

**BUDGET/WORKSHOP RETREAT MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY**

February 25, 2011

8:30 a.m.

The Asheville Regional Airport Authority ("Authority") met on Friday, February 25, 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; David Gantt, Vice-Chairman; Martha W. Thompson; Bob Roberts; and William Moyer

MEMBERS ABSENT: Jeffrey A. Piccirillo, Secretary-Treasurer; Brownie Newman

STAFF AND LEGAL COUNSEL PRESENT: Victor Buchanan, Authority Legal Counsel; Lew Bleiweis, Airport Director; Michael Reisman, Deputy Airport Director of Development and Operations; C. Jeffrey Augram, Chief of Public Safety; D. 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, Administration Manager; and Ellen Heywood, Recording Secretary.

ALSO PRESENT: David Carr, Montreat College

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

APPOINTMENT OF SECRETARY-TREASURER PRO TEM FOR THE FEBRUARY 25, 2011 BUDGET WORKSHOP/RETREAT: Mr. Gantt moved to designate and approve Ms. Thompson as the Secretary-Treasurer Pro Tem for the Authority's February 25, 2011, Budget Workshop/Retreat and for the preparation of the minutes for such meeting. Mr. Roberts seconded the motion and it carried unanimously.

OLD BUSINESS:

A. Approval of Lease Agreement with Landmark Aviation, Inc. for a Fixed Based Operation: The Director advised the Board that a spreadsheet was available at their seats outlining a comparison of the current and proposed FBO agreements. The Director noted that over the course of the contract term, the Authority will realize

additional revenue of \$14.8 million with the proposed lease agreement. This breaks down to \$913,000 yearly which is an annual increase of \$83,000. The Director has had conversations with Landmark Aviation over the last two weeks to revise the terms of the new agreement. Landmark will not require the Authority to build the ramp for approximately \$850,000 that is an obligation in the existing agreement. Landmark is also going to be making a minimum of approximately \$750,000 in improvements to the Odyssey facilities. The revised lease agreement proposes a term until 2031 for the Odyssey premises and 2039 for the existing Landmark premises, with Landmark investing a total of \$8 million, including the initial buildout investment completed in April 2009, of improvements by 2018. If Landmark invests the full amount of capital improvements by 2018, the lease for the Odyssey premises would extend out to 2039 which matches the term for the current Landmark lease. Landmark would also have the option for an additional 10 years on both premises if the investment has been met. If Landmark does not spend the \$8 million in improvements, the Authority has the discretion to extend the Odyssey premises to 2039. A spreadsheet was also shown that detailed the return on investment for the hangars Landmark has acquired from Odyssey.

Mr. Roberts thanked staff for the detailed information and stated that it was very helpful. Mr. Roberts affirmed that the new lease agreement term expires in 2039 but the opt out date is 2031. The Director responded that this was correct.

Mr. Gantt moved to approve the new Lease Agreement with Landmark Aviation for a Fixed Base Operations and authorize the Airport Director to execute the necessary documents. Ms. Thompson seconded the motion and it carried unanimously.

PROPOSED FY 2011/2012 BUDGET: Vickie Thomas presented an overview of the proposed FY 2011/2012 Budget. The Operating and Maintenance Budget Assumptions were reviewed as well as a comparison of the proposed FY2011/2012 Budget to the current FY2010/2011 Budget. Proposed Operating Revenues have increased by 9.6% and Investment Income has increased by 25.0%. Total Operating Expenses have increased by 7.1% and Net Operating and Investment Income has increased by 31.4%. Mrs. Thomas also reviewed the proposed Capital Budget including Capital Improvements, Equipment and Small Capital Outlay, Renewal and Replacement items as well as all funding sources for a total Capital Budget of \$8,791,182.

The Director reminded the Board that the EPA has published proposed airport Effluent Limitation Guidelines and although the final ruling has not yet been made, this does

impact the way the airport will operate. Staff anticipates purchasing a glycol recovery vehicle, liquid deicing equipment and non-urea deicing fluid as well as having to budget for the disposal of the glycol. The Chairman inquired if these costs were only on the part of the airport and the Director responded that the airlines would pay for some of these costs through the rates and charges assessed them by the airport.

Mrs. Thomas also reviewed the Reserve Funds including the addition of a second reserve for Emergency Repair Reserve. Mrs. Thomas summarized the Proposed Supplemental Fees with the major change in supplemental fees being the parking fees. The Director informed the Board that staff is still in the process of analyzing the parking rates, however, it has been three years since the parking rates have been increased and the Director believes this is necessary.

