REGULAR MEETING
GREATER ASHEVILLE REGIONAL AIRPORT AUTHORITY
March 8, 2013

The Greater Asheville Regional Airport Authority ("Authority") met on Friday, March 8, 2013 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, Chair; Robert C. Roberts, Vice-Chair; Jeffrey A. Piccirillo; Andrew T. Tate; and K. Ray Bailey

MEMBERS ABSENT: Martha W. Thompson

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

ALSO PRESENT: Jeff Kirby, Michael Baker Corporation; James Moose, Avcon, Inc.; Nate Otto, RS&H; Matt Fogleman, ECS Carolinas; Pam Brown, Standard Parking; Beau Waddell, J.H. Reaben Oil Company

CALL TO ORDER: The Chair welcomed everyone in attendance and called the meeting to order at 8:30 a.m. The Chair advised the Board that due to a delay in Ms. Brown's arrival, the Board would move ahead with business and come back to the presentation by Standard Parking.

WELCOME OF NEW BOARD MEMBER: The Chair welcomed Mr. Bailey to the Authority Board.

FINANCIAL REPORT: The Director reviewed the passenger enplanements and airport operations for the month of January. The Director noted that January is typically a slow month for the airport, however, the airlines are starting to put more seats back into the market this spring. Vickie Thomas reported on the financial results for the month stating that operating revenue was $637,530, which was .9% below budget, and operating expenses were $539,217, which was 18.8% below budget. The cash position for the month was also reviewed.

CONSENT ITEMS:

A. Approval of the Greater Asheville Regional Airport Authority February 15, 2013 Regular Meeting Minutes:

B. Approval of the Greater Asheville Regional Airport Authority February 19, 2013 Special Meeting Minutes: Mr. Roberts moved to approve Consent Items A and B. Mr. Piccirillo seconded the motion and it carried unanimously.

OLD BUSINESS: None

NEW BUSINESS:

A. Approval of Amendment No. 1 to the Rental Car Concession Agreement and Lease: The Director informed the Board that in 2008 staff solicited bids for the rental car concession and lease for the airport. The bid documents proposed a contract term of five years with a five-year option at the sole discretion of the Authority. Bidders were required to bid a minimum annual guarantee (MAG) for each of the five years of the initial term. The Board awarded contracts to all five of the rental car companies that submitted bids.

Payments to the Authority are based on these revenue guarantees or 10% of gross revenues earned, whichever is greater. Usually, payments made to airports are based on the percentage of gross. The majority of the rental car companies bid guaranteed numbers that have far exceeded their projections for revenue because of the down turn in the economy. These companies are basically upside down in revenue paid to the Authority. The Director called the Board's attention to a presentation that compared minimum annual guarantee payments versus percentage of gross revenues for the rental car companies in AVL. The Director further advised the Board that in year six, the MAG is to be the year five guarantee adjusted by CPI for each year of the five year extension and that would be the floor for the next five years going forward in the contract.

The Director advised the Board that the rental car companies have asked to terminate the existing agreement, go back out for bid, and they would be able to come back with much lower MAGs in their bids. Although terminating the existing agreement would be welcomed by the rental car companies, the Authority would realize a loss of approximately $300,000 in revenue. Staff has negotiated a compromise that assists the rental car companies and minimizes financial loss to the Authority. The Director proposed setting the minimum revenue guarantee back to the amount each company bid in year three of the contract for the remaining five-year term or 90% of the preceding year's gross revenues, whichever is greater. Looking at the proposed changes in revenue using the year three bid amount, the Authority realizes a $13,000 gain from a budget standpoint. The FY14 budget is flat for a revenue stream but in actuality the Authority could see a loss of approximately $102,000 due to the declining sales experienced by the rental car companies with the exception of Enterprise.

The Chair inquired if other airports were in a similar situation. The Director replied that the Authority was fortunate that the rental car concession was bid in 2008 before the economy dropped. Since that time, airports have changed the way the contract is bid. A one-year MAG is now bid and the new MAG is 90% of the revenues for the preceding year. Staff will address this five years from now if the contract is extended and staff will be able to plan for the revenue stream.

