

REGULAR MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY
March 11, 2011
8:30 a.m.

The Asheville Regional Airport Authority ("Authority") met on Friday, March 11, 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; Jeffrey A. Piccirillo, Secretary-Treasurer; Brownie Newman; Bob Roberts; Martha W. Thompson and Bill Moyer

MEMBERS ABSENT: David Gantt, Vice-Chairman

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; Kevan Smith, Public Safety Captain; Amy Burritt, Marketing and Public Relations Supervisor; Ron Mundy, Maintenance Supervisor; Mike Foster, Maintenance Technician; and Ellen Heywood, Recording Secretary

ALSO PRESENT: Bill Sandifer, RS&H; Nayhal Adhyaru, RS&H; Mike Darcangelo, Avcon; David Carr, Montreat College

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

APPEARANCES: Bill Sandifer of RS&H presented each of the Board Members with a memento, designed by Nayhal Adhyaru of RS&H, of the terminal renovation project. Mr. Sandifer thanked the Board for the opportunity to work on the project.

SERVICE AWARD PRESENTATION: The Chairman recognized Mike Foster with a service recognition award and gift for his 30 years of service with the Authority.

PRESENTATIONS:

A. Department of Public Safety: Jeff Augram, Chief of Public Safety, presented a recap of services and training performed by the Department of Public Safety (DPS) during 2010. Chief Augram reviewed the call volume for 2010 including types of calls and numbers of calls by month noting almost 12,000 calls for service over the course of the year. Chief Augram also gave an overview of other duties performed by DPS including completion of background checks, issuance of visitor badges and monitoring of 78 doors and gates and 77 cameras throughout the airport property. Training conducted annually by the DPS employees including firearm qualifications and firefighting was also reviewed.

Mr. Roberts asked about the relationship between DPS and TSA and how it works. Chief Augram responded that DPS has an excellent working relationship with the local TSA staff. Chief Augram further stated that DPS is under contract to provide law enforcement support to the TSA but DPS can also act as an advocate for passengers when called upon by TSA for an issue.

Mr. Piccirillo asked if the fires at the airport were categorized. Chief Augram replied that most of the fires experienced in 2010 were small such as vehicle fires. Chief Augram also noted that the average time taken to remove a disabled aircraft from the runway is 50 minutes to an hour.

The Board thanked Chief Augram for his presentation.

FINANCIAL REPORT: The Director reviewed the airport activity section of the Executive Summary for the month of January noting 20,743 enplanements which was a 13.7% increase over the same period last year. The Director further reviewed aircraft operations and flights as well as general aviation activity and military operations. Mrs. Thomas reported on the financial results for the month of January informing the Board that January was the start of the slower time of the year. However, the financials were still above budget with operating revenue 11.7% over budget and operating expenses 14.4% below budget.

CONSENT AGENDA:

The Chairman advised the Board that Consent Agenda items B and D would be pulled for review in Closed Session.

A. Approval of the Asheville Regional Airport Authority February 11, 2011 Regular Meeting Minutes:

B. Approval of the Asheville Regional Airport Authority February 21, 2011 Closed Session Minutes:

C. Approval of the Asheville Regional Airport Authority February 25, 2011 Budget Workshop/Retreat Minutes:

D. Approval of the Asheville Regional Airport Authority February 25, 2011 Closed Session Minutes:

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

OLD BUSINESS: None

NEW BUSINESS:

A. Approval of Preliminary Fiscal Year 2011/2012 Budget: The Director reminded the Board that at the February 25 Budget Workshop/Retreat, staff advised the Board that a salary survey had been completed but the data had not been fully analyzed. Staff did request at that meeting that an additional \$130,000 be included in the budget for salary increases. Staff had already put \$117,000 in the proposed budget for raises but the additional \$130,000 would be needed to increase the salaries to the pay levels determined by the survey. The Director informed the Board that staff finished studying the data and Mrs. Baker was prepared to share the survey results with the Board.

