

# **PENINSULA AIRPORT COMMISSION**

## **MINUTES**

April 26, 2018

PRESIDED: George Wallace

The regularly scheduled meeting of the Peninsula Airport Commission was held on Thursday, April 26, 2018 at 10:00 a.m. in the Commission Room at the Newport News/Williamsburg International Airport.

### **Commissioners present were:**

Jay Joseph, Sharon Scott, and George Wallace.

### **Commissioners not in attendance were:**

Rob Coleman and David Wasson

### **Executive Director**

Mr. Michael Giardino, C.M.

### **Assistant Executive Director**

Ms. Melissa Cheaney, A.A.E.

### **Director of Finance and Administration**

Ms. Renee Ford

### **Director of Air Service, Marketing and P.R.**

Ms. Jessica Wharton

### **Legal Counsel**

James S. McNider, III, Esq.

### **Executive Assistant**

Ms. Rhonda Wissinger

### **Public in Attendance**

Peter Dujardin-The Daily Press

Jeff Tarkington-Talbert & Bright

Steven Peterson-Talbert & Bright

Kevin McDermott-Citizen

Michael Tiernan-Citizen

Viveca Munger-Legal Assistant

## **COMMENTS FROM THE PUBLIC**

Mr. Kevin McDermott brought a letter to the Peninsula Airport Commission and said that he had written several letters to the Commission and instead of sending another he will read it.

Mr. McDermott stated he was Tom McDermott's brother who is the owner of New Dominion Clubs. He said that the Peninsula Airport Commission has been criticized for its many closed sessions during Commission meetings and that the response has been that it is due to the attorney/client privilege. He stated some of the worst decisions have been made behind closed doors and he is most concerned about the Peninsula Airport Commission's treatment of New Dominion Clubs. Their lease was terminated behind closed doors without open discussion and the airport decided to open and staff a restaurant themselves. Is the airport bringing in more revenue from this enterprise than the percentage of revenue it was receiving from New Dominion Clubs? Hopefully, someone from the Peninsula Airport Commission is looking at this and asking these questions. In regards to New Dominion Clubs, it makes no sense that a company that occupied many spaces for over 14 years and worked closely with airport staff and management accommodating most requests that their lease was terminated without a phone call or discussion. The lease termination was announced by airport staff before New Dominion Clubs was notified. The decision was made on advice of the former Executive Director and former attorney. The Peninsula Airport Commission made this decision and it affected not only Mr. Tom McDermott and his business but the people that worked for him.

This is among many business practices that the airport is engaged in. Mr. Kevin McDermott hopes that the Peninsula Airport Commission looks at the lease and realizes it is straightforward. New Dominion Clubs is due reimbursement for funds spent during time at the airport. They provided documentation to the airport and attorney for reimbursement in May 2017. He would like to note that before the Peninsula Airport Commission goes back into closed session the reason the airport and New Dominion Clubs are going back to court on May 11, 2018 is because the interim attorney has refused to sign what the judge has asked both parties to sign. We have no explanation why the interim attorney won't sign this order which is more of a housekeeping act. By doing this, the interim attorney can bill the Peninsula Airport Commission for preparation time and court time. The airport has spent close to half a million dollars on interim attorney fees yet they won't settle the case with New Dominion Clubs which has provided service to the airport for 14 years. What does the airport have to gain from this? Mr. McDermott said he appreciated everyone's time and hopes the Commission looks at the larger scope. Chairman George Wallace thanked Mr. McDermott.

## **APPROVAL OF MINUTES OF COMMISSION MEETING HELD MARCH 22, 2018**

**RESOLVED**, that the Peninsula Airport Commission approve the minutes of the Commission meeting held March 22, 2018.

Commissioner Jay Joseph made the motion to adopt the March 22, 2018 minutes and

Commissioner Sharon Scott seconded the motion.

Voting yes were:

Jay Joseph, Sharon Scott and George Wallace.