The Chair asked what the ramifications were if the rental car companies were held to their obligations. The Director responded that it's possible that nothing may happen or that some of the rental car companies could default on their contract and exit the airport. Although that is something the rental car companies do not want to do, the airport would lose the revenue as well.

Mr. Tate moved to approve Amendment No. 1 to the Rental Car Concession Agreement and Lease and authorize the Executive Director to execute the necessary documents. Mr. Roberts seconded the motion and it carried unanimously.

PRESENTATIONS:

A. Standard Parking Corporation: Pamela Brown thanked the Board for the opportunity to give a presentation as well as the recent approval of the renewal of the contract with Standard Parking. Ms. Brown informed the Board that Standard Parking had recently merged with Central Parking and gave an overview of Standard's airport parking operation. Industry trends and the qualities that set Standard Parking apart from its competitors were reviewed, as well as the training that Standard Parking is committed to providing its staff. Ms. Brown also called the Board's attention to a new branding initiative that Standard Parking has created, SP+, a division of Standard Parking that recognizes that Standard provides a lot more services than just parking. The Board thanked Ms. Brown for her presentation.

NEW BUSINESS:

B. Approval of Lease Agreement for Commercial Development: The Director informed the Board that in December 2007, the Authority received and accepted the Master Land Use & Site Development Plan Final Report which was prepared by PBS&J consultants. This plan identified various parcels of land on airport property which would be appropriate for development. The consultants for the Airport Master Plan project currently underway also reviewed the airport property. In both reports, the one from 2007 and the forthcoming Master Plan, some parcels are identified as non-aeronautical development or property that does not have direct access to the airfield. One of these parcels is the strip of land immediately south of the airport exit that fronts Airport Road across from the Ag Center.

Late in 2012, staff was approached by a real estate broker representing a client that was interested in developing a few acres on that specific parcel. Through this broker, Mr. Waddell, owner of Reaben Oil Company has expressed interest in opening and operating a gas station/convenience store/restaurant. Mr. Waddell's company currently owns and operates Triangle Stop Food Stores/Marathon Gas. They currently do business in Henderson, Polk, and Transylvania Counties. This will be their first Buncombe County facility.

Mr. Waddell has proposed two means of ingress/egress. One is by direct access to the airport exit road providing easy access for our passengers, tenants and employees. The other is directly accessing HWY 280.

The ongoing process with the City over the independent airport authority could be a concern and a risk for Mr. Waddell. Waddell is aware of the situation and is willing to proceed. The Lease Agreement will provide him with a six month due diligence period to investigate and mitigate any potential risk, and allows staff to finalize the property issues.

The Director reviewed the proposed terms and advised the Board that staff is required by the FAA to obtain fair market value. The area was appraised for a value of .35₵ per square foot for the land with a 10% increase every five years. In addition, beginning in year 11 of the agreement, the Authority will receive .01₵ for each gallon of petroleum delivered to the facility.

The Director introduced Mr. Beau Waddell who was available to answer any questions.

Mr. Roberts asked about the repercussions to Mr. Waddell's business if the Authority was forced to change the ingress/egress for the airport. The Director responded that the Master Plan being developed at this time does not change ingress/egress for the airport. Staff cannot control what the state does with the traffic light, however some type of driveway will be maintained.

The Chair asked Mr. Waddell how this proposal differed from other properties his company currently owns. Mr. Waddell stated that the car wash was a new consideration and they may partner with someone to provide this service. The site would need to be evaluated to ensure that a car wash would function in this property. Mr. Waddell further stated that his company operates 10 stores, two of them have partnerships with different vendors that operate restaurants, his company has been in business for 84 years, and they would really appreciate the opportunity as they believe the area near the airport is underserved.

The Chair commented that leases with long term extensions often require significant capital improvements be made to the property to ensure the facility is properly maintained, and asked if this had been discussed. The Director responded that there are no significant dollar amounts, but the lease would require they maintain the facility so that by the time the lease expires in 35 years the Authority is not left with a dilapidated facility. The Chair asked what the standard was in the industry for renovations. Mr. Waddell stated that internal renovations are every 5 to 10 years and their company would keep the external consistent with the airport's standards. Mr. Waddell further stated that it would not behoove his organization to have poor looking facilities and they would protect their investment.

