

REGULAR MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY
October 8, 2010
8:30 a.m.

The Asheville Regional Airport Authority ("Authority") met on Friday, October 8, 2010 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; Chuck McGrady, Secretary-Treasurer; Jeffrey A. Piccirillo; Brownie Newman; Bob Roberts and Martha Thompson

MEMBERS ABSENT: David Gantt, Vice-Chairman

STAFF AND LEGAL COUNSEL PRESENT: Victor Buchanan, Authority Legal Counsel; Lew Bleiweis, Airport Director; 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 and Ellen Heywood, Recording Secretary.

ALSO PRESENT: Glenn W. Wilcox, Sr., Wilcox Travel Agency, Inc.; Nathan Otto, RS&H; Bronwyn Burluson, Burluson & Earley, PA; and Michael A. Wood, American Eagle

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

WELCOME OF NEW BOARD MEMBER: The Chairman welcomed Martha Thompson to the Board. Ms. Thompson was appointed to the Authority Board by Buncombe County.

ELECTION AND SWEARING IN OF OFFICERS: Mr. Piccirillo, nominating chairman, nominated Mr. Hillier to serve as Chairman and Mr. Gantt to serve as Vice-Chairman. Mr. Piccirillo nominated himself to serve as Secretary-Treasurer. Mr. McGrady moved to elect Mr. Hillier as Chairman, Mr. Gantt as Vice-Chairman, and Mr. Piccirillo as Secretary-Treasurer of the Asheville Regional Airport Authority. Mr. Roberts seconded the motion and it carried by unanimous vote. Messrs. Hillier and Piccirillo were sworn in as officers by the Recording Secretary.

APPEARANCES: None

PRESENTATIONS:

A. Administration: Mrs. Baker appeared before the Board to give an overview of the Administration and Human Resources areas. Some of the functions of this department that were reviewed include management of all Authority insurance policies, compliance with all Equal Employment Opportunity Commission laws as well as state and federal laws, and management of the Authority policies and procedures. Mrs. Baker further reviewed the employee recruitment process, as well as the employee compensation, benefits, and employee relations areas which are all under her management.

The Chairman inquired about the Authority's history for workers' compensation accidents and insurance costs. Mrs. Baker was pleased to report that since the Authority's safety record is so good, the insurance premium is very reasonable. The Chairman thanked Mrs. Baker for her presentation.

FINANCIAL REPORT: The Director reviewed the airport activity section of the Executive Summary for the month of August, noting another successful month for enplanements as well as a 42% increase in the number of seats over the same period last year. If the upward trend of enplanements continues, the airport could end the calendar year with enplanements in the 340,000 range. Vickie Thomas reported on the favorable operating revenue and expenses for the month stating that the Authority has had a very good two months.

CONSENT AGENDA:

A. Approval of the Asheville Regional Airport Authority August 13, 2010 Regular Meeting Minutes:

B. Approval of the Asheville Regional Airport Authority September 27, 2010 Special Meeting Minutes:

C. Approval of the Asheville Regional Airport Authority September 27, 2010 Special Meeting Closed Session Minutes:

D. Approval of FAA Tower Lease:

Mr. Piccirillo moved to approve the minutes for the August 13, 2010, Regular Meeting, the minutes for the September 27, 2010, Special Meeting, and the minutes for the September 27, 2010 Closed Session, and to seal and withhold the minutes for the Closed Session from public inspection so long as public inspection would frustrate its purpose or purposes, and to also include approval of the FAA Tower Lease. Mr. Newman seconded the motion and it carried unanimously.

OLD BUSINESS:

A. Proposed Amendment to the By-Laws: The Chairman stated that the proposed Amendment to the By-Laws eliminates attendance by teleconference for regular Board meetings. The Chairman further stated that attendance by teleconference for special meetings is acceptable. Mr. McGrady moved to approve Amendment to the By-Laws as proposed by the Chairman. Mr. Newman seconded the motion and it carried unanimously. The By-Laws will be revised to reflect the approved Amendment.

NEW BUSINESS:

A. Asheville Regional Airport Authority 2009/2010 Annual Audit Report and Acceptance: Mrs. Thomas advised the Board that the annual audit was just completed by Burleson and Earley, PA and their findings have been submitted for the Board's review and acceptance. The audit has been submitted to the Local Government Commission (LGC) and staff is awaiting their final decision.