### **ASSISTANT EXECUTIVE DIRECTOR**

Ms. Cheaney, Assistant Executive Director, gave the following report:

### **WORK AUTHORIZATION FOR DESIGN OF RUNWAY 2/7 PERIMETER ROAD RELOCATION AND PAVING**

Ms. Cheaney reported that the perimeter road around the approach end of Runways 2 and 7 is gravel. Due to their weight, fuel trucks providing fuel to aircraft on the South Corporate ramp cannot use this gravel road. As a result, fuel trucks must regularly cross both runways. Additionally, in heavy rains the road can be difficult to travel for regular vehicle traffic and is in constant need of repair. In order to reduce runway crossings and dramatically reduce the amount of Foreign Object Debris (FOD) being brought onto the aircraft ramp area, a paved perimeter road is needed.

The initial environmental assessment required by the FAA has been completed. Talbert and Bright, the airport's civil engineers, will complete the design and bidding for this project. The project will be paid for with 90% Federal Entitlements and 10% State Entitlement funds. The cost for design will be \$315,079.35. Ms. Cheaney recommends the Commission approve the work authorization contingent upon the receipt of FAA grant funding.

Chairman Wallace asked if this is opposite of Jefferson Avenue. Ms. Cheaney said yes. Commissioner Scott asked if we pay first and then re invoice the project. Ms. Cheaney reported that we process the invoice and then submit it for reimbursement.

Commissioner Joseph asked if we have a preliminary budget and Ms. Cheaney reported that the total cost is \$315,079.35 and includes geotechnical work and design. Commissioner Scott asked what we are trying to achieve with this. Ms. Cheaney reported to improve safety by reducing runway crossings. Mr. Giardino, Executive Director, also reported that the ability for anything but aircraft to get around the field is important and keeping roads in good working condition is imperative. You also want to keep these areas decongested.

Commissioner Joseph asked how we select the firm. Mr. Giardino reported that our engineers were selected by the Peninsula Airport Commission and chose RS&H for on call services when it was RFP'd for. Commissioner Joseph asked we don't compete this? Mr. Tarkington from Talbert & Bright reported that the FAA requires the proof of qualification services in addition to review of the scope of work, part of the scope of work includes permits. Commissioner Scott asked if he was from RS&H. Ms. Cheaney reported that this was Talbert & Bright, RS&H were not working this project.

Commissioner Scott stated that the last project RS&H worked on, there were some organizational issues and that more RFP's may be in order. Mr. Giardino stated that the Peninsula Airport Commission selected RS&H and Talbert & Bright based on the RFP process. Ms. Cheaney reported that she has worked with Talbert & Bright for the last ten years at the airport on significant taxiway and runway projects and had nothing but positive experiences with them. Their relationships with the FAA are outstanding and their relationships with the State are outstanding. Ms. Cheaney also reported that RS&H are professional services for architectural work and Talbert & Bright perform our Civil Work and they are two separate entities.

**RESOLVED**, that the Peninsula Airport Commission approve the work authorization for Design of Runway 2/7 Perimeter Road Relocation and Paving contingent upon the receipt of FAA grant funding.

Commissioner Sharon Scott made the motion and Commissioner Jay Joseph seconded the motion.

Voting yes were:

Jay Joseph, Sharon Scott and George Wallace

### **DIRECTOR OF AIR SERVICE, MARKETING AND PUBLIC RELATIONS**

Ms. Jessica Wharton, Director of Air Service, Marketing and Public Relations, gave the following report:

- Passenger numbers for the month of March were decreased by 3%. American Airlines had 22 cancellations and Delta had 2 cancellations. All of the cancellations were weather related.
- Welcome signage for the airport- Chairman Wallace had asked for Welcome signage around the airport. Ms. Wharton showed the Commission new Welcome signage to greet everyone as they come into the airport. Chairman Wallace asked if we could list the cities and counties that are in our catchment area. Mr. Giardino, Executive Director, said that it was a great idea and that he wants to do that and expand our reach but we are obligated to sell space per FAA requirements. We have to be equitable throughout the municipalities. Commissioner Scott asked if Newport News tourism had a space for signage. Ms. Wharton stated that Newport News, Hampton and Williamsburg all have signage in the baggage claim area that we provide space to them for free. Newport News has a wrap wall as well. Commissioner Scott asked if Newport News could have more advertising inside when you come through the airport? Ms. Wharton stated that in this area the advertising is sold through Clear Channel. They have to sell those spaces first. Ms. Wharton also stated that in the exit lane maybe we could put a Welcome to the Virginia region sign

or a Welcome to Virginia sign. Newport News Economic Development has a paid spot in Concourse B as well. VTC (Virginia Tourism Corporation) has a flat screen that rotates images and it only focuses on us and says Virginia is for Lovers on it. Chairman Wallace asked if we could use that sign and in smaller letters list the cities such as Newport News, Williamsburg, Hampton, etc. going across the bottom. Mr. Giardino said absolutely and that this is one example of where we want to take it. Ms. Wharton said we just need to make sure we don't leave anyone out. Ms. Wharton said we will add it and she will email to everyone so they can see it.

