

REGULAR MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY
February 13, 2009
8:30 a.m.

The Asheville Regional Airport Authority ("Authority") met on Friday, February 13, 2009 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; Chuck McGrady, Secretary-Treasurer; Rhett Grotzinger; Susan C. Fisher, Brownie Newman; and Jeffrey A. Piccirillo.

MEMBERS ABSENT: None

STAFF AND LEGAL COUNSEL PRESENT: Victor Buchanan, Authority Legal Counsel; David N. Edwards, Jr., Airport Director; Lew S. Bleiweis, Deputy Airport Director; D. David Nantz, Director of Operations and Maintenance; Kevin Howell, Development Manager; Patti Michel, Director of Marketing and Public Relations; Royce Holden, IT Director; C. Jeffrey Augram, Chief of Public Safety; Suzie Baker, Administration Manager and Ellen Heywood, Recording Secretary.

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

APPEARANCES: None

PRESENTATIONS:

A. Update on Financial Status of the Airport Authority: The Airport Director reminded the Board that a presentation was made to the Board in August 2008 on the financial status of the Airport Authority and he wanted to review what was discussed in August and provide an updated financial status as of February 2009. The Director presented a sensitivity analysis, target budget, net operating income and fund balance projections for both August 2008 and February 2009. The Director further stated that staff has done a tremendous job in the first six months with operating expenses down 18%. A discussion regarding investment income, passenger reductions and revenue reductions ensued and the Chairman thanked the Director for the presentation.

B. Proposed FY 2009/2010 Budget Presentation: Lew Bleiweis, Deputy Airport Director presented a brief overview of the Proposed FY 2009/2010 Budget. Passenger traffic is estimated at 275,000 enplanements for the upcoming fiscal year.

Mr. Bleiweis touched upon a reduction in cost per passenger to the airlines, revenue from the new bulk hangar, the introduction of ticket and product sales through Guest Services and no increases in our existing supplemental fees and charges. Mr. Bleiweis further stated that staff is trying to be fiscally responsible in bringing down expenses and reviewed the operating expenses being proposed. Mr. Bleiweis reported that staff projects \$7.4 million estimated in the fund balance at the end of fiscal year 2010. A discussion of the salary and benefit expenses followed as well as an explanation of the past and present procedures for the salary pool.

Mr. Grotzinger questioned whether the airport would receive the discretionary funds for the runway rehab project and the Director responded that it looks good for the airport to receive these funds.

A discussion on the use of the line item "True-ups" took place and Mr. Grotzinger inquired whether the use of this would allow for a true picture of revenue from rental car companies versus airlines. Mr. Bleiweis replied that putting on a separate line item gives staff a true picture of what our revenue was. Mr. Bleiweis further reported that staff has worked with our auditors on how to accommodate this True-up and the auditors decided this is the best way to keep track of our expenses and revenue.

Further discussions on the reduction of cost per passenger to the airlines took place. The process of calculating the cost per passenger, remaining profitable yet marketable and how Asheville compares to other airports was of particular interest to the Board and more data would be welcomed by the Board in the future.

CONSENT AGENDA:

A. Approval of the Asheville Regional Airport Authority January 9, 2009 Regular Meeting Minutes: Mr. Grotzinger made a motion to approve the regular minutes of the January 9, 2009 Board meeting. Mr. McGrady seconded the motion and it carried by unanimous vote.

OLD BUSINESS: None.

NEW BUSINESS:

A. Approval of Federal Aviation Administration (FAA) – Airport Improvement Program (AIP) Grant for FY09: Kevin Howell, Development Manager, appeared before the Board to request the Board approve the initial AIP grant for FY 2009. The AIP program works on a reimbursement basis and the program is currently under a partial reauthorization and appropriation from Congress. This grant is considered the Part A funding for this year in the amount of \$1,889,029.00. The Part B funding is projected to be an additional \$2,695,307 but that is dependent on another reauthorization and appropriation by Congress. Mrs. Fisher made a motion to approve

the grant agreement with the FAA in the approximate amount of \$1,889,029.00 and to authorize the Airport Director to execute the necessary documents. Mr. McGrady seconded the motion and it carried by unanimous vote.

B. Approval of the Terminal HVAC Controls Building Automation Capital Improvement Project: D. David Nantz, Director of Operations and Maintenance reported to the Board that our current Automation Controls System was purchased from Harris Integrated Solutions Inc. in the 2005-2006 Fiscal Year. Maintenance has worked to replace older HVAC systems over the past several years and added these systems to this program. Staff has received a quote from Harris Integrated Solutions in the amount of \$164,901.00 to add remaining terminal HVAC systems to the Building Automation System.

Mr. Grotzinger requested in future that staff gather information and provide background material to the Board when a sole source procurement is being requested. Mr. McGrady agreed with Mr. Grotzinger's request for more background on a sole source procurement in future.

