

REGULAR MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY
February 24, 2012
8:30 a.m.

The Asheville Regional Airport Authority ("Authority") met on Friday, February 24, 2012 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; Martha W. Thompson; Bob Roberts, Bill Moyer and Esther Manheimer

MEMBERS ABSENT: None

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; 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, Director of Administration; Amy Burritt, Marketing Supervisor; Jeremy Arthur, and Ellen Heywood, Recording Secretary

ALSO PRESENT: Mike Darcangelo, AVCON; Jeff Kirby, Michael Baker Corp.; 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.

APPEARANCES: None

SERVICE AWARD PRESENTATION: The Chairman recognized Jeremy Arthur with a service recognition award and gift for his 10 years of service with the Authority.

PRESENTATIONS: None

FINANCIAL REPORT: The Director reviewed the airport activity section of the Executive Summary for the month of December. Enplanements for the month totaled 27,737, a 5.4% increase over the same period last year. Calendar Year to date enplanements totaled 362,295 which is a decrease of 2% from last year, however, the Director noted that staff was accepting of that number given the industry trends and

staff had budgeted for a 10% decrease in enplanements due to Southwest Airlines service at GSP. The Director also reviewed commercial aircraft, military and general aviation operations for the month. The Director reported on the financial results stating that operating revenue for the month was \$658,344 which was 5.3% above budget for the month and fiscal year to date totaled \$4.4 million which was 8.1% above budget. Operating expenses for the month totaled \$514,135 which was 23.7% below budget and \$3.1 million for the year which is 14.6% below budget for fiscal year to date. The Director noted that staff continues to do well monitoring expenses. The Director also reviewed the cash position for the month.

WELCOME AND SWEARING IN OF NEW BOARD MEMBER – ESTHER MANHEIMER: Ms. Manheimer was sworn in as a Member of the Authority Board by the recording secretary. The Board welcomed Ms. Manheimer.

CONSENT AGENDA: The Chairman advised the Board that Consent Agenda Item B, Approval of the Asheville Regional Airport Authority December 9, 2011 Closed Session Minutes, would be pulled for review in Closed Session.

A. Approval of the Asheville Regional Airport Authority December 9, 2011 Regular Meeting Minutes:

C. Appointment of Deputy Finance Officer:

Mr. Gantt moved to approve Consent Agenda Items A and C. Ms. Thompson seconded the motion and it carried unanimously.

OLD BUSINESS: None

NEW BUSINESS:

A. Approval to Unseal Closed Session Minutes: The Director reported that in adhering to the Disposition of Authority Board Closed Session Minutes policy that was approved by the Board in April 2011, closed session minutes for the previous calendar year were reviewed. A recommendation was made by the Director for the unsealing of a portion of the Closed Session minutes of August 12, 2011.

Mr. Roberts moved to unseal those portions of the Closed Session minutes as designated and recommended by the Airport Director. Mr. Moyer seconded the motion and it carried unanimously.

B. Approval to Transfer Funds from Operations to Contingency: The Director stated that with the Board's consent he would jump to Item A of the Director's Report on the agenda. The Director advised the Board that as specified in the purchasing policy, a report must be made of any expenditures from contingency within the spending authorization that has been made. The Director advised the Board of a

transfer that was made for the purchase of a runway friction tester in the amount of \$6,529 that was not budgeted. The Operations Department budget had the funds necessary to cover this purchase but because it was over \$5,000 it needed to come out of small equipment and capital outlay. Contingency funds were used to purchase the equipment. The Director further advised the Board that at the December, 2011 Board Meeting, the purchasing policy was changed to allow for expenditures up to the Director's spending authorization out of contingency and move money from contingency to other budget line items. The policy did not allow for the transfer of money out of other line items in the Budget Ordinance to anywhere else, therefore the Director was seeking the Board's approval to transfer \$6,529 from the Operations Department back into contingency.

The Director requested the Board approve the Transfer of Funds from Operations to Contingency and amend the FY11/12 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, 2012:

Section 1. To amend the appropriations as follows:

EXPENDITURES:

	<u>Decrease</u>	<u>Increase</u>
Operations Department	\$6,529	\$0
Contingency	\$0	\$6,529
Totals	<u>\$6,529</u>	<u>\$6,529</u>

This will result in no 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 24th day of February, 2012.

David Hillier, Chairman

Attested by:

Jeffrey A. Piccirillo, Secretary-Treasurer

Mr. Moyer moved to approve the Transfer of Funds from Operations to Contingency and amend the FY11/12 budget as presented by staff. Mr. Gantt seconded the motion and it carried unanimously.

