

**REGULAR MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY
June 10, 2011
8:30 a.m.**

The Asheville Regional Airport Authority ("Authority") met on Friday, June 10, 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 and Bob Roberts

MEMBERS ABSENT: Martha W. Thompson and Bill Moyer

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; Royce Holden, IT Director; Vickie Thomas, Director of Finance and Accounting; Tina Kinsey, Director of Marketing and Public Relations; Suzie Baker, Director of Administration; Kevan Smith, Public Safety Captain; Cortez Johnson, Network Coordinator III; Kellie Whittemore, IT Coordinator II and Ellen Heywood, Recording Secretary

ALSO PRESENT: Damon Hylton, Seabury APG; Mike Darcangelo, AVCON; Nate Otto, RS&H; and Mark Barrett, Asheville Citizen-Times

CALL TO ORDER: The Chairman welcomed everyone in attendance and called the meeting to order at 8:30 a.m.

The Chairman informed the Board that agenda items would be moved around to accommodate Mr. Roberts' need to leave the meeting at 9:30 a.m.

APPEARANCES: None

CONSENT AGENDA: The Director advised the Board that Consent Agenda Item E, Approval of Insurance Policies, had been revised with updated insurance information and also stated that staff was still negotiating with the brokers for the property and casualty, workers compensation, and liability lines and requested the Board approve a maximum expenditure of \$180,000 for those lines. Mr. Gantt inquired if the health insurance provided more benefits for the employee. The Director responded that the health insurance provided similar coverage with a few minor changes as the Authority

currently has, but the AD&D, short, and long term disability policies provide the same coverage with a 24% savings over last year's premiums.

A. Approval of the Asheville Regional Airport Authority April 15, 2011 Regular Meeting Minutes:

B. Approval of the Asheville Regional Airport Authority April 15, 2011 Closed Session Minutes:

The minutes to the April 15, 2011 Closed Session were distributed to the Board for review. Mr. Piccirillo moved to approve the minutes for the April 15, 2011, Regular Meeting and April 15, 2011, Closed Session, and to seal and withhold the minutes for such closed session from public inspection so long as public inspection would frustrate its purpose or purposes. Mr. Gantt seconded the motion and it carried unanimously.

C. Approve Contract with Kimball Communications, Inc. for Purchase and Installation of Digital Radio System Infrastructure and Equipment:

D. Approval of Award for ARFF Truck Purchase:

E. Approval of Insurance Policies:

F. Approval of Banking Corporate Resolution:

G. Proposed FY12 Budget Amendment:

Mr. Gantt moved to approve Consent Agenda Items C through G. Mr. Piccirillo seconded the motion and it carried unanimously.

NEW BUSINESS:

A. Approval of Records Retention and Disposition Schedule: Suzie Baker informed the Board that under North Carolina General Statutes, Chapter 132, public records may only be destroyed with the consent of the Department of Cultural Resources (DCR). The proposed Records Retention and Disposition Schedule must be approved by the Board to support the Authority's Record Retention Policy. Without the approved policy, staff would have to obtain DCR's permission to destroy any records no matter how insignificant.

Mr. Roberts moved to approve the Records Retention and Disposition Schedule and authorize the Airport Director to execute the necessary documents. Mr. Newman seconded the motion and it carried unanimously.

B. Approval of Electric Belt Loader Asset Transfer: The Director reported that back in December of 2008 the airport submitted an application to the state for a diesel

reduction grant for \$190,000 to replace some equipment at the airport. The grant was reduced to \$142,000 by the State and awarded to the airport in August 2010. The Board approved a contract in December, 2010 to purchase three electric belt loaders for the airlines' use in return for not using like diesel equipment. The state informed the airport that the airlines had to destroy the diesel equipment, not just move it to another location. Staff worked with US Airways and ExpressJet and both airlines agreed to destroy the diesel equipment. The airlines have agreed to keep the electric belt loaders in Asheville for three years or move the equipment to another airport in North Carolina if the airline ceases to operate in Asheville. The Director requested the Board's approval of the transfer of assets for one electric belt loader to US Airways and two electric belt loaders to ExpressJet and to amend the FY10/11 budget by adopting the following budget ordinance:

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>
Executive Department		\$119,805
Equipment and Small Capital Outlay	\$119,805	
Totals	<u>\$119,805</u>	<u>\$119,805</u>

This will result in no net increase in the appropriations.

