

PENINSULA AIRPORT COMMISSION

MINUTES

January 25, 2018

PRESIDED: George Wallace

The regularly scheduled meeting of the Peninsula Airport Commission was held on Thursday, January 25, 2018 at 8:00 a.m. in the Commission Room at the Newport News/Williamsburg International Airport.

Commissioners present were:

Rob Coleman, Steve Mallon, Sharon Scott and George Wallace.

Commissioners not in attendance were:

Walter Jubien, Jr. 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.

Conrad M. Shumadine, Esq.

Executive Assistant

Ms. Rhonda Wissinger

Public in Attendance

Leslie Roberts-Dixon, Hughes and Goodman

Steven Peterson-Talbert & Bright

Chief Todd Rittenhouse-PAC Police Chief

John Borden- PAC Facilities Manager

Tommy Moore-PAC Maintenance Supervisor

Paul Riley-PAC Maintenance

Jared Alexander-PAC Operations Manager

Bill LaManque-PAC Operations Supervisor

Cpl. O'Halloran- PAC Police Department

Public in Attendance (con't)

Viveca Munger-Legal Assistant

EMPLOYEE RECOGNITION

Ms. Melissa Cheaney, Assistant Airport Director recognized three employees for the July 1st through December 31st period for Employee Recognition. The three employees that received recognition were Paul Riley, Lead Electrician for our Maintenance Department, Bill LaManque, Operations Supervisor and Cpl. Bob O'Halloran, PAC Department of Public Safety.

Mr. Paul Riley was recognized for his exemplary service in saving the PAC over \$4,000 in replacement parts for signs that were deteriorating. Paul also took the initiative to research and improve the fan-controlled thermostats on several stand-alone heaters throughout the airport. These heaters previously would run full time during cold months, but the new upgrade dramatically reduces electricity use and wear and tear on the fans. After unsuccessful attempts by outside contractors to fully repair bag claim #1, Paul applied what he observed from the contractors' previous work, installed a new bearing and resealed the gear box, and successfully completed the repair. This saved the airport at least \$500 in another call out for the contractor to trouble shoot the issue.

Mr. Bill LaManque, Operations Supervisor and Cpl. Bob O'Halloran were recognized for their work on December 13, 2017. Mr. Bill LaManque noticed a suspicious vehicle on the property and alerted Cpl. O'Halloran who then located the vehicle and two occupants in the employee parking lot. Cpl. O'Halloran notified Newport News Police and discovered that the vehicle had been involved in a hit and run crash on Jefferson Avenue. Cpl. O'Halloran was able to detain both the driver and the passenger. He also learned that both suspects were fugitives from the state of Georgia. One suspect was listed in the National Crime Information Center as "Combative" and a "Danger to Law Enforcement". Operations Supervisor LaManque's observations and Cpl. O'Halloran's actions quickly resolved a hit and run crime, and removed two fugitives from the community.

(Commissioner Sharon Scott arrived at 8:06 a.m.)

COMMENTS FROM THE PUBLIC

None.

APPROVAL OF MINUTES OF COMMISSION MEETING HELD DECEMBER 21, 2017

RESOLVED, that the Peninsula Airport Commission approve the minutes of the Commission meeting held December 21, 2017.

Commissioner Rob Coleman made the motion to adopt the December 21, 2017 minutes and Commissioner Steve Mallon seconded the motion.

Voting yes were:

Rob Coleman, Steve Mallon, Sharon Scott and George Wallace

ASSISTANT EXECUTIVE DIRECTOR

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

- We had two (2) snow events in January and we are very proud of our maintenance, operations and custodial teams. The team worked 24/7 to keep the runways open and the first storm we were able to accept a diverted flight from Norfolk International Airport that diverted to our runway because the pilot did not feel safe landing in Norfolk. The second snow event lasted twelve (12) hours and at 1:36 a.m. Delta was able to land on our runway. It had been on delay in Atlanta.
- Elite Announcement- we are very excited about the announcement of Elite Airways starting service here and we are moving forward to advertise for the ground handling department. We will be advertising these positions on February 14, 2018. Matt Kennedy is our current Operations Supervisor and will be the Station Manager.

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 December were increased by 3.9%. YTD our numbers are decreased by .4%. American Airlines and Delta Airlines did well. We had Fort Eustis block leave in which we saw five hundred (500) soldiers fly out on December 20th. There were thirteen (13) cancellations in December and these were due to weather conditions in Atlanta, as well as, a power outage in Atlanta.
- PR Announcement for Elite Airways-On January 17, 2018, we made a PR Announcement to announce service to Myrtle Beach on Elite Airways. This announcement was sent to the Daily Press, WY Daily, Virginian Pilot and all of the television stations. There has been a coordination of advertising efforts with the McBride group, which is Elite's marketing agency, to market this service. Myrtle Beach tourism is also doing a lot of advertising and there have been on-line pop up ads for the service as well.