C. Approve Contracts for Purchase of Passenger Boarding Bridges and Building Upgrades: Mike Reisman reminded the Board that in October the Board was apprised of the need for replacement of three Regional Boarding Ramps (RBR's) at Gates 4-6 with new Passenger Boarding Bridges (PBB's). At that time, the Board gave approval to proceed with the planning and bidding phases of the project. Mr. Reisman further stated that at the December 9th Board meeting, the Board approved a Scope of Services and Fee with RS&H for design and bidding services for the terminal building upgrades. Mr. Reisman advised the Board that the cost of design and bidding services for the PBB equipment purchase was initially paid from the Development Department engineering budget line item but will be eligible for reimbursement through the federal grant once that is issued. Mr. Reisman informed the Board that on February 1st, staff opened the bids received for the PBB's and Thyssen Krupp was the low bidder in the amount of \$1,198,681. Bids for the building modifications were received and opened on February 21st. The low bidder was GoForth Builders in the amount of \$445,000. Mr. Reisman further advised the Board that since the ARFF building project is presently on hold, a portion of the \$2.2 million in entitlement funds that were originally allocated for the ARFF building are being reallocated to the PBB project with 90% of the project funded from entitlement funds. Mr. Reisman requested the Board's approval to award the contract for the purchase of three PBB's to Thyssen Krupp Airport Systems in the amount of \$1,198,681, also to award contract for the PBB building upgrades to GoForth Builders, Inc. in the amount of \$445,000 for a total combined contracts cost of \$1,643,681 plus a construction allowance of 5% in the amount of \$82,284.

Mr. Gantt questioned whether the new units were mobile and whether the passengers would have the same experience boarding as what is there now. Mr. Reisman responded that the new PBB's would be better than what is currently in place as they would be very similar to the bridges used at gates 2 and 3. Mr. Reisman further stated that the units are fixed to the building but could be detached and moved if needed. The PBB's have a life expectancy of 25 years and would likely be detached, stored and reattached if a renovation to the building were planned in the future.

Ms. Thompson inquired about the \$3,000 difference between the contract amount staff asked the Board to approve for GoForth Builders for the building upgrades and what was listed on the bid tab document. Mr. Reisman responded that the bid specs originally included for the contractor to provide required testing for poured concrete, etc. The contractor included \$3,000 for this testing in the bid. Since then, staff learned that the state adopted the 2009 International Building Code which requires for public

entities to provide for their own testing. The \$3,000 was pulled from the contract amount and staff will need to contract for this testing separately. Staff does have documentation that the contractor agrees to lower his price by \$3,000 for this testing.

Mr. Piccirillo affirmed that one of the bridges would be large enough to accommodate a 757 aircraft. Mr. Reisman responded that this was correct. One of the new PBB's would be able to telescope out further and go up higher to accommodate a 757 or smaller airbus aircraft.

Ms. Thompson moved to award the contract for the purchase of three PBB's to Thyssen Krupp Airport Systems in the amount of \$1,198,681, award contract for the passenger boarding bridge building upgrades to GoForth Builders, Inc. in the amount of \$445,000 for a total combined contracts cost of \$1,643,681 plus a construction allowance of 5% in the amount of \$82,284, and authorize the Airport Director to execute all 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.

B. AIP Update: The Director was pleased to announce that after five years and 23 continuing resolutions, a long-term airport improvement authorization bill has been passed by Congress. The Director detailed some of the highlights of the bill which include PFC rates remaining level, \$3.35 billion in AIP funding which is subject to funding from Congress, a decrease from 95% to 90% in funding for small airports, requiring airports to institute a contingency plan for tarmac delays, and standards for airport firefighting will continue to meet FAA requirements rather than NFPA requirements.

C. Firehouse Update: The Director reported that although he believes the City is having discussions with the State on the engineering study, there have been no updates from the City on the traffic pre-emption or traffic signal at NC 280 and Aviation Way. The Director advised the Board that a firm has been hired by the State for the redesign of the I26 interchange. The State has not scheduled any meetings to date, however Mr. Reisman has had contact with the firm awarded the contract and expressed the airport's desire to have input in the discussions regarding this interchange. The Director further informed the Board that because of the AIP authorization bill and the reduction of funding from 95% to 90% for small airports, based on \$4 million for the ARFF project, there could be an impact of an additional \$200,000 from the Authority's funds for this project.

D. Annual Report: Copies of the new Annual Report prepared by the Marketing Department were distributed to the Board. The Director stated that this was not a financial report, rather a report of all that has been accomplished during the year. The Director commended the Marketing staff for the terrific job putting the report together.