Mrs. Burleson appeared before the Board to report on the annual audit. Mrs. Burleson informed the Board that three letters were issued with the audit. The first letter is the Independent Auditor's Report and gives an unqualified opinion on the financial statements. An unqualified opinion is a clean opinion. The other two letters on pages 28 through 31 report on compliance and internal control and are a result of federal funding. The first letter reports on internal control and compliance over financial reporting and no findings were found in this area. The second letter reports on compliance and internal control over federal awards and PFC revenues and no findings were found in this area as well. Mrs. Burleson further directed the Board to page 35, a Summary Schedule of Prior Year Audit Findings. The last audit finding for the Authority that would have been reported in both of the compliance letters was in 2008 and all of those prior year issues have been resolved. Mrs. Burleson also informed the Board that a management letter was not issued this year. A management letter contains recommendations to management for improvements usually in internal control type issues and there were none of those this year. Mrs. Burleson also expressed her

gratitude to Mrs. Thomas for the fine job she does in her role as Director of Finance and Accounting.

Mr. Roberts questioned where the unqualified opinion language was in the Independent Auditor's Report. Mrs. Burleson responded that this exact wording is not in the report but referred to the language in the 3rd paragraph that indicates an unqualified opinion.

Mr. McGrady commented on the jump in numbers for land in the Capital Assets section on page 6 and asked what accounted for this increase. Mrs. Thomas replied that the increase is for the improvements to the land as a result of the fill project in the north general aviation area of the airport property. Property improvements are recorded at the cost. The money that was spent for the project making the improvements is what was capitalized.

Mr. McGrady further noted the capital contributions number on page 9 that increased from \$5.7 million to \$8.5 million and questioned what this increase related to. Mrs. Thomas responded that this was from stimulus funds the Authority received. The capital contributions were almost entirely federal grant money.

Ms. Thompson moved to accept the 2009/2010 Audit Report as presented. Mr. Roberts seconded the motion and it carried unanimously.

B. Proposed FY2011 Budget Amendment: Mrs. Thomas reminded the Board that at the June 11, 2010 Board Meeting, a Scope of Services and Fee Proposal for extended contract administration and resident project representative services with RS&H for the A gates project was approved for \$134,568. At that meeting, staff informed the Board that the additional costs would be funded either from additional FAA money or by deleting allowances in the construction contract with Shelco. Since that time, additional funds in the amount of \$156,071 were received from the FAA to help cover these costs. The budget amendment increases FAA revenue by \$156,071 and capital expenditures by \$134,568. The net decrease in revenue of \$21,503 will help pay for the Authority's portion of the Shelco contract. 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>
Carry-over Capital Expenditures		\$134,568
Totals	<u>\$0</u>	<u>\$134,568</u>

This will result in a net increase of \$134,568 in the appropriations. To provide the additional revenue for the above, revenues will be revised as follows:

REVENUES:

	<u>Decrease</u>	<u>Increase</u>
Federal Grants – AIP Entitlement Funds		\$156,071
Transfer from ARAA Cash	<u>\$21,503</u>	
Totals	<u>\$21,503</u>	<u>\$156,071</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 8th day of October, 2010.

David Hillier, Chairman

Attested by:

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 unanimously.

C. Award of a Contract for Purchase of Airport Terminal Seating: The Director informed the Board that part of the A Gates terminal renovation project includes the purchase and installation of airport terminal seating. The budget under the stimulus grant provides for an allowance of \$280,000.00 for terminal seating. Staff is in the process of bidding out the seating in accordance with North Carolina law. Bids are due on November 1, 2010 and the Director anticipates making an award that same day.

Since time is of the essence and staff hopes to have the seating ordered and installed before the March 1 grand opening of the new gate area, the Director asked the Board's approval to make an award for the purchase of the seats once the bids arrive on November 1 with a not to exceed amount of \$280,000.00.

The Chairman inquired if the new seats would be equivalent to what the airport currently has for seating and emphasized the need for consistent quality. The Director reported that staff was not able to sole source the bid with the provider of the current seats due to bidding requirements by the FAA with stimulus funding. The Director further stated that there are some good quality products on the market that are a little less expensive than the current seating.

Mr. Newman moved to authorize approval of the contract award for new terminal seating for a not to exceed amount of \$280,000.00 to the best and most responsive bidder and to authorize the Director to execute the necessary documents. Mr. McGrady seconded the motion and it carried unanimously.

The Director advised the Board that he would keep them informed once the bids were received.

DIRECTOR'S REPORT:

A. Transfer from Contingency for IT Expenditures for A Gates: The Director reminded the Board that there were funds in the allowances of Shelco's contract for the Authority to purchase items for the terminal renovation project such as seating, equipment, etc. To date staff has not taken any of that allowance money from Shelco's contract. Since the Information Technology staff needed to purchase necessary equipment for the A Gates area, \$9,700.00 was transferred from contingency to operating expenses. Once the contract is amended with Shelco for these allowances, the \$9,700.00 will be reimbursed to contingency.