Mrs. Baker presented an overview of a salary survey including the purpose, what it accomplishes, the process, and the recommendations for salary levels as determined by the survey. The Director informed the Board that a new recommended pay structure was available at their seats. The new pay structure would bring the Authority salaries to where they should be in the marketplace. The Director also informed the Board that if the market begins to turn to the detriment of the airport, staff can scale back or make changes to the salaries before the new levels are implemented on July 1st.

The Chairman congratulated Mrs. Baker on her promotion to Director of Administration and thanked her for the presentation.

Mr. Roberts noted that from the 07/08 Fiscal Year to the Proposed Budget, salaries were brought up by approximately 37% which he did not consider a huge increase. Mr. Roberts further stated that the 65% increase in benefits over this timeframe gave him cause for concern. The Director advised the Board that staff has been notified by the North Carolina County Commissioners Pool that they are discontinuing health insurance coverage and the Authority's coverage will end on June 30th. Staff will be meeting with brokers over the course of the next few days as well as possibly working directly with

CIGNA, the current provider, to continue the health insurance coverage through them directly. If staff determines that there will be significant increases for health insurance coverage, the salary adjustment pool will be modified to accommodate the increase.

Mrs. Thomas reviewed the sections of the budget that had been revised due to an increase in the budget for the salary adjustments. The increase for the salaries turned out to be an additional \$91,000 rather than the \$130,000 originally requested by staff. Mrs. Thomas advised the Board that the preliminary FY11/12 Budget had to sit for 30 days for public comment once accepted by the Board and the final budget would be presented for approval at the next meeting of the Authority Board.

The Director informed the Board that currently the Authority pays for 100% of the individual health insurance coverage and approximately 80% of family coverage. With the new salaries in place, staff is looking to change some of the benefits by having some of the responsibility going back to the employees. Employees may be required to contribute a portion of the premium for individual coverage.

Mr. Newman inquired if the salary survey that was done takes into consideration the organizations that are larger in size that might have a different level of compensation for the same position in a smaller organization. Mrs. Baker responded that the survey does take into consideration the size of the organization, the number of employees, as well as the number of employees reporting to each position.

Mr. Piccirillo noted that the lower tier of salaries were adjusted to reach a living wage and felt this needed serious consideration for when the economy changes, something would need to be done to retain those employees and felt the same was true for the top tier of salaries. The Director stated that there were various levels of increases but that the average increase was \$3,500 among all employees and the survey took into consideration all components of benchmarking the salaries to other organizations, both locally and with other airports of similar size.

Mr. Newman commented that the information was great and felt it was helpful. However, due to the uncertainties facing the Authority with the runway project looming, the Southwest Airlines service at GSP, and the acquisition of AirTran by Southwest, Mr. Newman had concern with increasing salaries as this is a long-term recurring expense. The Chairman stated that the Authority Board has always been very conservative and felt this increase was long overdue. The Director thanked Mr. Newman for his comments but wanted to stress that there will always be big projects and the aviation market is cyclical, always changing. It is difficult to operate as a business if things keep getting put on hold. The Director reiterated that the salary adjustments are contingent

upon what happens between now and July, however, at this time the Authority is in the position to offer increases for the employees.

Ms. Thompson noted that some of the salaries appear to be 20+% below what is considered normal based on the survey and wondered what type of employees the Authority would attract if the salaries were not up to par. Ms. Thompson also thought offering compensation through bonuses based on performance would be one way to retain good employees.

Mr. Roberts affirmed that there were some increases on the revenue side of the proposed budget but not all increases. The Director responded that this was correct and was based on projected revenues. Part of the budget proposes to increase parking rates although that is not included in the revenue budget as staff has not yet decided to implement an increase. Staff wanted to make sure the budget allowed for the increases and still be able to bring close to \$1 million to the fund balance so the revenues are on the conservative side. Staff has also projected a lower number of enplanements due to uncertainty over Southwest serving GSP.

Mr. Roberts moved to approve the Proposed Preliminary Fiscal Year 2011/2012 Budget and accept public comments on the Proposed Fiscal Year 2011/2012 Budget during the next 30 days. Mr. Piccirillo seconded the motion and it carried by a 5 to 1 vote with Mr. Newman voting against the motion.