E. Wellness Program: The Director stated that the Authority has instituted a wellness program for employees and detailed some of the activities offered as well as the equipment purchased for the fitness facility.

F. TSA: The Director reported that TSA has been working to develop a shoe machine that will allow for passengers to keep their shoes on while going through the security checkpoint. Unfortunately the machine has failed to accomplish what it was intended to do so TSA has scrapped this plan for the near future.

G. Wind Catcher: An alternative energy company in the Asheville area has approached the Director about installing wind catching turbines at the end of the runway to catch jet blast and turn into alternate energy. Staff has some doubts that the FAA will approve the placement of equipment in the runway safety area. Staff will have some high level discussions with the FAA to see if this is viable. The Director stated that he would keep the Board apprised if there is the potential for this to be feasible.

H. Airport/City Firing Range: The Director advised the Board that there have been some reports in the news lately about the firing range. The Director stated that there is language in the Agreement that if the airport needs to expand, the firing range would need to be relocated. Staff gave notice to the City in March 2010 that the firing range would need to be moved by February, 2012. Two alternative locations on airport property were provided, however the City did not feel one of them would work and the FAA has notified staff that the second location could impede traffic flow out of the airport. Staff continues to work with the City for an alternative site.

I. ACI-NA: the Director reported that ACI-NA has inquired if the Director would be willing to submit his name for consideration for appointment to the ACI-NA Board of Directors. The Director has submitted his name for nomination and will be notified in May or June. He will keep the Board apprised.

J. Master Plan Update: Mr. Reisman gave a brief update on the Master Plan. The overall project is expected to take 18 months and should be completed by next February. Chapters 1 through 3 have been completed and the forecast chapter has been submitted to the FAA for approval. Once approved by the FAA, it will allow for the completion of other work that is dependent upon that approval. Aerial surveying and

photogrammetry have been done, the first meeting of the stakeholders' advisory committee was held in January, and a website dedicated to the master plan has been established.

INFORMATION SECTION: The Director advised the Board that changes were made to how the financials are reported. The Director called the Board's attention to pages 5 and 6 of the December Financial Report. Reimbursable expense and reimbursable revenue were previously listed as part of the operating expenses and revenues. This reimbursable cost is strictly attributed to the contract with Avcon and Charah for the westside fill project. The consultant bills the Authority for engineering and oversight work and the Authority turns around and bills Charah who is doing the fill project. There is no money made on this project by the Authority but staff is not able to budget each month and this impacts how the true operating revenues and expenses are being reflected. Therefore, those two line items have been removed from page 5 and are now being listed under non-operating revenues and expenses on page 6.

AUTHORITY MEMBERS' REPORTS:

A. AAAE Aviation Issues Conference Report: The Chairman reported on the AAAE Aviation Issues Conference that he attended in January. The Chairman noted that attendance at the conference was down from previous years with only approximately 25% of the attendees being airport board members. The Chairman detailed some of the panel discussions which included a presentation of the happenings in Washington, DC, environmental/noise tolerance issues, and problems the TSA faces including perception, the logistics of meeting peak/low demands and their security concerns. The Chairman also updated the Board on some of the issues affecting other airports throughout the country based on discussions he had with airport personnel or their board members.

PUBLIC AND TENANTS' COMMENTS: None

BUDGET PRESENTATION AND DISCUSSION: The Director gave an overview of the proposed Fiscal Year 2012/2013 Budget. Operating revenues and expenses were briefly summarized with the Director noting the airport continues to bring in more revenue than expenses with \$8.2 million budgeted for revenues and \$7.3 million in expenses budgeted. The net operating income is budgeted at \$930,000. The proposed Operation & Maintenance budget was reviewed. Operating revenue assumptions estimate airline rates and charges to increase with more terminal square footage due to the renovation of the A gates area, as well as the airlines paying a higher percentage of operating expenses as general aviation continues to decline. Rental car revenues have also increased with the current contracts. Operating expense assumptions budget for a

3% salary adjustment pool, elimination of a vacant position in Public Safety, higher de-icing chemical costs, and elevator upgrade costs.

