

**REGULAR MEETING**  
**GREATER ASHEVILLE REGIONAL AIRPORT AUTHORITY**  
**October 14, 2016**

The Greater Asheville Regional Airport Authority ("Authority") met on Friday, October 14, 2016 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:** Robert C. Roberts, Chair; Matthew C. Burrell, Vice-Chair; Andrew T. Tate; K. Ray Bailey; William L. Moyer; Stephanie Pace Brown; and David Gantt

**MEMBERS ABSENT:** None

**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; Suzie Baker, Director of Administration; Tina Kinsey, Director of Marketing and Public Relations; Janet Burnette, Director of Finance and Accounting; Shane Stockman, IT Director; John Coon, Director of Operations; Kellie Whittemore; and Ellen Heywood, Clerk to the Board

**ALSO PRESENT:** Tracy Montross, American Airlines; Chuck Allen, American Airlines; Chris Collison, American Airlines; James Seadler, American Airlines; James Moose, Avcon; Amira Trebinjevic, Delta Airlines; David Hamm, Delta Airlines; Eric Fletcher, Allegiant Airlines; Keith Hansen, Allegiant Airlines; Jay Champion, United Airlines; Herb Howell, American Airlines; Cecil Bothwell, Asheville City Council

**CALL TO ORDER:** The Chair officially welcomed David Gantt to the Board and called the meeting to order at 8:30 a.m.

**ELECTION AND SWEARING IN OF BOARD OFFICERS:** Bill Moyer stated that on behalf of the Nominating Committee a decision had been made regarding the election of officers. Mr. Moyer nominated Mr. Roberts to serve as Chair and Matthew Burrell to serve as Vice-Chair of the Greater Asheville Regional Airport Authority. The Board was in unanimous consent. Messrs. Roberts and Burrell were sworn in as officers by the Clerk to the Board.

**SERVICE AWARD PRESENTATION:**

A. **Kellie Whittemore:** The Chair recognized Kellie Whittemore with a service recognition award and gift for her 10 years of service with the Authority.

**FINANCIAL REPORT:** The Director reported on the airport activity for August which included enplanements, aircraft operations, and general aviation activity. Mrs. Burnette reported on the financial activity for the month of August.

**CONSENT ITEMS:** The August 5, 2016 Closed Session minutes were distributed and read by the Authority Board Members.

**A. Approval of the Greater Asheville Regional Airport Authority August 5, 2016 Special Meeting Minutes:**

**C. Approval of the Greater Asheville Regional Airport Authority August 30, 2016 Special Meeting Minutes:**

**D. Approval of Amendment to the FY16/17 Budget for Capital Carryover:**

BE IT ORDAINED by the Greater Asheville Regional Airport Authority that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2017:

Section 1. To amend the appropriations as follows:

**EXPENDITURES:**

	<u>Decrease</u>	<u>Increase</u>
Carry-over Capital Expenditures		\$5,652,966
Totals		\$5,652,966

This will result in a net increase of \$5,652,966 in the appropriations. Revenues will be revised as follows:

**REVENUES:**

	<u>Decrease</u>	<u>Increase</u>
Federal Funds – AIP		\$3,331,669
Discretionary Funds		\$2,321,297
Transfer from GARAA Cash		
Totals		\$5,652,966

Section 2. Copies of this budget amendment shall be furnished to the Clerk to the Greater Asheville Regional Airport Authority, and to the Budget Officer and to the Finance Officer for their direction.

Adopted this 14th day of October, 2016.