B. Approval of Draft Policy for Unsealing of Closed Session Minutes: The Director stated that a draft policy for the unsealing of closed session minutes was before the Board for consideration. From time to time the Authority Board conducts closed sessions to discuss matters not allowed during open session. The minutes, once approved and sealed, are usually kept closed. Items such as legal or personnel issues would always remain closed but business matters could be opened once the issues are resolved. The draft policy proposes for the Director to review the closed session minutes each December and bring to the Board for consideration any minutes that have the potential for being unsealed.

The Director recommended the Board test the policy at the next meeting of the Board. The Director would bring 4 to 6 sets of minutes for the Board to consider unsealing. If there are items the Board feels need to be discussed, the Board could go into Closed Session to review. If the process works, the Board could adopt the policy at that meeting. The Chairman inquired if the closed session minutes could be distributed to the Board for review the week before the Board meeting. Mr. Buchanan did not foresee any problems with that procedure.

Mr. Newman questioned the need to wait almost a year to unseal a set of minutes if the matter had been discussed and approved in open session earlier in the year. Mr. Buchanan said a motion to suspend the rules and consider individual sets of minutes could be made if the Board felt that was appropriate. If an emergency came up, a special meeting could be held to consider the minutes at that time to determine if the minutes should be opened. Mr. Buchanan further stated that this is a policy of the Board that can be altered at any time. Mr. Buchanan felt the Director was trying to come up with a mechanism to see what would work and be convenient. Mr. Newman liked the idea of looking at the minutes at least annually but was open to the idea of unsealing closed session minutes as soon as a matter was resolved. Mr. Buchanan stated that the policy could say the minutes will be reviewed annually or any such time the Board deems appropriate. The Chairman agreed and instructed the Director to include that in the policy.

C. Approval of Airport Authority Business Development Funds for AirTran

Service Development: Tina Kinsey reported that AirTran's service to Orlando has been a successful low cost service for the airport. Service to Tampa is returning in May and AirTran plans for it to remain as year round service. Southwest Airlines has announced that they plan to acquire AirTran by May of 2011. By 2012 Southwest will assume all operations and changes will most likely occur. Southwest begins service to five non-stop destinations from GSP this month and has advertised this service heavily in Western North Carolina. If Southwest decides to drop the AirTran service from Asheville, enplanements would drop significantly. The goal is to keep the service in Asheville once Southwest takes over and hopefully grow the service. Staff hopes to obtain this goal by spending additional air service development funds to market the AirTran service and show strong service over the next year. Mrs. Kinsey advised the Board that the current policy dictates use of business development funds for new service or airlines. The request for additional Business Development funds is directly related to air service development but also specific to the unique situation in retaining the service. There are funds remaining in the current fiscal year Business Development line item. Staff is requesting up to \$100,000 from the Business Development fund to market the AirTran service.

The Chairman requested the Director share with the rest of the Board the operational impact of having three departures from an airport. The Director informed the Board that the intention is to keep AirTran service through 2011. Southwest is very heavily unionized and their union contract does not allow for third-party handlers for their service. When there is less than daily service, most airlines contract with another airline to handle the flights. With the Tampa service beginning this spring on alternating days from the Orlando service, Asheville will have daily service to Florida, however only one

flight per day. Most airlines need three flights per day to remain profitable to have their own personnel and under three flights per day it is more economical to contract out the service to a third party. Having the one flight per day for AirTran is the challenge in Asheville.

Spending marketing funds, improving the airport's marketing focus, filling the seats, showing that the routes are profitable, will hopefully put Asheville in a favorable position with Southwest for them to keep us as a city and work around the union issues. The Director further stated that he has had conversations with Southwest, they like the numbers and the outlook is positive. The earliest staff would be made aware that the AirTran service will be staying in 2012 would be this fall.

Mr. Moyer inquired if there was a specific budget on how the money would be spent. Mrs. Kinsey responded that the marketing plan would be used as a base but then would have another branch of the marketing plan as a specific plan for this effort. Staff is looking for more repetition and penetration in the market and also some tactical messages about the airport's fares and routes by utilizing television, newspaper, radio and internet advertising. Mr. Newman questioned if the money would be spent in Western North Carolina promoting to the home market and Mrs. Kinsey replied that this would be the plan.