Commissioner Joseph stated that the load factors are 79 & 82%, how does this compare in the industry? Mr. Giardino said 82% is good. They start looking at it below 62%. Commissioner Joseph asked at what point do they start adding flights? Mr. Giardino said he would say starting at 82%. Commissioner Joseph asked how many departures do we have a day? Ms. Wharton stated Delta has non-stop to Atlanta, American is non-stop to Charlotte, or Philadelphia. Ms. Cheaney said we have 9-11 departures a day. Commissioner Joseph stated that we had 3 cities non-stop now and asked when we had a million passengers how many destinations did we have. Ms. Wharton reported that we had 7 destinations and Mr. Giardino reported that we lost 60% of our traffic when Air Tran left.

### **DIRECTOR OF FINANCE & ADMINISTRATION**

Ms. Renee Ford, Director of Finance & Administration gave the following report:

Ms. Ford reported the Airport's revenues were 3.8% above budget and 10% above last March 2017. Our expenditures were 2.1% above budget and 6.5% less than last March 2017.

Ms. Ford also reported that we received a portion of the FAA reimbursement that we had been waiting on. We are anticipating receiving the remainder in the next 2-3 weeks.

Ms. Ford reported that she is working on the budget and it will be ready in the next few weeks.

Mr. Giardino, Executive Director, proposes a Finance/Audit Committee meeting on May 14<sup>th</sup> at 1:00 p.m. with Commissioner Coleman, Treasurer and Chairman Wallace and then we will have a Special Meeting for a work session, annual training and budget session with the entire PAC on Friday, May 18<sup>th</sup> from 1:00-5:00 p.m. We are hoping to have the FY19 budget in time for the regular annual meeting of the PAC on May 24<sup>th</sup> at 8:00 a.m.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. Michael Giardino, Executive Director, gave the following report:

- Community Outreach continues and Mr. Giardino has spoken to 6 groups in April, nearing 40 engagements since he has started. He has a presentation today after the meeting for Kaufman and Canoles. There are lots of benefits to getting in front of the community including getting the message of the airport out to the community, how we are going to service the community, and finding out what the community needs are.
- The Air Service Development Consultants that we just hired (Crawford, Murphy and Tilly), were very pleased and grateful to be selected and we are looking forward to working with them.
- AAAE Annual Conference was held in San Diego and focused on innovation. Mr. Giardino will be attending the Hearing Loss Association of America awards ceremony to receive an award for Community person of the year. He is thankful to the PAC for supporting him in this and looks forward to bringing technology to this airport, especially for passengers and employees that may have disabilities.
- Noise Committee-Mr. Giardino is on a committee for Noise with ACI (Airports Council International) and currently there is not much issue with noise but we should be cognizant of it and he has a lot of experience in this area from working at Naval Air Station Key West and Naval Air Station Norfolk.
- Legislative Affairs-FAA items are talked about on a National level and we keep an eye on them. Mr. Giardino received a call from the Legislative Affairs representative from the City of Newport News, Jerri Wilson. The particular subject brought up is the Perimeter Rule that had been established around Reagan and around LaGuardia when JFK was built to make sure JFK was successful. They restricted all flights in and out of LaGuardia within 1,200 miles or less. Same thing happened to Reagan when it came to Dulles. The airlines want to fly greater distances from both LaGuardia and Reagan National. This really doesn't impact us so we have decided not to engage in the Reagan National issue. Mr. Giardino is well versed in the subject and happy to give his opinion. Ms. Wilson, legislative representative for the City of Newport News and Mr. Giardino have developed a relationship and can work together on these legislative issues and Mr. McNider, legal counsel keeps Mr. Giardino informed on these issues as well.
- Kentucky Farms Lease-- we received a letter from Steve Jensen which explains why they would like the lease re-assignment to move forward. We are doing everything we can to make this possible with regards to the interest of the PAC with insurance and other items. We attempted to have a Real Estate Committee meeting but we did not have a quorum. We are grateful to Commissioner Joseph and Commissioner Wasson for participating. We will continue to work through the Committee process.