Mr. Moyer commented that purchase of equipment to collect the de-icing chemicals was discussed last year and asked if there were still plans to purchase this equipment. The Director stated that the EPA has not yet required some of these regulations. The major requirement will be the use of different chemicals. The EPA has not regulated any of the other methods of putting down or collecting the chemicals. Purchase of a de-icing truck is included in the CIP but is on hold at this time. Mr. Piccirillo asked if there was an opportunity to regain some of these expenses through landing fees. The Director stated that the cost for chemicals does get passed on to the airlines through the rates and charges. Staff normally budgets for the chemicals and puts the cost into the rates and charges. However, since the amount of chemicals to be purchased will increase significantly, staff is trying to work with the airlines and direct bill them when chemicals are purchased rather than budget for chemicals that may not be used due to a mild winter season. Ms. Thompson asked if the EPA has passed the new regulations and what the effective date was. The Director responded that the new regulations have not yet passed.

The Director reviewed the proposed capital budget and funding sources. Capital improvements include phase 1 of the airfield improvements and new ARFF facility. The Director reminded the Board that the ARFF facility was moved to the FY2012/2013 Budget as this current year's AIP entitlement funds will be used to purchase the PBB's. The Director further reviewed the Renewal and Replacement items in the proposed capital budget which includes a snow truck & plow replacement. FAA requires the snow equipment to be changed out every so often and \$605,000 is budgeted for this. It is anticipated that AIP entitlement money and PFC's will cover the cost. However, with the change in AIP funding to a 90/10 split, there could be a slight expense to the Authority. Staff will look over the PFC application to see if the PFC funds can be shifted higher and entitlement funds lowered to cover the cost of that equipment. The total proposed capital budget is \$8.7 million with just over \$1 million of the Authority's funds. Staff is expecting to tap into the fund balance to make up the difference between the roughly \$950,000 in revenue. However, if the runway project doesn't go forward, half a million comes out of the budget and staff will not need to tap into the fund balance

Also reviewed were reserve funds, the estimated cash balance, and supplemental fees. The Director talked about some of the new fees being instituted which include security escort fees, security escort training, cable TV, an increase in issuance of ID badge fees, and an increase in employee and commuter parking rates.

Mr. Roberts asked how the increasing fuel prices could affect the budget. The Director responded that fuel prices are very volatile to airports. Many things can happen when fuel prices increase. Consumers may not travel at all or may fly if gas prices are too high to drive. Airlines are trying to cut capacity so the planes are fuller and will be removing regional jets (RJ's) as they're not profitable to fly long distances due to fuel costs. The Director further stated that he believed Asheville would be one of the last airports to see the RJ's go due to the short distance from Atlanta and Charlotte. The airport is already seeing capacity and landing weights going down because the aircraft are getting bigger. US Airways is already using more 70 seat aircraft vs. 50 seat aircraft. Delta will also do the same thing. As the 50 seat aircraft leave the market, less frequent flights will be offered but on bigger airlines. This is a challenge for the airport as passengers look for cost of fares and frequency of flights when choosing an airport.

The Director also advised the Board that the Authority currently pays 100% of the employee individual health insurance and 80% of the dependent coverage. With the Board's permission, staff would like to begin assessing all employees a 15% charge for the individual health insurance premium. However, to help offset this, employees can participate in the wellness program to be rewarded a 10% discount. If the employee is a non-smoker, they will also be rewarded an additional 5% reduction which would mean the Authority continues to pay 100% of the individual health insurance premium. Mr. Piccirillo asked if a smoking cessation program would be offered and the Director replied that it would. Ms. Manheimer asked how the wellness program would work. The Director responded that employees would need to have a health risk assessment done and log physical activities and weight loss on a log sheet. The Director further advised the Board that staff will amend the Health Benefits Policy and bring to the Board for approval at the April meeting.

CALL FOR NEXT MEETING:

The Chairman advised the Board that the next regular meeting of the Authority Board will be held on Friday, March 9, 2012 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.

The Chairman called for a break at 10:22 a.m.

The Board reconvened at 10:33 a.m.

CLOSED SESSION: At 10:33 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, to discuss matters relating to the location and/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. Ms. Thompson seconded the motion and it carried unanimously.

Open Session resumed at 12:28 p.m.

APPROVAL OF ASHEVILLE REGIONAL AIRPORT AUTHORITY DECEMBER 9, 2011 CLOSED SESSION MINUTES: Mr. Piccirillo moved to approve the Asheville Regional Airport Authority December 9, 2011 Closed Session Minutes, 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. Moyer seconded the motion and it carried unanimously.

ADJOURNMENT: Ms. Thompson moved to adjourn the meeting at 12:29 p.m. Mr. Roberts seconded the motion and it carried unanimously.

Respectfully submitted,



Jeffrey A. Piccirillo
Secretary-Treasurer

Approved:



David R. Hillier
Chairman