Mr. Newman moved to approve the use of up to \$100,000 in Business Development funds as recommended and authorize the Airport Director to expend such funds. Mr. Roberts seconded the motion and it carried unanimously.

D. Approval of Amended Retiree Health and Life Insurance Policy: Suzie Baker informed the Board that staff was seeking to amend the current Retiree Health and Life Insurance policy. The amended policy would read Retiree Medical Insurance Policy and would assist retirees with the payment of their post-retirement medical insurance premium only. Current employees would retain this benefit, however, employees hired July 1, 2011 or after would not be eligible for the Retiree Medical Insurance plan. The cost of providing this benefit will become prohibitive to the Authority. Amending the Retiree Health and Life Insurance Benefits policy will reduce the Authority's liability and be limited to amounts required to provide the benefit to current employees only.

The Director stated that the amended policy will remove the \$2,000.00 life insurance policy for retirees as the Authority can no longer obtain this coverage. Staff is trying to clean up the policy to match current practice.

Mr. Moyer moved to approve the amended Retiree Health and Life Insurance Benefits Policy and authorize the Airport Director to implement such changes effective March 11, 2011. Mr. Roberts seconded the motion and it carried unanimously.

DIRECTOR'S REPORT:

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

A. AIP Update: The Director informed the Board that in the middle of February the Senate approved a bill for the AIP authorization. The House considered a bill that went into the House Transportation and Infrastructure Sub-Committee which passed it, but the bill did not make it off the House floor.

The Director further stated that one of the big contentious items being discussed the last several years was the increase of ARFF standards. Congress wanted to increase firefighter equipment and personnel in airports and this issue is no longer in either the House or Senate bills.

The Director also advised the Board that the current PFC is set at \$4.50 and airports have been lobbying to get that raised. The Senate bill would allow for 6 airports to impose unlimited PFC's however they would have to collect those fees directly from the passengers rather than the current airline collection of the PFCs.

The Senate bill for AIP funding is for \$4 billion in FY2010 and \$4.1 billion in FY2011. The House bill has \$3.1 billion in FY2011 and \$3 billion in FY 2012, 2013 and 2014.

The Senate bill for AIP matching funds, is currently 95% funding for our projects. The Senate bill would maintain this but the House proposal reduces federal match to 90% for small airports. Both the House and Senate are hoping to pass a bill by the end of March to send to the President's desk. Both the Senate and House did give a two week extension bringing funding through the end of March.

B. PFC Application Update: The Director advised the Board that a meeting was held with the airlines on February 15 regarding the PFC Application. The application must sit for 30 days for public comment before submitting to the FAA. The airlines were not overly objective to any projects on the PFC application. Once the 30 day public comment period is over, the application will be submitted to the FAA. Staff is hoping to collect the new PFCs beginning on May 1.

C. LOI Update: The LOI was submitted to the FAA on February 25 requesting \$59,900,000. This breaks down to \$3.6 million of federal entitlement money and \$50,600,000 for discretionary money over a 7 or 8 year period for a total of \$54.2 million in FAA funds. The State funding would be \$1.8 million, PFC funding would be \$2.1 million, and the Authority funds would be \$1.8 million. The Director had some discussions with the FAA off the record, however staff won't know their decision until November 1st.

The Chairman inquired if the \$1.8 million in Authority funds would be spread over the life of the project. The Director responded that this was correct and the breakdown is shown in the CIP.

D. FAA Grant: Staff received notice from the FAA that the Authority will be receiving the first part of the 2011 entitlement grants in the amount of \$514,139 which is reimbursement for the terminal renovation project, alt. 2 and 3. Staff hopes to receive more of the entitlement money before the end of the fiscal year.

E. ARFF Truck/Master Plan: The Director informed the Board that Mike Reisman was working on the ARFF truck bid as well as the Master Plan RFP. Staff will come to the Board for approval of each contract once the bid process is complete.