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Robert C. Roberts, Chair

Attested by:

\_\_\_\_\_  
Ellen Heywood, Clerk to the Board

**E. Approval of Amendment to the FY16/17 Budget:**

BE IT ORDAINED by the Greater Asheville Regional Airport Authority that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2017:

Section 1. To amend the appropriations as follows:

**EXPENDITURES:**

	<u>Decrease</u>	<u>Increase</u>
Administrative Department	\$136,921	
Development Department		\$10,439
Executive Department		\$197,230
Finance Department		\$10,170
Guest Services Department		\$4,880
Information Technology Department		\$11,221
Marketing Department		\$24,826
Operations Department		\$576,397
Public Safety Department		\$36,261
Totals	<u>\$136,921</u>	<u>\$871,424</u>

This will result in a net increase of \$734,503 in the appropriations. Revenues will be revised as follows:

**REVENUES:**

	<u>Decrease</u>	<u>Increase</u>
Transfer from GARAA Cash		\$734,503
Totals		<u>\$734,503</u>

Section 2. Copies of this budget amendment shall be furnished to the Clerk to the Greater Asheville Regional Airport Authority, and to the Budget Officer and to the Finance Officer for their direction.

Adopted this 14th day of October, 2016.

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Robert C. Roberts, Chair

Attested by:

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Ellen Heywood, Clerk to the Board

Mr. Bailey moved to approve Consent Items A, C, D, and E. Mr. Burril seconded the motion and it carried unanimously.

**B. Approval of the Greater Asheville Regional Airport Authority August 5, 2016 Closed Session Minutes:** Mr. Burril moved to approve the Greater Asheville Regional Airport Authority August 5, 2016 closed session minutes, and to seal and withhold the minutes from public inspection so long as public inspection would frustrate the purpose or purposes thereof. Mr. Tate seconded the motion and it carried unanimously.

**OLD BUSINESS:** None

**NEW BUSINESS:**

**A. Approval of the Greater Asheville Regional Airport Authority Board 2017 Schedule:** The Director informed the Board that the Authority offices would be closed on Friday, November 10, 2017 in observance of Veteran's Day and requested the Board's feedback on whether Thursday, November 9<sup>th</sup> or Friday, November 17<sup>th</sup> was preferred. The Board's unanimous consent was that the meeting be held on Thursday, November 9, 2017.

**C. Amendment to Supplemental Fees and Charges Schedule:** The Director advised the Board that this item was added to the agenda and the memo was at their seats. Staff is seeking to raise the short term parking rate through the duration of the parking garage construction project. The Director reported that 92 short term parking spaces were eliminated and hopes that raising the fees in the short term lot would dissuade long term parking in the short term spaces. The recommended increase would be \$1.00 per half hour up to a maximum of 4 hours then an automatic maximum of \$25.00 per day. Staff would like to move forward with the new rate as soon as possible, but would need to get the signage and tickets ordered.

Ms. Brown inquired as to how staff arrived at the fee of \$25.00 per day. The Director responded that staff consulted with SP+ about the standard rate for short term parking across the country, and then doubled the current rate of \$12.50 to arrive at the \$25.00 fee.

Mr. Gantt asked if temporary signage would be displayed to warn the public. The Director responded that signs would be erected and the media alerted as well.

Mr. Bailey moved to approve amendment of the Supplemental Fees and Charges by raising the short term parking lot rates as presented by staff and authorize the Executive Director to implement the necessary changes. Mr. Gantt seconded the motion and it carried unanimously.

**B. Approval of Ordinance Establishing Airline Rates and Charges:** The Chair stated that three of the four airlines operating at the airport have not signed the airline operating agreement. Over the past few weeks the Chair has been approached by several elected officials and others about this issue. The airlines were invited to come to the Authority Board meeting to discuss their issues to ensure the Board is knowledgeable about the situation. The Board is charged with economic development, financial stewardship and sustainability and the Chair felt it was very important to have open dialog. The Chair invited the airlines to speak.

Chuck Allen, Managing Director of Governing Affairs for American Airlines, introduced himself as well as his colleagues Tracy Montross, Chris Collison, James Seadler, and Herb Howell. Mr. Allen thanked the Board for inviting the airlines to the meeting to discuss rate methodology and reviewed American's position on the agreement. Mr. Allen presented a comparison of the cost per enplanement for joint space and noted that while American's cost increased 24% in 2016, Allegiant's decreased by 10%. Mr. Allen also noted that in 2017, American's cost will be 45% higher than Allegiant's. Mr. Allen stated that in addition to subsidizing Allegiant's operations at the airport, American, Delta, and United have been paying a 25% penalty to the airport for refusing to sign the agreement. Mr. Allen requested the airport refund the 25% premium fee that American has been paying since July, 2015. Mr. Allen suggested that the Board let the market determine carriers' viability and not by rates and charges. Mr. Allen requested the Board defer their vote on rates and charges by ordinance and encourage staff to return to negotiations with the airlines.