Commissioner Coleman asked if we will see a push for advertising for the Williamsburg and Virginia Beach areas. Ms. Wharton stated that she sent the info to all of our tourism partners but it will depend on their budgets. Mr. Giardino, Executive Director, reported that Elite's announcement was unanticipated and that Elite was quiet until the last moment.

Commissioner Scott asked if Myrtle Beach was Elite's choice or ours. Mr. Giardino reported that it was their choice and that Myrtle Beach Airport wanted this as well and influenced the decision for Elite to come here with no input from us.

DIRECTOR OF FINANCE & ADMINISTRATION

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

FY2017 FINANCIAL AUDIT

Ms. Ford introduced Leslie Roberts from Dixon, Hughes and Goodman to give the overview of the findings from the FY2017 Financial Audit. Ms. Roberts reported that the audit this year was a more intense audit than usual. It was considered high risk after the findings of the State Audit. The sample size of items they looked at were double or tripled in size. They also looked at different tasks than before such as all accounts, contracts, travel, entertainment and technology.

The Peninsula Airport Commission was issued the highest level of assurance that the auditors can give.

Under basic financials, there is the statement of net positions that shows that the cash and cash equivalents are down this year. The majority of this is due to capital projects. We had more expenses in this area than in the past related to Professional Services. Also, in the terminal area, the consolidated checkpoint was finishing and the Take PHFlight Restaurant opened and had expenditures associated with that. The net position showed that more than 100% of net position was in capital assets which is not unusual for airports.

Commissioner Steve Mallon asked what unrestricted cash is. Ms. Ford explained that unrestricted cash is airport revenue that still has restrictions because it has to stay on the airport and be used for capital improvements or operating expenditures. Mr. Giardino, Executive Director, stated he would like to provide Commissioner's training on the FAA grant assurances.

The Statement of Revenue shows a new item this year entitled Cost of sales, this is related to the new restaurant that opened this year. Also, depreciation is flat this year over last year and the reason for this is that we brought the new Consolidated Checkpoint into being in June so it will not show depreciation until next year.

The findings show there were some material weaknesses and deficiencies. There was failure to procure bids according to the amount of the threshold the contract fell under, and there was use of a personal credit card in instances where people had an airport credit card. Both of these have had a policy revision by management.

Regarding federal money, there were some allowable and unallowable costs that were charged to a grant. One resolution for this is to have an RPR (Resident project representative) on site for large projects. It was also noted that some of the certified

payrolls on a project had not been signed, this could also be avoided if there were an RPR (Resident Project Representative) on site for large projects.

There is a lack of a Conflict of Interest policy. The FAA requires a written policy to be in place. Mr. Giardino, Executive Director stated he would have one completed by the next meeting.

Publishing Financial Results annually. We did not publish financial results and it does not suffice to have them on the website.

Virginia Procurement Act- all purchases made by the Commission must be in accordance with the Virginia Public Procurement Act. There were purchases made for professional services that were not purchased through competitive bidding procedures. The Commission will ensure compliance with the Virginia Public Procurement Act.

Ms. Roberts thanked Ms. Ford, Ms. Cheaney and the management team for all of their support and cooperation with the audit process.

RESOLVED, that the Peninsula Airport Commission accept the FY2017 Audit as presented.

Commissioner Rob Coleman made the motion to accept the FY 2017 Audit and Commissioner Steve Mallon seconded the motion.

Voting yes were:

Rob Coleman, Steve Mallon, Sharon Scott and George Wallace

Ms. Renee Ford continued her report with the following:

Ms. Ford reported the Airport's revenues were .7% below budget and 6.2% above last December 2016. Our expenditures for December 2017 totaled 6.7% above budget and 9.6% above December 2016.

Ms. Ford also reported that we are working with the FAA to close out the Security Checkpoint project and get our reimbursements for that. Chairman Wallace asked how much the reimbursement will be and Ms. Ford reported it will be \$1.1 million.

Commissioner Coleman asked about fuel revenue. Mr. Giardino, Executive Director, stated that fuel is purchased by the user (Delta, American, Atlantic Aviation, Rick Aviation, etc.). The airport does not purchase aircraft fuel. Commissioner Coleman asked what is our percentage of revenue from the sale of fuel. Ms. Ford reported that we receive \$.05/gallon from general aviation and \$.015/gallon from commercial. Commissioner Coleman asked if the Fixed Base Operators charge what they want for fuel and Mr. Giardino said yes. Commissioner Scott asked if we know all the airlines and private planes that are purchasing fuel and Mr. Giardino stated that we do and that

we have a fuel farm agreement, that is signed by the FBO's (Fixed Base Operators), to put fuel into our fuel farm and it is a standard fuel farm management agreement. Commissioner Scott asked if she could see the fuel farm management agreements and Mr. Giardino said absolutely.

Commissioner Coleman said he would like to make sure we are competitive with other airports in the region and he doesn't want us to charge the highest rate for fuel. Commissioner Coleman also asked who is responsible for maintaining the fuel tanks and Mr. Giardino reported that we are.