Mr. Tate inquired if the building would be required to be consistent with the Authority's development guidelines. The Director responded that it would be required to meet the development guidelines.

Mr. Roberts inquired if the six month due diligence period is to ensure that the Authority gets the ownership issues resolved. The Director responded that this was correct. The Director further stated that part of the agreement was a separate one-page agreement that the City and County would both sign so they are not party to the 35-year lease.

Mr. Bailey moved to approve a Lease Agreement with J. Hall Waddell for the operation of a gas station/convenience store/restaurant, authorize the Executive Director to finalize the negotiations on the Lease Agreement consistent with the terms presented by staff, and authorize the Executive Director to execute the necessary documents. Mr. Roberts seconded the motion and it carried unanimously.

DIRECTOR'S REPORT: The Director advised the Board that he had a few items to report that were not on the agenda.

A. Update to Federal Sequestration: The Director reported that TSA and FAA will be impacted by the budget cuts. The FAA is planning furloughs for employees but nothing to the detriment of AVL. The traffic control tower hours could change, however the airport operates now for early morning flights when the tower is not yet open and the Atlanta tower is used. TSA is understaffed by 10 employees in AVL and they will remain unfilled. The airport's service level has not declined as those positions have not been filled for quite some time.

B. Update to Master Plan: The Director informed the Board that a second public open house was held, 15 people attended, and no comments were submitted. The Financial Analysis, Airport Layout Plan (ALP), and the Alternatives Chapters are all in the final stages of completion. These documents are expected to be completed by the end of March. The ALP is set to be submitted to the FAA for approval and it will take several months before approval is received. A presentation will be made at a future Board meeting as well as meetings with the City of Asheville, Buncombe County and Henderson County.

C. Fill Work in Area 3: Fill work on the south west side has six to eight months for completion. Work will be starting on the north west end of the airfield next week. The Director and Deputy Director met with property owners bordering this section of airport property to apprise them of the upcoming work.

D. TSA Prohibitive Items: TSA has announced that several items previously prohibited in carry-on bags are now acceptable and these include a 2.63" x 1/2" pocket knife, miniature bats, golf clubs, etc.

E. Airline Mid-Year Review: Staff met with the airline property folks for a mid-year review. The airlines were complimentary of how the airport operates and keeps costs down.

F. Sierra Nevada: Sierra Nevada has requested that a section of Old Fanning Bridge Road be renamed to Ferncliff Park Drive and neighboring property owners must show approval. Staff does not have any issues with this request. Mr. Buchanan suggested that the Board may want to make a motion to concur with the local government for the renaming of the road.

Mr. Roberts moved to consent to the changing of a section of Old Fanning Bridge Road to Ferncliff Park Drive. Mr. Piccirillo seconded the motion and it carried unanimously.

G. <u>AGTA Conference</u>: The Director informed the Board that the Airport Ground Transportation Association Conference was taking place in a couple of weeks at the Renaissance Hotel and that Mr. Nantz had been instrumental in getting the conference held in Asheville.

<u>INFORMATION SECTION</u>: No comments

<u>AUTHORITY MEMBERS REPORTS</u>: None

<u>PUBLIC AND TENANTS' COMMENTS</u>: No comments

<u>CALL FOR NEXT MEETING</u>: The Chair advised the Board that the next regular meeting of the Board will be held on March 22, 2013.

The Chair called for a break at 9:40 a.m.

The Board reconvened at 9:48 a.m.

<u>PRESENTATIONS</u>:

B. <u>Proposed FY 2013/2014 Budget Presentation</u>: Vickie Thomas gave a high level overview of the proposed 2013/2014 Budget. Mrs. Thomas reviewed the operating revenue which is budgeted at $8.2 million and the operating expenses are budgeted at $7.5 million. Mrs. Thomas reviewed the proposed operating budget including the assumptions on enplanements, parking, and airline revenue which is used to determine the operating revenue budget. The operating expense budget assumptions included five full-time equivalent positions and Mrs. Thomas advised the Board that presentations would be made on these positions by staff members after the budget presentation. Mrs. Thomas further stated that the salary adjustment pool was budgeted at 3%, and lower chemical deicing costs as well as lower contracted and maintenance costs were used for this proposed budget. Mrs. Thomas addressed the proposed capital budget as well as the funding sources involved. This included phase II of the airfield redevelopment project and various items for the new aircraft rescue firefighting facility. The supplemental fees were reviewed and there were very few changes to this schedule from last year's budget.