Jay Champion, Property Representative for United Airlines distributed a letter addressed to the Board that explained United's position. Mr. Champion stated that he believed the operating agreement contains unfair and discriminatory language and does favor one airline over another. Mr. Champion also requested the opportunity to negotiate further

with staff and for a refund of the 25% premium that United has paid to the airport since July, 2015.

Amira Trebincevic of Delta Airlines stated she would like to clarify the piece regarding the common use allocation. Ms. Trebincevic stated that this allocation takes on an approach that no other airport in the country has taken on, including operations and enplanements. An operations based calculation is a big difference. Ms. Trebincevic stated that the airlines asked why this allocation was chosen and the response was that it was based on feeling on a good distribution on how the airport would distribute costs. Ms. Trebincevic stated that the airlines are looking for something fair and equitable that is based on logic or facts. Ms. Trebincevic further stated that it incentivizes a different type of service and not one that offers a variety of times that connects to the global network. Ms. Trebincevic stated that she believes there is a path forward if the airport's original goals for revising the airline agreement are addressed and the other allocation is put aside.

Keith Hansen, Vice President of Airport and Government Affairs with Allegiant Airlines, shared Allegiant's focus in serving small and medium communities. Mr. Hansen stated that Allegiant, like the other airlines, doesn't particularly like the new agreement and does not feel it is beneficial to them in any way. Allegiant's ideal agreement would be based strictly on a per use fee, or that every carrier pay the same flat fee per departure. If that type of agreement was not negotiated, Allegiant would then prefer a 50/50 split enplanements and operations. Mr. Hansen stated that the current agreement attempts to strike a balance between the needs and wants of the different carriers. Mr. Hansen stated that Allegiant operates in many airports that offer a rates and charges methodology that is based on operations and departures and if the airlines didn't want to pay the 25% premium fee, they would sign the agreements. Mr. Hansen stated there was more than a year of negotiations involved between the airlines and airport regarding the current agreement. Mr. Hansen stated that there has been a lot of talk about the agreement being discriminatory, but the FAA prohibits agreements that are unjustly discriminatory. There is an avenue to challenge an agreement and that is through the FAA.

Mr. Gantt stated that he thought it was mentioned that other airports had agreements similar to Asheville's that were not signed by the airlines and the legacy airlines were paying a penalty at those airports. Mr. Hansen responded that he did not know if the airlines were paying a penalty or not, but there are agreements at other airports that have operations components with the common area allocations between enplanements and departures. There was a brief discussion on the types of operating agreements and ordinances at various airports.

The Chair indicated there would be a brief break.

The Board reconvened at 9:42 a.m.

The Director introduced Dan Benzon of Trillion Aviation who was retained by the Authority to assist with the new airline agreement. Mr. Benzon highlighted the goals of the new agreement which included creating a modified residual airfield cost center, including deicing chemical cost allocations, as well as addressing per turn component of the lease and balancing cost allocations of different airline operating models. Mr. Benzon reviewed the background of the allocation of joint use costs, the airlines' issues with how the costs are allocated, and a breakdown of the methodology used to arrive at the allocation of joint use costs. Mr. Benzon explained the joint use formula cost drivers and distributed a spreadsheet to the Board that Trillion Aviation used to validate terminal cost allocations. Mr. Benzon stated that the best effort was made to meet the airlines in the middle with this new agreement.

Mr. Gantt questioned how the penalty the other airlines pay goes to Allegiant. Mr. Benzon stated that it was a reconciliation process and explained how the contract breaks that down. The Director stated that in the residual agreement the airlines pay for the costs and there is no profit or loss on the airfield. Depending on what is collected, and a portion of that 25% premium goes to that, the airlines have overpaid so money goes back to the airline for overpaying under the rates and charges.

