

REGULAR MEETING
GREATER ASHEVILLE REGIONAL AIRPORT AUTHORITY
August 11, 2017

The Greater Asheville Regional Airport Authority ("Authority") met on Friday, August 11, 2017 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: Matthew C. Burril, Vice-Chair; Andrew T. Tate; William L. Moyer; Stephanie Pace Brown; and David Gantt

MEMBERS ABSENT: Robert C. Roberts, Chair; and K. Ray Bailey

STAFF AND LEGAL COUNSEL PRESENT: Cindy Rice, Authority Legal Counsel; Lew Bleiweis, Executive Director; Michael Reisman, Deputy Executive Director of Development and Operations; Kevan Smith, Chief of Public Safety; Tina Kinsey, Director of Marketing and Public Relations; Janet Burnette, Director of Finance and Accounting; Shane Stockman, IT Director; John Coon, Director of Operations; Samuel Sales, Public Safety Captain; Ron Mundy, Maintenance Supervisor; David Nantz, Safety Manager; and Ellen Heywood, Clerk to the Board

ALSO PRESENT: Amira Trebincevic, Delta Airlines; Mike Darcangelo, Avcon; Nick Loder, RS&H; Kendra Petty, LAZ Parking; Janna Sullivan, LAZ Parking; Marc Lutwack, LAZ Parking; Tracy Montross, American Airlines; James Seadler, American Airlines; Eric Rysdon, RS&H

CALL TO ORDER: The Vice-Chair called the meeting to order at 8:30 a.m.

The Director requested a moment to recognize the following employees:

Ron Mundy was recognized for his upcoming retirement after 39 years of service with the Authority. The Board wished Mr. Mundy well.

David Nantz was recognized for successfully completing the requirements for public sector manager of environmental safety and health. This certification is earned through education in occupational safety, health and the environment. This program prepares managers to keep workplaces safe and healthy which improves employee protection and productivity.

Mr. Tate moved to approve the minutes for the July 14, 2017 Closed Session, Parts A and B, with the correction requested to Part B, and to seal and withhold the minutes for the July 14, 2017 Closed Session, Parts A and B, from public inspection so long as public inspection would frustrate the purpose or purposes thereof. Mr. Moyer seconded the motion and it carried unanimously.

OLD BUSINESS: None

NEW BUSINESS:

A. Preliminary Approval of the Authority's Amended Ordinance of Airline Rates, Fees and Charges for the Asheville Regional Airport: The Director reminded the Board that a schedule of airline rates, fees and charges ordinance was adopted by the Board at the December 2016 meeting. At that time, the Board requested that staff and the airlines try to negotiate an alternative rate method acceptable to all the airlines operating at the airport. The Director advised the Board that after months of negotiations, a model has been developed that is fair and reasonable. The Director highlighted the components of the rate model and recommended that the new rate model be adopted as an amendment to the current ordinance rather than be included in an operating agreement. The Director stated that the Authority's ordinance process requires a 10-day period for public comments, and a public hearing be held at the next Board meeting before final approval. Staff intends to make the new rates effective retroactive to July 1, 2017.

Mr. Burril invited Amira Trebincevic to address the Board. Ms. Trebincevic thanked the Board and staff for promoting discussions and going back to the table to negotiate. Ms. Trebincevic requested that the Board consider a long-term agreement rather than modifying the ordinance. Ms. Trebincevic felt a long-term agreement benefits all and stated that the airlines have a planned rate structure by which year over year financial planning can be accomplished and the airport has a commitment from the airlines to serve the community. Ms. Trebincevic stated that an agreement also promotes discussion for things to come as well as things needing change.

Mr. Tate questioned why an agreement process is more positive or lenient towards forecasting as opposed to the current ordinance model. Ms. Trebincevic responded that both set a rate structure but the difference with an agreement is that for the next three years there is a planning process for an airline doing five-year forecasting since this is the model that can be used to base the terms of the agreement. It can change through an amendment, but for forecasting everyone has an agreed to framework for a set amount of time. With an ordinance, there is no set amount of time planned for or no set forecast that can be agreed to. Ms. Trebincevic stated that the majority of airports use an agreement.

Mr. Burril affirmed that what Ms. Trebincevic believes is that the flexibility the airport has with an ordinance does not fit into the airlines' business planning model. Ms. Trebincevic stated that this was correct.

Mr. Burril asked if a new agreement were in place and there were changes to be made, would the agreement need to be cancelled and a new agreement put in place. Ms. Trebincevic responded that it could be or it could just be an amendment process. An agreement gets everyone back to the table whereas an ordinance does not allow for that. With an ordinance, if there is a problem the only option for airlines is to go to the FAA, and there's a dispute process which is costly and laborious.

The Director stated that Ms. Trebincevic made some good points, discussions were held, and if all four airlines were in favor of an agreement, that would be the route staff could take. The three legacy airlines would like to see an agreement, however, Allegiant was not in favor of an agreement. The Director referenced an e-mail sent by Daniel Meier, Manager of Airports for Allegiant Air.