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 10th day of June, 2011.

David Hillier, Chairman

Attested by:

Jeffrey A. Piccirillo, Secretary-Treasurer

Mr. Newman moved to approve the transfer of assets for one electric belt loader to US Airways and two electric belt loaders to ExpressJet, to amend the FY10/11 Budget as presented by staff, and authorize the Airport Director to execute the necessary documents. Mr. Gantt seconded the motion and it carried unanimously.

C. Approval to Unseal Closed Session Minutes: The Director requested the Board's approval to unseal portions of the Closed Session Minutes of March 13, 2009, April 24, 2009, May 18, 2009, June 12, 2009, August 14, 2009 and December 11, 2009. Mr. Newman moved to unseal those portions of Closed Session Minutes as designated and recommended by the Airport Director. Mr. Gantt seconded the motion and it carried unanimously.

AUTHORITY MEMBERS' REPORTS:

A. ACI-NA Commissioners Conference Report: Mr. Roberts reported on the ACI-NA Commissioners Conference he attended in May with Ms. Thompson, Mr. Moyer and the Airport Director. Mr. Roberts felt it was an informative conference and of particular interest to him were the sessions regarding airport industry and policy updates, gaining support from local government, and forecasting the future of aviation and grading airline performance.

The Chairman discussed upcoming conferences and asked the Board to share their interest, if any, on which conferences they plan on attending.

B. Pending Independent Authority Legislation: The Chairman informed the Board that the Independent Authority Legislation passed the House earlier in the week by unanimous vote. Some of the more unfavorable provisions of the legislation were taken out and some were added that are good. Of particular importance is the provision that safeguards the terms of all current Authority Board Members. The Chairman further stated that the legislation also addressed compensation for the members, which will only be in the form of free parking; exclusion of elected officials from serving on the Authority Board, which has remained in the bill; and a watered down version of the qualification requirements for future Authority Board members. The legislation passed the first reading in the Senate as well and the Director did not have any further updates. The Chairman requested the Airport Director forward all Board Members a copy of the legislation that passed in the House.

C. Airport's 50th Anniversary Celebration: The Chairman noted that the 50th Anniversary Celebration held on June 7 was fabulous and commended Amy Burritt, Marketing Supervisor, on a terrific job.

PRESENTATIONS:

A. Air Service Leakage Study: Mr. Damon Hylton of Seabury APG presented an Air Service Assessment and Leakage Study to the Board.

Mr. Hylton reviewed Asheville's air service performance stating that traffic has spiked and seat capacity is up which is great. The service that has been added over the last few years and relatively strong load factors are both good news. Mr. Hylton talked about RASM (Revenue per Available Seat Mile) stating that this is the most important metric used by airline executives to measure revenue. The use of regional jets for long distance flights is something that is being discussed by several of the airlines at this time. Regional jets are more expensive for airlines as they burn more fuel to carry smaller numbers of people over long distances. With the high cost of fuel, this gives reason for concern in the industry.

The airport versus regional peers was reviewed and included information on seats per capita, fares, and peer markets.

Also discussed was the potential impact of the AirTran/Southwest merger. This is the biggest piece that is unknown for the airport at this time. The airport has the potential to lose the AirTran flights with Southwest in service at GSP. Southwest typically operates in an airport with a minimum of 7 flights per day but Mr. Hylton was optimistic that Southwest will be able to work with their union to third party the ground handling for some of their flights. Mr. Gantt asked if Mr. Hylton had an opinion as to when Southwest would announce their intentions for Asheville. Mr. Hylton responded that if AirTran was not making revenue the service would be pulled. AirTran is making money in Asheville but it could be a matter of some culling of flights in the fall and it was really dependent on the union process.

Mr. Hylton assessed the airport's leakage informing the Board that actual travel patterns coming out from passengers today using passenger zipcodes were analyzed. Asheville's catchment area was defined, the airports that were benefiting most from Asheville's leakage, and the markets subject to the greatest leakage. Data showed that 55% of the catchment area chose to fly from Asheville and 45% leaked to surrounding airports with Charlotte capturing the largest share. This equates to approximately 700 passengers per day leaking to other airports.