Mr. Burril inquired if the airport contribution is reviewed annually with the airlines. The Director stated that it was done annually and the old operating agreement required the airport to do a certain amount. When the old agreement was implemented in 2008, there was an approximate 70% subsidy to the airlines on the cost distribution and by 2014 the airport was subsidizing the airlines by 75%. As airlines were reducing scheduled flights the airport was contributing more. The airport would like to keep the rates low, but would like the discretion to be able to change that percentage as staff felt it was necessary. As a result of the new agreement, the subsidy went down to about 68%. The amount of the subsidy is at the discretion of the Director annually and is determined by what the financial needs of the airport are and keeping the rates low and reasonable for the airlines.

Ms. Brown affirmed that if Allegiant was not operating in Asheville, there would be a significant decrease in enplanements compared to five years ago. The Director responded that this was correct. Ms. Brown asked if allocation of fixed costs would be born by the airport under the old allocation method or by the legacy carriers. The Director responded that it would be a combination of both under the old agreement and gave some examples of costs with and without Allegiant operating at the airport. Mr. Benzon stated that losing any carrier would be detrimental and gave examples of concession and parking revenues they bring to the airport.

Ms. Brown asked for an explanation of what the negotiating process entailed. Mr. Benzon responded that his firm was retained in July 2014 and believes the first meeting with the airlines was held in March 2015, so it was approximately 3 or 4 months as far as the business terms. Mr. Benzon further stated that all the legal and environmental risk were run through all the airlines as well and those comments were addressed in there. The only outstanding item out of the whole agreement is the formula. The rest of the agreement has been vetted and applied based on comments from all four airlines. The Director stated that the process was started in March 2014 with a notice to the airlines. Meetings were held and multiple phone calls with Ms. Trebincevic with Delta, who as a signatory carrier with the largest share, is the chair of the airport affairs committee here in Asheville. In June 2015 the Board approved the new rate methodology and agreement and three of the airlines did not sign, so the Director visited American, Delta, and United headquarters to try to resolve this. Ms. Trebincevic remarked that the airlines did not receive the financial tables until May 8th and discussion was closed as of June 16<sup>th</sup>. Ms. Trebincevic stated that this was uncharacteristically short and didn't help discussions. The Director agreed that the general terms were discussed over a longer term and the actual rate method was a shorter period, but the original intent was that the terms and conditions of the agreement were not changing, so the airlines were operating under the same terms and conditions other than the rate methodology for seven years. The airlines were given the opportunity to come back to the table with something they all could agree upon and they tried to do that, but the discussions were short lived because of the different operating methods of the airlines.

Chris Collison of American Airlines stated that it was unprecedented where a lease was not agreed to, but yet was presented to one carrier who had substantially less than 50% of the market. Mr. Collison has seen where airlines with more than 50% of the market agree to sign a lease and it has become effective, but an airline with 25% or 30% of the market and to impose a 25% premium on the rest of the carriers in a situation such as this is absolutely unprecedented.

The Chair requested the Board's input on whether or not to proceed with approval of the ordinance establishing rates and charges. Ms. Brown stated that one of the goals should be to repair the relationship with the airlines but was not sure what re-opening negotiations would look like. Ms. Brown stated that moving forward with the ordinance was appealing from a perspective of a removal of the penalty, however, was not sure that would further the goal to enhance the relationship from where it is at the present time. Mr. Moyer stated that he supported adopting the ordinance but only if the airport and airlines agree to enter into good faith negotiations. Mr. Tate inquired if adopting the ordinance would allow from a timeline perspective for further negotiations with the



airlines. The Director responded that the airport's rates are very low compared to the industry, but staff also does not like charging the 25% premium. If the airport adopts a rates and charges ordinance, the premium goes away and everyone is paying the same rate. To give it a month and a half is probably not enough time, but it gives the airport the ability to remove the ordinance at some point in the future if further negotiations present a successful solution. Mr. Burril stated that he would support the adoption of the ordinance and then negotiate future agreements as they come up within the course of business. Mr. Gantt stated that all parties should have all information at their disposal and that he would like to see staff continue negotiating with the airlines, but agreed with the Board that the 25% premium needs to be removed.