Ms. Brown questioned why Allegiant was objecting to there being an agreement rather than an ordinance if they were in agreement with the rates. The Director stated that they were not in agreement with the rates but were accepting them to compromise. Ms. Brown inquired if there was an expectation that the rates will be changed under the ordinance model after everyone agreed on the rates. The Director stated that he couldn't speak for Allegiant and did not know why they were accepting of the rates as long as they were by ordinance. The Director further stated that the airport cannot arbitrarily just change the rates by ordinance as there is a process put in place by the FAA. Ms. Brown stated that she did not see the logic of Allegiant objecting to an agreement vs. an ordinance if the outcome were the same. The Director stated that when there's an agreement as there has been in the past, and there are non-signatory as well as signatory carriers, there are premium payments that the three legacy carriers were forced to pay a year and a half ago because there was an agreement. With a rate model by ordinance there is no differentiating between signatory and non-signatory.

Mr. Tate questioned what the vehicle was in terms of stability and forecasting and the ability to discuss or negotiate this in the future under the current ordinance model. The Director responded that staff budgets each year and receives forecasts from the airlines of passengers, operations, and now baggage, which are then incorporated into the draft budget. Staff also meets with the airlines prior to the draft budget to review where things are headed with the budget. With the ordinance process, as staff prepares the annual budget, a new amended rate ordinance will also go to the Board for approval. There is then the two-meeting process that includes a public hearing before final approval by the Board. As far as stability, the Director stated that for the last eight years, the airlines have been operating under a 60-day agreement and there is no stability with such an

agreement. The Director further stated that the industry has changed and long-term commitments are rare. The larger hub airports are the ones that typically have long-term agreements because the airlines are putting millions of dollars into the facilities. Rates are also set so that the airport does not profit from the airlines. The airport takes the risk with rates by ordinance, so if the rates are not set high enough, the airport absorbs that. FAA standards do not allow for the airport to do any type of reconciliation at the end of the year under an ordinance structure. Going to an agreement, the airport could shift some of that risk to the airlines. From the standpoint of stability, when the airport takes the risk, the airlines have the benefit of more predictability in that they know what their rates will be. Rates by ordinance is a streamlined process, if it needs to be changed it goes through the ordinance process where there is a public hearing and the public can voice their concerns.

There was some discussion on possibly postponing action on this item until the next meeting when Mr. Roberts and Mr. Bailey would be in attendance. Mr. Moyer stated that there has been a long period of negotiations, everything was on the table, and progress made. Mr. Moyer was concerned that the negotiations could collapse.

Mr. Tate moved to approve the proposed Amendment to Ordinance No. 201601, the Airlines Rates Fees and Charges Ordinance, by: (A) deleting the existing Section 8 – Schedule of Rates, Fees and Charges, and inserting in its place the following: “The Authority’s 2017-2018 Schedule of Rates, Fees and Charges Effective July 1, 2017 is Attached Hereto and Incorporated Herein by Reference as Exhibit A.”, and by (B) Deleting the Existing Exhibit A, and Inserting in its Place the Proposed 2017-2018 Schedule of Rates, Fees and Charges; (2) to Schedule a Public Hearing and Accept Public Comment on the Proposed Amendment to the Airline Rates Fees and Charges Ordinance; and (3) to Thereafter Consider the Amendment for Final Adoption, all in Accordance with the Greater Asheville Regional Airport Authority’s Policy and Procedure for the Adoption of Ordinances. Mr. Moyer seconded the motion and it carried unanimously.

Mr. Tate remarked that the public hearing would offer an opportunity for anyone to speak and would encourage Allegiant or anyone who has an issue with the matter to be in attendance.

B. Approval of Airline Operating and Space Use Agreement: The Director briefed the Board on the background of implementation of rates by ordinance which the Board approved in December of 2016. Since the airline rates and fees are now governed by ordinance, an Operating and Space Use Agreement is necessary to manage the terms and conditions for airlines operating at the airport. The Director advised the Board that one item in the agreement concerning baggage delivery fines most likely will be withdrawn from the agreement. The Director further remarked that the airlines are

reviewing the new operating agreement, but staff does not expect any major changes to be requested.

Mr. Moyer moved to approve the proposed new airline operating and space use agreement pending no major changes from the airlines; and to authorize the Executive Director to execute the necessary documents. Mr. Gantt seconded the motion and it carried unanimously.

C. Approval of the Award of Contract to LAZ Parking Georgia, LLC for the Management and Operation of Public Parking Facilities at Asheville Regional

Airport: The Director reported that with the new parking garage due to be completed in November, staff felt it was an appropriate time to terminate the existing contract with the current public parking facilities operator early and re-bid the services. A Request for Proposal was issued on June 9, 2017 and six proposals were received on July 14, 2017. The top two proposers were invited for in-person presentations and interviews on August 3, 2017. The Director reviewed the top three proposers ranked by staff and identified LAZ Parking Georgia, LLC. (LAZ) as the top proposer. With approval from the Board, the Director will negotiate and execute the final contract with LAZ. The Director further noted that staff will work with SP+, the current operator, to continue the shuttle operations for both the public and employees until the garage is opened and the remote parking lots are transitioned back on airport. Compensation and terms of the proposals were also briefly reviewed. The Director remarked that during due diligence, staff contacted a few references for LAZ and received high praise from all. Also during due diligence, staff was made aware of two other issues with the parent company of LAZ. The Director briefed the Board on the issues and advised the Board that representatives from LAZ were available if the Board had any questions they would like answered.