Mr. Hylton reviewed some of the recommendations for new air service as well as details for a two-year Air Service Master Plan.

Mr. Roberts left the meeting at 9:35 a.m.

Mr. Gantt inquired about the possibility of government funding becoming unavailable to other airports and if that would affect Asheville in a negative or positive way. Mr. Hylton responded that it could be a mix but there were some communities still stepping up with big incentive packages for airlines and communities seemed to still be marketing at the same level they were marketing before. Mr. Hylton further stated that there was a small community grant that would probably retain its funding but did not see that as a threat to Asheville. Mr. Hylton also informed the Board that the Greenville Spartanburg business community stepped up in a major way to gain Southwest as one of the airlines at GSP.

Mr. Newman questioned how counties contribute to attracting new service. Mr. Hylton responded that this was accomplished through a variety of ways including cash, revenue guarantees and share guarantees. Mr. Newman inquired if Greenville's city and county contributed financially and Mr. Hylton responded that they did. The downside is that the Asheville Regional Airport has done so well on its own to provide air service that the community has sat back but the airport needs the community to step up and contribute now.

Mr. Newman asked if the Authority should consider having free parking as a strategy to get passengers to park here and if this was something that has been looked at. Mr. Hylton responded that this was a good question but did not believe he had any clients that offered free parking. Mr. Hylton has made suggestions to his clients that they advertise that parking at their airport is cheaper as well as more convenient and use those types of strategies. Mr. Hylton stated that the most important step would be to determine why people are leaving the airport.

Mr. Gantt asked if other airports had dividend mile programs or benefits to draw passengers. The Director responded that some airports did offer frequent user programs. The revenue control system in the parking lot has been upgraded and staff will look into some type of program for parking. The Paradise Shops is also on-board with using programs and staff will look into this as well.

The Board thanked Mr. Hylton for his comprehensive and interesting presentation.

B. Information Technology: Royce Holden appeared before the Board to give a presentation about the Information Technology Department and the services provided to the Authority, tenants and the traveling public. Mr. Holden reviewed the daily

operations, the equipment that is maintained by IT for both the Authority and tenants, and the policies/directives carried out by the IT staff.

Mr. Gantt inquired about the Authority's policy for out of date equipment. The Director responded that the computers are auctioned off but none of the LCD equipment has reached its useful life at this point in time. The Director also stated that due to FAA revenue diversion regulations, none of the equipment can be donated to schools.

The Board thanked Mr. Holden for his presentation.

FINANCIAL REPORT: The Director reviewed the airport activity section of the Executive Summary for the month of April. Enplanements for the month totaled 26,652 which was a decrease of 9.5% over the same period last year. Commercial operations were also down 2% over the same period last year. Scheduled flights increased by 1.7%. There were 27 flight cancellations for the month, mainly due to weather, but a couple of the cancellations were the result of runway closures for overnight maintenance work being done on the runway. General aviation decreased by 22.3% over the same period last year. Mrs. Thomas reported on the financial results stating that operating revenue was 1.5% above budget for the month and 4.8% over budget for fiscal year to date. Operating expenses were below budget by 10.7% for the month and by 13.3% for fiscal year to date.

OLD BUSINESS: None

DIRECTOR'S REPORT:

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

A. Delay of Runway Rejuvenation Project: The Director reminded the Board that they had approved a contract with the state in the amount of \$60,400 for the Runway Rejuvenation Project with the state paying the remainder of the cost. The project has been delayed until July to allow time for the state to get the contracts signed. Staff has been informed by the state that the grant will now pay 75% of the project and the airport will pay 25% of the cost, or \$52,500, saving the Authority almost \$8,000.00.

B. Ground Transportation Procedures: The Director advised the Board that the ground transportation directives were completed and a meeting was held with the ground transportation companies. The biggest change that the Authority instituted in

the directives is the age of the vehicle and the mileage. After meeting with the ground transportation companies, the directives were changed slightly. A seven-year age cap has been established along with no more than 250,000 miles on ground transportation vehicles in service at the airport.

