconded the motion and it carried by unanimous vote.

Open Session Resumed at 12:28 p.m.

ADJOURNMENT: Mr. McGrady moved to adjourn the meeting at 12:28 p.m. and Mrs. Fisher seconded the motion. It carried by unanimous vote.

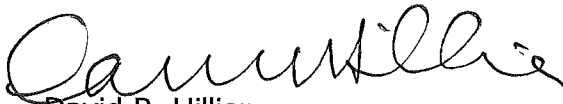
The next regular meeting of the Authority will be on Friday, March 12, 2010 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport, 61 Terminal Drive, Suite 1, Asheville, NC 28732.

Respectfully submitted,



Charles W. McGrady
Secretary-Treasurer

Approved:



David R. Hillier
Chairman