The Director advised the Board that staff would be making presentations for five full-time positions which included a revenue generating position in Marketing to bring advertising in-house, an electronics technician that will save costs for the Authority in a couple of years, and three positions in the Operations Department.

Tina Kinsey presented a proposal to bring terminal advertising sales in-house rather than third party management of the advertising as has been the practice for the past ten plus years. The reasons for the recommendation were identified as in-house advertising will allow for more control as well as the potential for higher revenue. Historic revenues and capital needs were reviewed. The proposed plan was outlined and included expanding the Guest Services supervisor's role, hiring of two additional part-time clerks, and incentives to be earned by the sales staff once minimum budgeted revenue is achieved. Mrs. Kinsey reviewed the projected revenue and expenses as well as alternatives to bringing the advertising in-house.

The Chair stated that he had concern with the incentives for one part of the Authority's employee base, particularly the reaction of other employees to certain staff having the potential for increased earnings, and the impact this could have on other departments. Mrs. Kinsey stated that this was a unique role within the organization and consistent with sales roles in other industries. Mrs. Kinsey further stated that job expertise and roles are unique and it is difficult to compare a sales position to an operations position as the goal of a sales position is to produce revenue for the organization.

Mr. Roberts inquired if offsetting revenue was included in the budget. Mrs. Kinsey responded that the budget did include offsetting revenue and it was prorated.

Mr. Piccirillo agreed with Mr. Hillier's concerns and felt it could create an imbalance or a perceived imbalance as far as consistency throughout the organization.

The Director stated that staff feels the proposed incentive program is limited and necessary in a sales position. The Director further stated that while all employees are important to the organization and each department has unique responsibilities, this would be direct revenue of sales. Mrs. Kinsey stated that it was necessary in terms of recruiting qualified sales people and that the opportunity for incentives could bring the salary of the Guest Services supervisor closer to the salary for a sales position.

Mr. Roberts stated that the incentives portion did not bother him and thought the key was offsetting the revenue to pay for this.

Royce Holden presented a proposal for an Airport Systems Technician II. Mr. Holden demonstrated how the information technology infrastructure in the airport has evolved over the years. Mr. Holden stated that the Authority relies upon outside contractors to maintain the growing amount of equipment and reviewed the annual IT and Maintenance contracts, hours spent, and expenses for maintenance of the equipment. The addition of a new Airport Systems Technician II would replace the need for most of the IT and Maintenance electronics contracts, would save money for the Authority beginning in year three, and would also be an internal resource. The expenses associated with this new position were revealed, as well as the future savings, benefits, and added value.

Mr. Roberts offered a word of caution to be careful and have employees cross-trained for knowledge of these systems. Mr. Holden thanked Mr. Roberts for his suggestion and stated that this position would work with both Maintenance and IT staff.