F. Audit: The Director advised the Board that the office of the Inspector General just finished conducting an audit of the stimulus money received for the terminal renovation project. RS&H staff and Vickie Thomas worked with the auditor to provide the requested information. The auditor did not find anything amiss from the Authority's records and also focused on the FAA procedures for this project. The FAA inspector was also here to conduct the final inspection of the terminal renovation project including alt. 2 and 3. He was very impressed and did not foresee any issues with the grant money that was spent.

INFORMATION SECTION: Mr. Roberts asked what the terms were on the \$3.2 million revenue bond and the Director responded that it was a 10 year bond which began in 2007. Mr. Roberts also inquired about the net pension obligation LEO special separation allowance. Mrs. Thomas replied that this is a plan that is a state law whereby if you have law enforcement officers you provide a benefit called special separation allowance.

The Director also noted that at the February 25 Board Budget Workshop/Retreat there was mention of \$5.5 million in bonds still on the County's books. The Director wanted to advise the Board that those bonds have been retired. However, there was another

\$2 million bond issued and there is \$200,000 remaining to be paid on that bond. All bonds that the County took out for the Authority will be paid in 2012.

AUTHORITY MEMBERS' REPORTS: The Chairman noted that at the February 25 Retreat, the topic of an independent Authority was discussed. The Chairman asked Mr. Newman if he had any insight on what the City thought about this issue. Mr. Newman did not believe anything had been discussed by the City since 2007 when the City last discussed this issue. There is a new council now but Mr. Newman was not aware that the City had any formal ideas. Mr. Newman suggested that before a bill is introduced to legislature, the Board discuss this with the City Council for their support of this issue. The Chairman commented that conversations will be taking place with Representative Moffitt and Representative McGrady has already offered to support this. Due to the timing of this possible legislation, the Chairman did not believe there was time to go before City Council for their support. The Director stated that he would try to speak with the mayor to inform her of this pending issue.

PUBLIC AND TENANTS' COMMENTS: None

CALL FOR NEXT MEETING:

The Chairman stated that the next regular meeting of the Board was set for April 15, 2011 at 8:30 a.m. in the Authority Conference Room.

The Chairman called for a break at 10:23 a.m.

The Board reconvened at 10:30 a.m.

CLOSED SESSION: At 10:30 a.m. Mr. Piccirillo moved to go into Closed Session pursuant to Subsections 143-318.11(a)(3) and (6) of the General Statutes of North Carolina, to consult with legal counsel in order to preserve the attorney-client privilege and to consider personnel matters. Ms. Thompson seconded the motion and it carried unanimously.

Open Session resumed at 11:05 a.m.

Approval of the Asheville Regional Airport Authority February 21, 2011 Closed Session Minutes and February 25, 2011 Closed Session Minutes: Mr. Newman moved to approve the minutes for the February 11, 2011 Closed Session and the February 25, 2011 Closed Session, and to seal and withhold the minutes for such

closed sessions from public inspection so long as public inspection would frustrate their respective purpose or purposes. Mr. Roberts seconded the motion.

Mr. Roberts moved to excuse Mr. Moyer from voting on that portion of the motion concerning the approval and sealing of the minutes for the February 11, 2011 closed session. Ms. Thomas seconded the motion and it carried unanimously.

The motion carried by a qualified unanimous vote, with Mr. Moyer's vote being limited to the approval and sealing of the minutes for the February 25, 2011, closed session, and with no vote by him concerning the approval and sealing of the minutes for the February 11, 2011, closed session.

SUMMARY OF TEAM BUILDING EXERCISE WITH THE FACILITATOR: Mr. David Carr from Montreat College met with the Board to discuss the team building activities from the February 25 Budget Workshop/Retreat. Mr. Carr also provided some additional training for Mr. Newman and Mr. Piccirillo since they were not present on the 25th.

ADJOURNMENT: Mr. Roberts moved to adjourn the meeting at 12:05 p.m. Mr. Piccirillo seconded the motion and it carried unanimously.

The next regular meeting of the Authority will be on Friday, April 15, 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.

Respectfully submitted,



Jeffrey A. Piccirillo
Secretary-Treasurer

Approved:



David R. Hillier
Chairman