Mr. McGrady made a motion to approve the Building Automation Project with Harris Integrated Solutions, Inc. in the amount of \$164,901.00 and to authorize the Airport Director to execute the necessary documents. Mr. Grotzinger seconded the motion and it carried by unanimous vote.

C. Approval of Resolution to Request the City of Asheville to Adopt Specific Land Use/Zoning Ordinances for Airport Property Development at the Asheville Regional Airport: The Airport Director informed the Board that the Airport has had to go through a Level 3 Review by the City of Asheville for the past three construction projects. This process requires appearing before City Council. During these past meetings, City Council has requested City and Airport staff to work on a solution to this so such projects would not need to come before City Council in the future.

The issue for the Authority is that the airport sits on 1,000 acres and since the Authority has developed several projects over the last few years on what is identified as the same site, a square footage trigger has been exceeded that now requires a Level 3 review for basically every future project the Authority undertakes. These include projects like hangar development which is inside the fence (airport operations area) and are outside the normal type of construction that is dealt with by the City staff. In addition, several typical development requirements for industrial and/or commercial development cannot be applied to these types of aviation projects due to safety, security and other federal rules and regulations. In meetings between the City Manager and the Airport Director it was identified that the best course of action was to have the Authority Board request that the City Council adopt specific development ordinances for the airport.

The Chairman questioned whether this would eventually come back to the City Council to which Mr. Newman replied in the affirmative. In addition, Mr. Newman stated that it makes a lot of sense and it is a good time to bring this before the City. Mr. Newman made a request to abstain from voting on this matter due to his position on the City Council. Mr. McGrady moved to allow Mr. Newman to abstain from the vote and Mrs. Fisher seconded the motion. Mr. McGrady made a motion to approve the resolution as described and Mr. Gantt seconded the motion. The motion carried six votes to zero.

Resolution No. 021309-01

Resolution Requesting the City of Asheville to Adopt Specific Land Use/Zoning Ordinances for Airport Property Development at the Asheville Regional Airport

WHEREAS, the Asheville Regional Airport Authority ("Authority") was established in 1979 as a joint governmental agency organized and created by the City of Asheville ("City") and the County of Buncombe ("County"), pursuant to Article 20 of Chapter 160A of the General Statutes of North Carolina for the purpose of maintaining, operating, regulating and improving the Asheville Regional Airport ("Airport"); and

WHEREAS, the City and the Authority executed a Lease Agreement effective July 1, 1980 for certain land, buildings, and other improvements associated with Airport; and

WHEREAS, the "Initial Term" of the Lease Agreement is from July 1, 1980 through April 30, 2018, with the Authority having the right to extend such Lease Agreement for an additional period of twenty-five (25) years under the same terms and conditions; and

WHEREAS, the Authority continues to seek positive development of Airport related land and facilities; and

WHEREAS, the existing City of Asheville land use, zoning, and development ordinances do not address airport development projects specifically; and

WHEREAS, several airport development projects are unique as they exist inside the airport operations area of the airport where aircraft operate; and

WHEREAS, the Authority seeks more specific land use, zoning, and development ordinances that will address the unique types of projects and development occurring at the airport.

NOW, THEREFORE, BE IT RESOLVED that the Asheville Regional Airport Authority Requests the City of Asheville to Adopt Specific Land Use/Zoning Ordinances for Airport Property Development at the Asheville Regional Airport.

Adopted this 13th day of February, 2009

David R. Hillier, Chairman

ATTEST:

Charles W. McGrady, Secretary-Treasurer

DIRECTOR'S REPORT:

A. Upcoming Budget Workshop/Retreat Meeting: The Director reminded the Board of the retreat meeting to be held on February 27, 2009 at 8:30 a.m. in the Conference Room in the Airport Administrative Offices.

B. Terminal Renovation and Expansion Ribbon Cutting: The Director shared with the Board the work that Ms. Michel and her staff have done in putting together this wonderful event to be held on February 26 at 5:30 p.m. in Baggage Claim.

C. Baggage Make-up System Change Order: The Director informed the Board of an emergency change order to the bag belt system behind the ticket counters. The design of the bag system called for a belt width of 39" which left for a 30" space between the counter and the belt and did not comply with ADA requirements. Staff looked at several alternatives and the most straight-forward approach was to replace the belt with a 32" wide belt.

In order to keep the project moving forward, the Director executed the emergency change order in an approximate amount of \$72,000. Staff plans to recoup these funds from the design team as it was their mistake. The Director respectfully requested ratification from the Board for the approval of the change order in the approximate amount of \$72,000. Mrs. Fisher made a motion to ratify the change order to the bag belt system and Mr. McGrady seconded the motion. A discussion ensued about the cost of the change orders for this project and staff informed the Board that payment was being withheld from the design team for their work. The motion carried by unanimous vote.