B. Airport Zoning: The Director informed the Board that several years ago staff approached the City of Asheville to adopt an airport zoning district which will eliminate the need for variances when a construction project on airport property is being planned. Staff has been working with the City to create and adopt a new zoning district. The Planning and Zoning Committee has passed the new zoning district and it is now on the docket for City Council's meeting next week.

Mr. McGrady commented that Henderson County adopted a land development code that anticipates airport zoning and thought perhaps discussions between the two counties to put in place overlay districts that are more reflective of the land use in the counties is an appropriate way to go. Mr. McGrady further stated that he believed Buncombe County's new ordinance, which was drafted in part to reflect what Henderson County has done, would allow for such an overlay. The Director replied that this was correct and that the ultimate goal was to adopt an airport overlay district.

C. Comair Reduction: The Director reported that Comair, a wholly owned subsidiary of Delta, has announced plans for a 40% reduction of their fleet and staff over the next couple of years. The Director did not believe this would adversely affect Asheville as the airport averages 12 Comair flights per month and anticipates that Delta would use other contract fliers to fill in the flights.

D. AIP Update: Washington has not yet passed a long-term resolution for airport funding. Another extension was approved through December 31, 2010. The latest issue in Washington is the Washington National perimeter rule which established how far an airplane can travel out of National Airport. Currently, aircraft are not allowed to travel past approximately 1,200 miles and Washington legislators are attempting to get direct flights to their home states that are beyond the perimeter rule.

E. Smoking Policy Information: In August, the Board adopted the new smoking policy. Staff was asked at this time to survey other airports to see if any had a smoking ban on all airport property. A copy of the survey was available for the Board members. None of the airports that responded to the survey have a ban on smoking on all airport property.

F. FY 2012 Board Travel: The Director advised the Board that a list of conferences for 2011 and 2012 was available at their seats. The Director urged the Board members to review the schedule so that staff can budget for travel for the FY2011/2012 accordingly.

G. Paradies Update: The Director reported that Paradies' staff have made several trips to the airport and are in the design phase. Paradies will start construction by December 1 to make the March 1 deadline for the opening of their facilities on the secure side.

H. State Diesel Reduction Grant: The Director informed the Board that the grant documents were received last month. The original \$190,000 grant was reduced

to \$142,000 due to the economy in the state. Staff will put out a bid for three electric belt loaders for use by the airlines. Three diesel belt loaders will be replaced with the electric ones.

I. Cargo Operations: UPS has been the only cargo operator through a contract flyer at the airport. Although the cargo weight has been increasing, the loads have been increasing at Greenville Spartanburg International Airport (GSP) as well. UPS has decided to cease operating from Asheville and fly in all cargo to GSP through its own aircraft. With this move, staff anticipates losing approximately \$9,000 annually in landing fees.

J. Meeting with American Airlines: The meeting the Director and Mrs. Kinsey had with American Airlines representatives last month was successful. Although the Dallas flight has been doing very well, the aircraft has been committed elsewhere and the service will stop at the end of October. The Dallas service will come back next year no later than April. The Director felt that it was extremely possible the service next spring would become yearly service and not seasonal. Discussion also took place on service to other destinations.

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

K. Tour of Renovated Gate Area: The Director encouraged the Board to stay after the meeting for a brief tour of the newly renovated gate area. AirTran started flying from this gate area on Thursday, October 7, and Delta will be moving to the new area the first week of November. The gates will no longer be referred to as A and B gates, rather as numbered gates with gates one through three to the left of the checkpoint and four through seven to the right side of the checkpoint.

L. United and Continental Merger: The merger of United and Continental was approved last week and is now completed. The name will be kept United Airlines but with the Continental logo. The airlines will remain separate brands for the next 12 to 18 months. Continental has more counter space in AVL than United does and staff anticipates United will merge into the Continental space. The Director will keep the Board apprised of any new details.

M. Employee Newsletter: The first issue of the new employee newsletter was available for the Board at their seats. The newsletter has been named AVL Flyer and staff is currently working on a logo.

N. Organizational Chart: A copy of the updated organizational chart with staff photos and titles was available for the Board at their seats.