C. ARFF Station Design Award: At the last Board meeting, the Director reported that negotiations with LPA Group were still taking place for the design of the fire station. At that meeting, the Board approved a not to exceed amount of \$550,000 for the contract. The contract came in at \$536,000 plus a \$5,000 allowance for a total contract price of \$541,000.

D. Master Plan Selection Process: The Director informed the Board that a Master Plan needs to be completed every 10 years. Staff solicited Requests for Qualifications and received 8 submittals. Interviews were conducted and Delta Airport Consultants was chosen. Fee and Scope negotiations have started and a contract will be brought to the Board for approval in August.

E. Employee Salary Adjustments: The Director reminded the Board that the FY 2011-2012 budget approved in April included employee salary adjustments. The Director stated that he had not decided if full adjustments for employees would be given effective July 1st. The Director commented that he would decide at the end of the month once the May figures were ready as he was considering implementing a portion of the increases in July and possibly the remainder in November if the numbers looked good for the beginning of the next fiscal year.

F. 50th Anniversary Event: On Saturday, October 1st, the airport will host a 5k runway run and static air show in coordination with Mission Hospital and Landmark Aviation. The 5k will be limited to 1,000 participants and the entry fee will be approximately \$25.00 to cover the cost of the event. Any remaining funds will be donated to a local charity.

G. Southwest Airlines Article: A copy of an article on Southwest Airlines was available for the Board members. The article reports that Southwest has increased their fares more than any other airline in the last 12 months.

H. PFC Instruction Class: The Director advised the Board that a PFC instruction class would be held on June 30th for anyone interested in going. Mr. Piccirillo and Mr. Moyer have already expressed interest in attending. A high-level explanation will be given at the beginning of the class and then the detailed instruction will follow.

I. American Airlines: American Airlines has started service to Dallas on June 9th for the next 74 days. The Director is still advocating for yearly service with American.

J. Update on Budget: The Director reported that he had not yet decided on whether or not to increase parking fees. The Director further stated that a new cell phone lot would be available July 1st and would replace the 20 minutes of free parking.

K. ACI-NA Jumpstart Conference: The Director informed the Board that he and Mrs. Kinsey would be attending the Jumpstart conference in a couple of weeks. Meetings have been scheduled with six airline representatives to discuss air service.

L. Fourth of July Fireworks: The City of Asheville was looking at the Ag Center for a 4th of July fireworks display. The Director will be meeting with the company operating the display to ensure that flights are not affected.

M. Runway Closures: The Director reported that the airport will continue to have runway closures with the Runway Rejuvenation Project. The NY LaGuardia flights have been cancelled the previous two nights due to the runway closure. Mr. Gantt questioned if the airport did anything for passengers whose flights were cancelled. The Director responded that the airport did not do anything for those passengers and that it would be very expensive for the airport to do something. If complaints are received, the airport responds with a letter and guest services employees are always very helpful to the passengers. Mr. Gantt suggested the Director survey other airports to see how they handle these situations. The Director agreed to do this.

Mr. Newman asked if there were any plans in place for some sort of task force of business leaders to come together and work as a region. The Director responded that he and Mrs. Kinsey were working on this. The TDA has been very cooperative and has given a grant for marketing to Vision Airlines. There is open dialogue and great conversations have taken place with the Asheville and Hendersonville Chambers and things are going in the right direction.

PUBLIC AND TENANTS' COMMENTS: None

INFORMATION SECTION: No comments

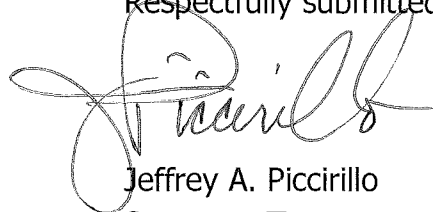
CLOSED SESSION: None

CALL FOR NEXT MEETING:

The Chairman stated that the July 8 Authority Board meeting would be cancelled. The next regular meeting of the Authority will be on Friday, August 12, 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.

ADJOURNMENT: Mr. Gantt moved to adjourn the meeting at 10:45 a.m. Mr. Piccirillo seconded the motion and it carried unanimously.

Respectfully submitted,



Jeffrey A. Piccirillo
Secretary-Treasurer

Approved:



David R. Hillier
Chairman