D. Roof Replacement: The Director reported to the Board that three or four years ago the Board authorized a Roof Asset Management Plan (RAMP). The first phase of the plan cost approximately three quarters of a million dollars for the roof repairs identified in the RAMP. The second phase of the plan is estimated to cost approximately \$500,000. The amount was in the budget last year but was deferred. It was put back in the budget again this year and has been deferred to date. The Director stated that this item is back before the Board to make sure it is acceptable for staff to go ahead and bid this project. Mr. Grotzinger agreed that it was important to keep up with the care of the building. The Chairman noted that it was the consensus of the Board for staff to go to bid on this project.

INFORMATION SECTION: The Chairman announced that we would revert to a senior staff presentation at each Board meeting starting in March.

The Director conveyed to the Board that an item that did not appear on the agenda was being presented by Mr. Howell. Mr. Howell prepared a Stimulus Plan Update to obtain direction from the Board on whether staff should move ahead with certain projects to take advantage of potential stimulus funding. Proposed projects that could be designed and bid within the 120-day window required to be considered for the Part 1 Stimulus Package include:

1. ARFF Equipment Purchase at zero cost to the Authority.
2. Fuel Farm Relocation with design fees in the area of \$150,000.
3. General Aviation Ramp Expansion and Taxiway Connector design fees of \$260,000.
4. Terminal Access Roadway – Commercial Curb design fees of \$280,000.
5. Terminal A Gates Expansion and Improvement with design fees of \$955,000.

The total design fees of \$1,645,000 would need to be funded upfront by the Authority. Mr. Howell reminded the Board that construction funding would be covered 95% or 100% through the Stimulus Plan if these projects were accepted and funded by the FAA. Mr. Howell also stated that the design fees would not be wasted as these projects could be moved to the Part 2 Stimulus Plan and are also eligible for AIP entitlement funds in the future. The estimated construction costs and potential stimulus funding for all five projects is approximately \$20 million.

Initial discussion revealed that the majority of the Board was comfortable with the first four projects presented but cautious of the Terminal A Gates Expansion due to the magnitude of the design fees with no guarantee of acceptance by the FAA. Mr. Howell explained to the Board that the FAA had requested non-hub airports look at terminal projects due to the number of jobs these projects create. The Airport Director advised the Board that staff could use part of the AIP entitlement funds earmarked for the runway rehab to fix the runway (as it is anticipated that not all the original funding programmed for this project will be needed) and use the remaining funds to reimburse the Authority for design fees on the Terminal A Gate Expansion. The Director further stated that staff could contact the FAA that afternoon to seek their opinion on the proposed projects and Staff would inform the Board and recommend that the Authority not proceed on any projects the FAA had a concern over. Mr. Howell also acknowledged that staff could establish design milestones for each project to limit the cost to the Authority as much as possible until the FAA makes their decision on which projects are accepted.

Mr. McGrady made a motion to authorize staff to proceed with the design portions of the proposed stimulus program as referenced (that is, ARFF Equipment Purchase, Fuel Farm Relocation, General Aviation Ramp Expansion and Taxiway Connector, Terminal Access Roadway – Commercial Curb and Terminal A Gates Expansion and Improvement) with the understanding that staff has the discretion, based on discussion with the FAA, to pull back from any and all projects if it appears that it is unlikely that the airport will receive the award of funding and with the understanding that in putting together contracts that the projects will be segmented in some fashion so to allow us to pull away from the projects with less risks. Mr. Gantt seconded the motion. The motion carried by a 6-1 vote with Mr. Grotzinger voting against the motion.

Mr. McGrady further stated that the Board should accept the Airport Director's proposal that he should immediately communicate with the FAA, and if the FAA were to say it doesn't look high on their list, that the Airport Director has the authority to pull back and not execute agreements or stop design work that is being done.

AUTHORITY MEMBERS' REPORTS: None

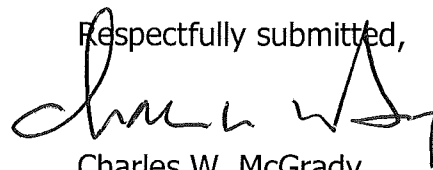
PUBLIC AND TENANTS' COMMENT: No Comments

CLOSED SESSION: At 10:39 a.m. Mr. McGrady moved to go into closed session pursuant to subsections 143-318.11 (a) (3) and (6) of the General Statutes of North Carolina, in order to consult with legal counsel and to consider personnel matters. Mrs. Fisher seconded the motion and it carried by unanimous vote. The Chairman stated that no action would be taken at closed session.

ADJOURNMENT: Mr. McGrady moved to adjourn the meeting at 11:58 a.m. Mrs. Fisher seconded the motion and it carried by unanimous vote.

The next regular meeting of the Authority will be on Friday, March 13, 2009 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,



Charles W. McGrady
Secretary-Treasurer

Approved:



David R. Hillier
Chairman