Mr. Moyer moved to approve the proposed, preliminary Airline Rates, Fees and Charges Ordinance, but for staff to proceed with good faith negotiations among all parties in order to try and reach an agreement, that the issue of the rebate of the premium is set aside until the Authority sees how negotiations go, to schedule a public hearing and accept public comment on the proposed preliminary Airline Rates, Fees and Charges Ordinance, and following the minimum ten day period for public comment and the public hearing, adopt the Airline Rates, Fees and Charges Ordinance. Mr. Burril seconded the motion and it carried unanimously.

The Chair thanked the airlines for attending the meeting.

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

**A. Taxi Concerns:** The Director reported that there have been some concerns over the staging of taxi operators especially at night. Staff has worked with the taxi companies to try and improve this. The Director is working on an agreement with the transportation company Lyft and is not sure if this will further cause problems with the taxi operators. If the taxi situation does not improve, staff may recommend going out for bid for one or two taxi companies to operate at the airport. This would enable the taxi operator to be more profitable and staff would have some control on the hours, staging, dress code, etc.

Mr. Moyer questioned the magnitude of the problem late at night with passengers not being able to get taxis. The Director responded that staff could get that information. Staff has expressed concerns to the taxi operators and the situation has improved, but staff will continue to monitor the situation.

**B. City of Asheville Ordinance Approval:** The Director advised the Board that the City of Asheville changed their ordinance process to protect the air space around the airport. Their planning department has incorporated in their process notification to the

airport of anyone planning to build near the airport that would impact the air space. This process will assist developers through the process with the FAA. Buncombe County is also updating their procedures and staff is having conversations with Henderson County to implement similar practices.

**C. B-17 Flights:** A B-17 from WWII will be in Asheville over the weekend offering scenic rides to the public.

**D. Honor Air Flight:** The Blue Ridge Honor Flight took place recently to honor the Korean War veterans with a trip to the memorials in Washington, DC.

**E. Contingency Transfer:** The Director reported that a transfer totaling \$11,350 had been transferred from contingency to small equipment operating to construct the two bus shelters for ART and Apple Country.

**F. Public Parking Shuttle:** The Director stated that in the budget amendment that was approved earlier in the meeting, \$500,000 was transferred to operating expenses for the public parking lot shuttle. This was originally included in the parking garage construction contract as an alternate for \$650,000. Staff has negotiated directly with SP+ to operate the shuttle service at a cost of \$462,000. In addition, there was \$17,000 to lease the gravel lot in front of the Fairfield Inn as well as some ancillary expenses.

**G. Air Service Roundtable:** Asheville hosted an Air Service Roundtable with over 40 attendees and four airlines. The roundtable brings the airlines to the community so they can see firsthand all that Asheville has to offer. Staff received positive feedback from Southwest and hopes this will open doors with them for discussions in the future.

**H. Old Public Safety Building:** The former Public Safety building has been demolished and will most likely be paved for additional apron space in the future.

**I. Conference Travel Schedule:** The Director called the Board's attention to a conference schedule that was available at their seats and requested the Board review the schedule. Interest in Board Members attending a conference could then be discussed at the next Board meeting.

**INFORMATION SECTION:** No comments

**AUTHORITY MEMBER REPORTS:** The Chair stated that he would like to have some dedicated time for a facilitator to assist the Board in January or February with progress towards goals, administrative policies, and communication plans. The Chair will work with the Director to coordinate this.

**PUBLIC AND TENANTS COMMENTS:** None

**CALL FOR NEXT MEETING:** The Authority Board on November 18, 2016 is not anticipated, therefore, the next regular meeting of the Board will be on December 9, 2016.


**ADJOURNMENT:** Mr. Moyer moved to adjourn the meeting at 11:19 a.m. Mr. Burril seconded the motion and it carried unanimously.

Respectfully submitted,



Ellen Heywood  
Clerk to the Board

Approved:



Robert C. Roberts  
Chair