Mr. McGrady inquired whether word had come about of any regulatory changes due to the recent EPA hearings held in Charlotte regarding the coal ash issues. The Director was not aware of any changes that have come about from the meetings held in Charlotte for public comment on the coal ash issue. Mr. McGrady further asked if the airport had received any complaints from anyone on the coal ash issue. The Director responded that the only complaint he knew about was from a mobile home community to the north of the airport property about concern for coal ash run off after an incident of heavy rains. The EPA staff was called in and measured everything in the North GA project. It was all within compliance and none of the run off had left the airport property. Mr. McGrady requested staff keep the Board apprised of any developments on this issue and the Director agreed.

INFORMATION SECTION: No comments

AUTHORITY MEMBERS' REPORTS:

A. Deputy Director Position: After contemplating on the discussion that took place at the August Board Meeting, the Chairman stated that at this time his opinion on the Deputy Director position was that while it is possible that this person might be the successor for the Director at some point, in actuality the selection of the Deputy Director is an independent choice from a successor to the Director. The Chairman further stated that if the Director wanted the Chairman's input on the selection he would be happy to provide it. However, the Chairman does not plan to be actively involved in the selection of the Deputy Director position. The Chairman further noted that maybe the assumption at the August Board Meeting was that the Deputy Director would be an automatic successor for the Director but the Chairman did not believe this was a correct assumption and did not believe that was the intention of the Board.

Mr. McGrady stated that it was never his intention for the Board to be the decision maker for the Deputy Director position, but that this would be the person to step in if something were to happen to the Director and felt that the Board or Chairman could have a consultative role or kept in the loop on the process, timing, and in a broader way the qualifications of the candidates. Mr. McGrady further stated that the Director had already kept him abreast of the process and was of the opinion that ultimately the Deputy Director position was the decision of the Director.

B. Board Retreat: The Chairman advised the Board that he would like to have a retreat given there are two new members on the Board. At the retreat, the Chairman would like to have a complete review and summary of the runway, as well as a comprehensive dissertation from Vic Buchanan on the legal situation regarding the organizational structure as the Authority runs out in 6 ½ years. The Chairman also suggested a team building exercise might be beneficial for the Board members. The Director will work with the Chairman to schedule this.

C. Protocol for Selection of Replacement of Chuck McGrady: The Chairman stated that as the Board members were aware, Asheville City Council appoints three members to the Authority Board and Buncombe County appoints three members to the Authority Board. The six members then elect the seventh member who historically was a resident of Buncombe County. The Board moved toward incorporating Henderson County into the operation, and Mr. McGrady who was an Ex-Officio member for several years, was elected to the Board as the seventh member. The Chairman was of the opinion that the Board needed a process for the selection of the seventh Board member with an advertisement for the position, an application created and interviews conducted.

Discussions of the preference for a Henderson County replacement and the timing for this process took place with Mr. Newman suggesting that it be a two-step process with a review of the applications at one Board meeting and the interviews and selection taking place at a second Board meeting. The consensus of the Board was to use a two-step approach for the election of the seventh Board Member. The Director stated that staff would work with the City of Asheville, Buncombe County and Henderson County to advertise for this position in both Buncombe and Henderson counties. The Chairman stressed that it be emphasized that the current six members of the Authority Board make the selection of the seventh Board member.

PUBLIC AND TENANTS' COMMENTS: None

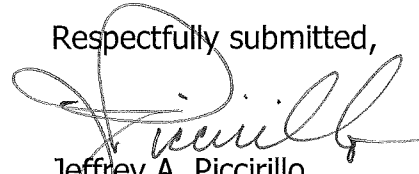
CLOSED SESSION: None

CALL FOR NEXT MEETING: Mr. McGrady moved to cancel the November 12, 2010 meeting of the Authority Board subject to call of the Chairman. Mr. Piccirillo seconded the motion and it carried unanimously.

ADJOURNMENT: Mr. Roberts moved to adjourn the meeting at 10:13 a.m. Mr. Piccirillo seconded the motion and it carried unanimously.

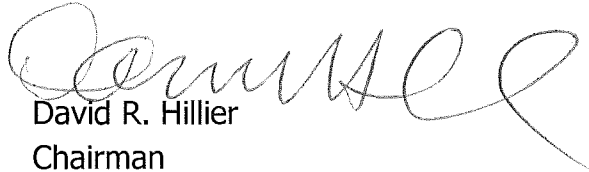
The next regular meeting of the Authority will be on Friday, December 10, 2010 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport, 61 Terminal Drive, Suite 1, Asheville, NC 28732.

Respectfully submitted,



Jeffrey A. Piccirillo
Secretary-Treasurer

Approved:



David R. Hillier
Chairman