Mr. Reisman gave a brief overview of common airport department infrastructure. Mr. Reisman highlighted the AVL Operations Department which included the responsibilities, the duties which are carried out by other departments within the organization, the unfunded mandates, and the need for additional personnel, a priority due to the upcoming airfield redevelopment project. Mr. Reisman also outlined the functions of an airport communications center and then reviewed the AVL communications center, its method of operation, how it is staffed by Public Safety personnel, and the unmanned periods due to emergency calls responded to by Public Safety personnel. Mr. Reisman advised the board that staff had recently retained a consultant who reviewed the policies, practices, and procedures of the Public Safety Department. The consultant was alarmed by the method of how the airport operates the communication center and the fact that the Operations Department is not managing the communication center. Mr. Reisman presented a proposal to expand the Operations Department from 1 to 6 full-time positions by re-assigning two existing positions from Maintenance and Public Safety to the Operations Department and adding three new Operations positions. The Operations Department would be capable of covering the airport 24 hours a day, 365 days a year and would provide dispatch functions through the communications center which would transition from a Public Safety asset to an asset benefiting all departments on the airport. Public Safety would be dispatched to help backfill the communications center during certain periods in order for Operations to cover 24 hours a day, 365 days in the communication center. The payroll and benefit expenses associated with the positions were reviewed. Mr. Reisman advised the Board that staff can justify the three new positions to help oversee the airfield redevelopment project during the 4 to 5 years the project is ongoing and these positions would be eligible for partial reimbursement through the federal grant process. Staff expects the grant to pay a minimum of 50% reimbursement for the costs associated with the positions which brings the Authority a savings of $91,129 a year. The hiring and training schedule was also reviewed.

The Director stated that Jeff Augram as Chief of Public Safety is doing a great job and this is no reflection on how DPS is operating the communication center. The Director further stated that the new additional employees are budgeted on the operational expense side of the budget and the 50% reimbursement revenues are not shown in the budget because it is coming in through a grant process from the FAA under the airfield redevelopment capital project. At the end of the construction period, staff estimates that one of the three positions will no longer be needed.

The Chair inquired about the $60,000 furniture budget. Chief Augram responded that the funds are to equip the new ARFF station dormitories, offices, training room, conference room, as well as some IT equipment. Mr. Reisman stated that furniture is not reimbursable through federal grant money. The Director advised the Board that this figure was an estimate and that it will go out for public bid.

The Chair commented that enplanements are down and questioned what the pros and cons would be for ramping up the advertising budget. Mrs. Kinsey stated that staff does keep an eye on enplanements and seats, and the airport has seen a decline in seat capacity and has experienced high air fares for the last year. There is, however, a 5 month trend of increased seats in the market compared to last year and staff will do everything they can to help ensure those seats are filled. Staff has a strategic plan to move forward with very targeted marketing towards the 65+ traveler and business travelers that is going to make a difference. Mrs. Kinsey further stated that she believes the Authority has a very solid marketing budget at this time.

The Chair called for any comments from the Board. There were no comments made.

The Director informed the Board that in the past staff has introduced the budget and then at a budget workshop meeting has provided a more in depth look at the budget. The Director further stated that for the past several years the Board has not required a more in depth look at the budget, so staff's intention is for the Board to review the budget that has been presented and if there are no concerns, the Board can accept the budget at the March 22nd meeting and it will remain open for public comments. The budget can then be adopted at the April meeting provided there are no public comments. New legislation requires the Authority to have the budget adopted by May 15. The Director further stated that as there were no comments made by the Board regarding the additional full-time positions, for planning purposes the intention is for staff to move forward with these positions unless the Board has any comments before the March 22nd meeting.

The Chair called for a break at 11:10 a.m.

The Board reconvened at 11:17 a.m.

CLOSED SESSION: At 11:17 a.m. Mr. Piccirillo moved to go into Closed Session pursuant to Subsections 143-318.11 (a) (3), (4) and (6) of the General Statutes of North Carolina to Consult with Legal Counsel in Order to Preserve the Attorney-Client Privilege and to Discuss Matters Relating to the Location and/or Expansion of Industries or Other Businesses in the Area Served by the Authority, Including Agreement on a Tentative List of Economic Development Incentives that may be Offered by the Authority in Negotiations and to Consider Personnel Matters. Mr. Roberts seconded the motion and it carried unanimously.

Open Session resumed at 11:20 a.m.

Mr. Bailey moved to seal the minutes for the March 8, 2013 Closed Session and withhold such minutes from public inspection so long as public inspection would frustrate the purpose or purposes thereof. Mr. Piccirillo seconded the motion and it carried unanimously.

ADJOURNMENT: Mr. Roberts moved to adjourn the meeting at 11:22 a.m. Mr. Tate seconded the motion and it carried unanimously.

Respectfully submitted,

Ellen Heywood

Ellen Heywood
Clerk to the Board

Approved:

David R. Hillier
Chair