One of the items we are working on is the Kentucky Farms lease. Chairman Wallace asked what the issue is with the Kentucky Farms lease. Mr. McNider, legal counsel explained the current lease goes for almost another two years. The owner of the current lease, S&J, Inc. wants to turn the business over or sell the business to the current on location staff. It is a horse riding facility. The manager of business lives on the property in a house we own. Mr. Giardino says we have no issue with them, they are great tenants. Commissioner Scott asked what the impediments are. Mr. Giardino said that we need to ensure that the person that we give the balance of the lease to is capable of handling the lease and if they are properly insured, do they have worker's compensation? Commissioner Scott asked if we have requested these documents and just not received them yet? Mr. Giardino asked Mr. McNider, legal counsel what we are waiting on? Mr. McNider stated that the Real Estate committee and the PAC needs to decide if we want the new tenant that S&J is proposing for the PAC. Mr. Giardino stated he is not ready to recommend that yet. Commissioner Scott asked when the lease will expire if the current tenants maintain the lease. Mr. McNider stated 1.7 years which is locked into the current tenant. Mr. Giardino stated that they are not making a lot of money on it and he is not sure if this is in the best interest of the PAC. He is convinced that Steve Jensen is happy with his relationship with the couple who lives there and they take care of the horses and it's a good use of the land but we haven't received enough information that we want to get into a relationship with them. Commissioner Scott asked how long of a lease did they want. Mr. McNider stated an additional 5 years. Mr. Giardino says that we would have to give them a year to vacate and that is a long time to not collect rent and for land to sit idle. We are going from a long term relationship with someone that pays us regularly to someone that has no history. Commissioner Scott states they have history because they have been managing. Mr. Giardino said they have had a relationship with Steve Jensen but not the PAC. Commissioner Joseph asked how the process is being handled, who is communicating with the tenant and negotiating the business terms of the renewal. Mr. Giardino stated it has been done through the attorneys so far and we have asked certain questions of our insurance carrier as to what the requirements are. Commissioner Joseph stated he was learning this process and one of the concerns is the legal bills. He stated in the commercial real estate business, what we tend to do is the business people negotiate the business terms and when it's time to take over the lease, they turn it over to the attorney and say here's the term sheet and what we have agreed to in business terms. The lease typically has requirements, insurance requirements, that the tenant has to fulfill or they are in default of the lease. The business people handle any credit underwriting evaluation. The attorney's expertise is documenting the agreement and protecting us legally and not necessarily negotiating business terms. Commissioner Joseph stated that he would expect

moving forward that someone on staff be responsible to talk to our tenants and negotiate business terms and when it's time to document the agreement then you bring it to the attorney only at this point and time. You have a business agreement before you spend any legal money and secondly you have managed the process on a business basis as opposed to as a legal matter. Commissioner Joseph suggested that was the way he would do it. Commissioner Joseph also stated that he was not sure if there was a staff member who has those skills. Mr. Giardino said up to this point he has been taking care of it and it's been his relationship with Steve Jensen who is the tenant thus far. Mr. Giardino reported that we have done all the work on insurance and workers comp in house ourselves. The attorney reviewed the current lease for us. We will conduct the business as Commissioner Joseph suggested and it is Mr. Giardino's desire to do that. Commissioner Scott stated that her concern is it becomes labor intensive and dragged out and it seems like it should be simple to delineate what we are willing to accept instead of this process that has been going on for an indefinite amount of time. Commissioner Joseph asked when the first request was made. Mr. Giardino said it came in November but we had other pressing matters that were of concern. Mr. Giardino said they were correct that this was a simple lease agreement. We will conduct the leases ourselves in the matter that Commissioner Joseph suggested. Commissioner Joseph said that he thinks the sensitivity is that it does take time to move horses and shut down the stables and this is something we should take care of sooner rather than later. Mr. Giardino stated he agrees and that he would like to establish a long-term relationship with this group. Commissioner Scott asked if Mr. Giardino could possibly come back to the Commission with this at the next meeting and Mr. Giardino said yes.