Mrs. Kinsey addressed the Board regarding the addition of a part-time Guest Services clerk to provide for better management of staffing as well as allow the Guest Services Coordinator the time to focus on brochure rack sales/revenue generation. Mrs. Kinsey also reviewed a capital request for the upgrade of an existing billboard structure to a digital sign at a prime location on airport property with high visibility. A discussion of the location, visibility, cost, and future use of the land ensued.

Mrs. Baker spoke to the Board about employee benefits including health insurance premiums and the addition of a wellness program. A discussion ensued about the advantages of a fitness facility for use by employees. Mr. Roberts suggested contacting the YMCA regarding the opportunity of having a satellite facility located at the airport. Mr. Gantt encouraged staff to look into the possibility of the traveling public having access to the fitness facility. Mr. Gantt felt this would show how the airport is different and help to promote a green and healthy future for the airport.

The Board called for a break at 9:50 a.m.

The meeting resumed at 9:55 a.m.

The Director advised the Board that a consultant had been hired to perform a salary survey for the Authority. The last survey was done in 2008. The survey results were received by staff the day before and included salary comparisons from the City of Asheville, Buncombe County, Henderson County, Mission Hospital, AB Tech, Land of Sky and some airports of similar size. The Director stated that staff still needed time to analyze the information but did see that there were some inadequacies with the Authority salaries compared to some of the other organizations. The Director informed the Board that if the Authority salaries were adjusted to bring them to the minimum level of the salary range for surrounding companies, a \$140,000 adjustment would

need to be made to the salary budget. Bringing the salaries to the mid-point level of the salary range would be an increase of roughly \$250,000 to the salary budget. The Director further stated that \$120,000 has been included in the FY11/12 proposed budget for salary increases but was seeking the Board's permission to put an additional \$130,000 in the budget. Staff will look at a combination of things including current salaries and years of employment with the Authority, and will come back to the Board with a full report at the March meeting.

The Chairman questioned if this amount would be the most recommended by staff. The Director responded this was correct and that it would be easier to put it in the budget now, meet the 30-day public comment requirement and work down if needed.

Mr. Gantt commented that previous Boards were very conservative and did not keep up with current salaries. The Director also stated that the Authority pays for 100% of the individual employee health insurance and staff was looking at the possibility of employees contributing for the health insurance premiums. Putting the employees at a wage that is representative of this community would help offset any possible health insurance premiums for the employees.

The consensus of the Board was to include the additional money in the budget and for staff to come back to the Board with a full presentation at the March 11 meeting.

DISCUSSION ON AUTHORITY ORGANIZATIONAL STRUCTURE: The Director reported that the last time the request for creation of an independent Authority was presented to Raleigh for consideration was in 2007. The Director hopes to have the support of the community and Authority Board to move forward to an independent Authority. A review of the history of creation of the Authority was presented along with an outline of the benefits of an independent Authority.

The Chairman inquired if the selection process for Authority Board Members would change with the creation of an independent Authority. The Director responded that would be determined by what type of bill was submitted to the legislature. The Board would work on this for proposal of the bill to Raleigh. Most independent Authorities have city and county appointees and the state usually has an appointment or two since an independent authority is a state body.

The Director reviewed the Diversification of Revenues, the Status of Creating an Independent Authority Legislation and the Community Benefits. A draft of the appropriate legislation would be submitted to the House and Representative McGrady is

willing to co-sponsor the bill. The Director also feels Representative Moffitt may be willing to co-sponsor the bill and would need to have discussions with him.

Mr. Roberts inquired if there were any downsides to creating an independent Authority. Ms. Thompson asked what the City and County would lose by the creation of an independent Authority. The Director responded that the City would lose the title of the airport property but there was no downside to the County as the County does not want to be financially responsible for the airport. Mr. Gantt asked about the City bonding and if their bond was considered an asset. The Director pointed out that this was the issue the LGC had with some of the airport property title being on the City's books as well as the Authority's. The title should be on the Authority's books as the Authority has bought most of the property since the inception of the Authority's creation. A discussion took place on the status of the airport as a non-taxable organization and the possibility of future taxes on non-profits.

The Director advised the Board that the County is in agreement with the airport moving toward an independent Authority and felt the timing was good to bring to Raleigh with Representatives McGrady and Fisher being supportive of this move. The Director was seeking guidance from the Board on whether or not to move forward with this and start having discussions with the City and County. Ms. Thompson thought it a good idea to hear Mr. Newman's impression of how the City feels about this. Mr. Roberts thought it would be a good idea to try and get as much of the political out of it as much as possible but also wanted the Board to consider any future financial repercussions of being an independent Authority. The Director conceded that the Authority not having the financial backing of the County was the only negative aspect of an independent Authority. A discussion of the timing and process for a bill to pass in the legislature took place.