Mr. Gantt asked the representatives from LAZ to address how they would keep similar situations from happening in Asheville. Ms. Kendra Petty of LAZ stated that parking was a heavy cash business, but that LAZ is a proponent of technology and encourages all clients to move forward with technology. Ms. Petty gave explanations for the situations that the Board was made aware of. Ms. Petty further reviewed the direction that LAZ has taken which included operational excellence and audit team and stated that each region has an auditor. Airports are audited each year and the results are shared with the airports. LAZ has also developed LAZ University which offers hundreds of training courses for various positions in the company including auditing, financial and cash handling procedures, separation of duties, etc. Although LAZ is not publicly traded, LAZ has implemented some of the checks and balances of Sarbanes-Oxley. Ms. Petty also spoke of the support that is given to airports by their airport division as well as their regional teams with regard to operations, auditing, and cash handling procedures.

Mr. Gantt questioned if any other institutions pulled service after the situation in Massachusetts. Mr. Mark Lutwack of LAZ was introduced and he stated that LAZ continued the operations with the organization in Massachusetts for more than a year after the situation unfolded, but then the contract was terminated for convenience when the organization re-structured the arrangement. LAZ did bid on the new arrangement but did not prevail. To Mr. Lutwack's knowledge there have not been any other municipalities or private enterprises that have removed LAZ due to this issue. Mr. Lutwack also felt it was important to note that the arrangement in Massachusetts was unique in that the revenues did not pass through the LAZ system. The method of payment, the mode of operation was all dictated by the organization in Massachusetts. Although LAZ was ultimately responsible and had an obligation, this was a very unusual situation.

Mr. Gantt inquired what the airport would need to do for the parking operation in Asheville to insure there was not a similar situation. The Director stated that the Authority has just purchased a \$300,000 revenue system that is being installed, so there are controls in place that protect the operator as well as the Authority. If LAZ were to find any deficiencies in the new equipment, it would be their obligation to inform the Authority.

Mr. Tate moved to approve the award for Management and Operation of Public Parking Facilities at Asheville Regional Airport to LAZ Parking Georgia, LLC contingent on a successful negotiation of the agreement; authorize staff to negotiate with the alternate proposers if negotiations for a final contract with LAZ are unsuccessful; and authorize the Executive Director to execute all necessary documents. Mr. Moyer seconded the motion and it carried unanimously.

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

A. Aircraft Apron Expansion: The Director informed the Board that the two bids that were received for the apron expansion project came in higher than anticipated so the project has been put on hold. Staff may try to bid this project again in the spring or incorporate with a larger project in the future.

B. Pilot Shortage Articles: The Director advised the Board that there were two magazine articles regarding pilot shortages at their seats for their information.

C. Statistics: The Director was pleased to note that there were 23 days in 2016 with over 1000 cars in the parking lot. As of July 31st, there were 48 days with over 1000 cars. The Director further stated that with the increase in enplanements, Asheville has once again been put in the small hub category by the FAA based on 2016 enplanements.

D. Solar Eclipse: A solar eclipse viewing will be held for employees on August 21st and the Board was invited to attend.

INFORMATION SECTION: No comments

PUBLIC AND TENANTS COMMENTS: Ms. Amira Trebincevic requested a moment of the Board's time to state that the legacy airlines were unaware that Allegiant was opposed to an agreement for rates and charges. Ms. Trebincevic stated that there were a lot of compromises by all the airlines in many aspects of the new rate model and briefed the Board on those concessions. Ms. Trebincevic also spoke about the planning that an agreement would enable vs. an ordinance structure that could change in a year. Ms. Trebincevic referenced the October 2016 Authority Board meeting minutes and stated that it was her understanding that the intent in going to an ordinance was to avoid the 25% penalty for non-signatory airlines, and that it was a temporary nature to see if all parties could come to an agreement.

Mr. Burril thanked Ms. Trebincevic for the information and stated that the Board was appreciative of all the airlines.

CALL FOR NEXT MEETING: The next regular meeting of the Authority Board will be held on September 8, 2017.

CLOSED SESSION: None

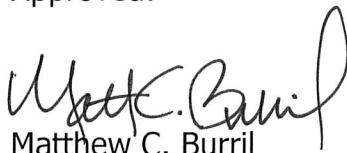
ADJOURNMENT: Mr. Moyer moved to adjourn the meeting at 10:22 a.m. Mr. Tate seconded the motion and it carried unanimously.

Respectfully submitted,



Ellen Heywood
Clerk to the Board

Approved:



Matthew C. Burril
Vice-Chair