- City of Newport News Firehouse and Newport News Public Schools Lease-we are working on new leases for both of them and the issue is that we are trying to determine what Fair Market Value is. These leases will expire at our fiscal year, June 30, 2018, when we intend to have appropriate leases available for both.
- Average Airfares- Mr. Giardino showed a slide to the Commission depicting the average airfares and it shows that we are not far off from our competitors. Commissioner Scott asked if this data could be pushed out on social media to show the community what the average is. Ms. Wharton, Director of Marketing and Public Relations stated that the most recent numbers were just reported so she will go back and pull that data.

Commissioner Scott reported that she was at a City Council meeting this past Tuesday and that a gentleman came to City Council with a noise complaint. He said he had contacted Mr. Giardino at the airport about the noise and he said that Mr. Giardino said we had to accommodate them because of the money we receive. Mr. Giardino, Executive Director reported that he and Ms. Wharton had spoken to this gentleman and this complaint was specific to H60 helicopters. Mr. Giardino went to the gentleman's



house and his house is adjacent to one of our primary runways. Commissioner Scott asked when we have a citizen complaint about noise, do we ask for the time of the complaint and are there things Tenants could do to see if they could limit flying times during late hours? Mr. Giardino stated that all noise complaints are recorded. We ask the complainant to be as specific as possible. We try to see if there are certain patterns that keep happening, we record, listen, discuss and if we can engage we do. We try to help people understand as best as we can and when able, flight patterns are changed, and time of day is changed. Long Beach lost 1/3 of JetBlue service because the community didn't like jet noise so there can be repercussions and it is a delicate balance. Mr. Giardino had Ms. Wharton sit in on the call to make sure we followed all procedures. Ms. Wharton said that this is not a Tenant issue, these are government helicopters that use our airport for training exercises and are usually during the day. Ms. Wharton stated when she gets a complaint, she will call the tower to ask how long they will be in the pattern and if they can be shifted closer into the airfield to help with the noise. She stated we try to communicate with the tower. She also stated that we have grant assurances we have to follow because of the money we receive from the FAA so we are not at liberty to turn away any government aircraft so that may be where the confusion comes in. Commissioner Scott stated that our message must be clear to complainants. Ms. Wharton said she has an email with a specific link to the FAA stating this so she can send it to complainants to help them understand this process.

### **COMMITTEE STATUS**

Mr. Giardino reported to the Chairman that we needed to select a nominating committee to nominate officers for the next fiscal year. The By-Laws state the Commission shall assign a nominating committee. Commissioner Wallace asked for volunteers and Commissioner Scott volunteered and Chairman Wallace asked Commissioner Joseph if he would sit on the committee as well and he agreed. Commissioner Joseph asked what we are nominating. Mr. Giardino stated they would be recommending the officer selection for the Commission for the next fiscal year. The nominations will be brought back to the May Commission meeting to be voted on. Mr. Giardino assigned Rhonda Wissinger as the staff person to help with this.

### **W.M. JORDAN HANGAR PROJECT**

Mr. Giardino introduced Skip Smith from W.M. Jordan to address the Commission. Mr. Smith stated that they were proposing to build a new hangar on the lot which is right next door to the Smithfield Foods hangar. It's a 14,000 square foot hangar with 2,500 square feet of office space. An appraisal is due soon. They would like to start working in the June time frame. Commissioner Scott asked how many tenants they would have. Mr. Smith stated it would be them and another tenant. Mr. Giardino stated he wanted to have a Real Estate Committee meeting to discuss the project but due to not having a quorum they couldn't have an official meeting since one Commissioner would have called in on the phone. Commissioner Joseph stated that they had a good conversation with W.M. Jordan about the project and a couple of things that came from the discussion are:

1. Having Mr. Jim McNider, legal counsel, prepare a template form of a lease for ground projects.
2. We are waiting on an appraisal to determine fair market value for rent and lease terms.