DISCUSSION ON CITY/COUNTY AGREEMENT: Mr. Buchanan reported on the background of the formation of the City/County Agreement as well as the amendments that have been made. Mr. Buchanan advised the Board that he has been working with the City attorney to make some revisions to the current agreement in order to make the airport better from an operational point of view including clarifying some language, improving and updating the agreement. Mr. Buchanan further stated that the amended Agreement lays the foundation for an independent Authority. A copy of the draft of the Amended and Restated Agreement was available for the Board Members as Mr. Buchanan outlined the revisions made in several of the sections and the reasons for the changes.

LONG TERM AIRPORT GOALS: The Director informed the Board that the long term airport goals before the Board were goals the Director had identified but he would also welcome any goals the Board would like to include.

The Director reported that an Upgrade of Financial Accounting System was necessary as the current accounting system, Solomon, was not necessarily made for government accounting. The current version of Solomon will not be supported by the manufacturer after April of this year so an upgrade to this system is planned until a new accounting system is found. Solomon does not track budget amendments, does not do encumbrances, it does not work well with the human resources system, does not produce very good reports and does not have provisions for electronic purchasing capabilities. Mrs. Thomas will research some other financial systems and staff will come back to the Board with a recommendation. The time frame for this goal is 2012-2013.

Computerization of other Operational Systems will allow for staff conducting inspections or tests, such as an airfield inspection, the ability to electronically transmit discrepancies to Maintenance for immediate generation of work orders. The anticipated time frame for this computerization is 2013-2014.

A set policy for Development, Design and Construction Standards is also something that is necessary. Staff has done well with this in the past with building appearances but set standards will provide clear documentation for any project to be done on airport property. This is expected to be completed in 2011-2012.

Staff has received the completed Storm Water Pollution Prevention manual, and has met the State's permitting timeline, and now has to implement the program. Money has been included in the proposed FY11/12 budget for training and that will begin this year. Mr. Reisman has an extensive environmental background and will be an asset for this program. Staff hopes to have the program implemented this year as the state requires it.

An Airport Zoning Overlay District presentation was shown to the Board. The Director summarized the history and overview of Federal Aviation Regulation Part 77, the Safe, Efficient Use and Preservation of Navigable Airspace. The standards used by the FAA for determining obstructions, the establishment of imaginary surfaces and the determination the FAA will issue were reviewed for the Board. A sample overlay district for the airport was shown to include the areas of the City of Asheville, Buncombe and Henderson counties.

Mr. Gantt left the meeting at 11:15 a.m.

The Director will work with the municipalities to create the zoning overlay district to protect the airport. Mr. Roberts asked if the zoning district impacts property owners and the Director responded that it does, however, it is more of airspace above as it would take a pretty tall building to penetrate the airspace around the airport.

A diagram was available for the Board Members with colors denoting the areas available for future aeronautical and non-aeronautical land development. Approximately 115 acres is available for aviation development and 38 acres for non-aeronautical development. Also identified was a trailer park to the north of the airport that staff would like to slowly acquire. The issue is that the trailers are owned individually rather than one property owner. It will be completely voluntary to property owners so staff would like to start putting aside funds so that when homes become available, the means will be there to purchase the properties.

The Chairman asked about the location of the firing range. A brief discussion took place regarding the relocation of the firing range.

The Chairman suggested the creation of an independent Authority be added to the list of future goals and thought Mr. Newman might like to include the issue of targeting increased enplanements and decreased leakage and some specific marketing goals.

CLOSED SESSION: At 11:28 a.m. Ms. Thompson moved to go into closed session pursuant to subsection 143-318.11(a)(3) of the General Statutes of North Carolina, to consult with the Asheville Regional Airport Authority's legal counsel in order to preserve the attorney-client privilege. Mr. Roberts seconded the motion and it carried unanimously.

Open Session Resumed at 11:50 a.m.

TEAM BUILDING EXERCISE: Mr. David Carr of Montreat College facilitated team building exercises for the Authority Board Members.

ADJOURNMENT: Mr. Roberts moved to adjourn the meeting at 2:57 p.m. Ms. Thompson seconded the motion and it carried by a 4 to 0 vote.

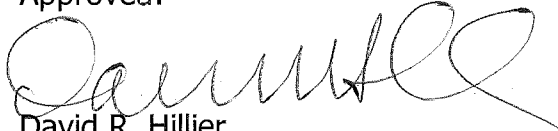
The next regular meeting of the Authority will be on Friday, March 11, 2011 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport, 61 Terminal Drive, Suite 1, Asheville, NC 28732.

Respectfully submitted,



Martha W. Thompson
Secretary-Treasurer Pro Tem

Approved:



David R. Hillier
Chairman