W.M. Jordan is hoping for a 20-year lease. W.M. Jordan has agreed to pay for the appraisal. Mr. Giardino stated that we had interviewed Michael Hodges (from the appraisal company) and his firm and they have done work all over the country. Commissioner Joseph stated that what came from the discussion was not to wait on the appraisal but go ahead and have Mr. McNider start drafting a lease. Also, the appraiser will be a neutral party, and we want to make sure it is a complete and fair process. Commissioner Joseph stated it was a quality product and perfect use of the property. Commissioner Joseph asked what type of plane would be housed in the hangar and Mr. Smith said it was a Citation Latitude plane. Commissioner Joseph said that hopefully by the May Commission meeting we will be able to bring this back to the Commission.

### **CLOSED MEETING**

**BE IT RESOLVED**, that the Commission enter into a Closed Meeting pursuant to the Virginia Freedom of Information Act; Section 2.2-3711.A. pertaining to:

Consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the public body; and consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel.

Specifically, the closed meeting shall be held to discuss legal issues relating to the case of New Dominion Clubs, Inc. v. Peninsula Airport Commission, the case of Spirito v. Peninsula Airport Commission, et al. and claims against Ken Spirito.

Commissioner Jay Joseph made the motion, seconded by Commissioner Sharon Scott to hold a closed meeting.

Voting yes were:

Jay Joseph, Sharon Scott, and George Wallace.

The Commission entered into a Closed Meeting at 11:28 a.m. and reconvened in Open meeting at 11:52 a.m. Upon reconvening, it was

**RESOLVED**, that to the best of the Commission's knowledge, only public business matters lawfully exempt from open meeting requirements, and only such public business matters as were identified in the motion by which the Closed Meeting was convened, were heard, discussed or considered in Closed Meeting.

Voting yes were:

Jay Joseph, Sharon Scott and George Wallace

### **NEW BUSINESS**

Commissioner Joseph reported that concerning governance, he had reached out to two people, Steven Baldwin and Bill Leighty. Mr. Leighty works with a company called Decide Smart and he was Chief of Staff to Governors Warner and Cain. Mr. Baldwin is an airport consultant and does governance review. Mr. Leighty is not an airport expert but has done work across all sorts of government agencies. Commissioner Joseph had asked them for introductory letters that he passed out to the Commission. Commissioner Joseph thought that one of these gentlemen would be capable to come in and review our governance. Commissioner Joseph asked the Commission's permission to ask these gentlemen to come up with a scope of services by the next meeting. What they would do is look at our bylaws, numbers, our interaction with staff, committees, everything from term limits to how Commissioners are paid. They would look at getting additional members on the Commission and how we go about establishing a proper support group for the communities. Not to look at how the airport is run but just how the Commission works. After what has happened the last few years, perhaps a larger commission would help or to have better controls in place. It is dependent upon us to look at our government structure because the rest of it has been looked at with the audit the State performed but no one has really looked at the board. Commissioner Joseph would like to put on the agenda for the next meeting to actually engage one of these companies to do this work. Steven Baldwin worked as an airport consultant that Mr. Giardino worked with in Rochester and Bill Leighty made a presentation to the Fort Monroe Authority and Commissioner Joseph talked to him and he stated that we were his home airport and he had been watching us. Commissioner Scott asked what the estimated cost might be. Commissioner Joseph stated \$10,000-\$20,000 range from start to finish and would result in a set of recommendations. We have City Councils and we can't make any charter changes without going through the general assembly. It is getting to a set of high level recommendations. Chairman Wallace also said maybe they could help us address how to bring in new Commission members. Commissioner Joseph stated that was part of it, how we would address this and if we are trying to have the best practices for our size airport what would our governance look like. Commissioner Scott said anything to help move the board forward would be good. Commissioner Wallace stated that we need to see what the impact of new Commission members would be as well. Also, if we bring in a group such as RAISE. Commissioner Joseph stated that with the Commission's permission he will bring this back to the next meeting. Commissioner Joseph states that our big responsibility is governing ourselves and we need some outside help and knowledge to be able to do that.

### **ADJOURNED**

There being no further business, the meeting was adjourned at 12:03 p.m.

## **NEXT MEETING**

The next regular meeting of the Peninsula Airport Commission will be held on Thursday, May 24, 2018 at 8:00 a.m. in the Commission Room.