Mr. Giardino recommends that we have auditors come in to do internal audits on our contracts. Contracts such as FBO's, rental cars, etc. Commissioner Scott asked if we would be auditing the contracts and Mr. Giardino reported that we would hire a firm to perform the audit and make sure everyone is in compliance. Commissioner Scott asked if it is stated in the leases that we can perform an audit. Mr. Giardino will check into that and stated that for future contracts we would like to incorporate that into new leases we enter into. Mr. Giardino would like to budget into fiscal year 18-19 the cost of an internal auditor and would like to perform an audit per quarter.

EXECUTIVE DIRECTOR 'S REPORT

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

- Committees- The Commission has established committees already, the ByLaws committee and Air Service Development committee. Mr. Giardino recommends changing the name of the ByLaws committee to the Governance committee to look at how the Commission runs but also the governance of it. It would oversee things such as conflict of interest training, changes to FAA rules and how we accept grants and things of this nature. He would also like to recommend the establishment of a Finance/Audit committee. He would like to establish regular meetings of the committees and have them report back to the Commission.

RESOLVED, that the Peninsula Airport Commission rename the ByLaws Committee to the Governance Committee and create a Finance/Audit Committee, with appointments to the said Finance/Audit Committee to be made at a later date.

Commissioner Steve Mallon made the motion and Commissioner Rob Coleman seconded the motion.

Voting yes were:

Rob Coleman, Steve Mallon, Sharon Scott, and George Wallace.

Mr. Giardino continued his report with the following:

- RFP's-Jim McNider, legal counsel, is working on an RFP for an Air Service Development Consultant. We would also like to have an RFP for a Real Estate Consultant to help with appraisals and with Atlantic Aviation. Commissioner Mallon suggested establishing a lease database. Ms. Ford stated that we do already have a lease management system but may need help with the abstract information that needs to be entered. Commissioner Mallon stated that he had a real estate background and would be happy to help if needed.
- Airport Concessions- Mr. Giardino has concerns over Hudson News in that Hudson News would like to be located past the security checkpoint. They feel they would make more money in that location. Mr. Giardino stated that we should not have concessions pre-security since the events of 9-11. Hudson News would like us to build out a space at our cost and at the current time we do not have that in the budget. Mr. Giardino will be meeting with them and will come to the board with a proposal on how to proceed. If they are not able to come to an agreement, an RFP may have to be put out for a new vendor.

Mr. Giardino reported that there is a rental car issue. One of the rental car companies is not a signatory on the present agreement we have with them. Commissioner Coleman asked if they are paying their PFC's and Ms. Ford reported that they are but it is more of an issue that when their contract ended in June, their service facility reverted back to us. Mr. Giardino will continue to work on this issue.

- Airport Operations- Mr. Giardino is extremely proud of staff and their hard work during weather events. It was big news that we were able to receive a diverted flight from Norfolk International at 1:30 a.m. because it was not safe to land in Norfolk but our runways were cleared and were able to take the flight from Norfolk. Mr. Jared Alexander, Operations Supervisor, had a plan and communicated it to the entire staff and implemented the plan. Mr. Giardino also closed the office as the roads were unsafe to drive on, especially the secondary roads. He is very proud of staff and stated he is proud of being the Director here and thanked the Commission for hiring him. He also wanted to recognize Ms. Melissa Cheaney, Assistant Airport Director and Ms. Renee Ford, Director of Finance & Administration for their hard work on getting the Security Checkpoint project closed out.

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 Spirito v. Peninsula Airport Commission, et al.

Commissioner Rob Coleman made the motion, seconded by Commissioner Sharon Scott to hold a closed meeting.

Voting yes were:

Rob Coleman, Steve Mallon, Sharon Scott, and George Wallace

The Commission entered into a Closed Meeting at 10:01 a.m. and reconvened in Open meeting at 12:03 p.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:

Rob Coleman, Steve Mallon, Sharon Scott and George Wallace.

RESOLVED, that the Peninsula Airport Commission accepts the appointment by Chubb Insurance of Conrad M. Shumadine, Esq., of Willcox and Savage, to represent the Commission under the lawsuit Ken Spirito vs. The Peninsula Airport Commission.

Commissioner Steve Mallon made the motion and Commissioner Sharon Scott seconded the motion.

Voting yes were:

Rob Coleman, Steve Mallon, Sharon Scott, and George Wallace.

NEW BUSINESS

Commissioner Mallon stated that the City of Hampton accepted the resolution

consenting to the Participation of the Counties of James City and York and the City of Williamsburg in the Peninsula Airport Commission at it's January 24, 2018 Hampton City Council Meeting. He is hopeful that this body can act on that and move forward.

Mr. Giardino stated that we had accepted a resolution from the County of York to participate but that the Commission still needs to accept the resolutions from James City County and the City of Williamsburg. We are also awaiting action from Newport News City Council.

Commissioner Wallace stated that as it stands now there are four (4) members from the City of Newport News and two (2) members from the City of Hampton and since the physical asset is in the community of Newport News they may not want to have their percentage of participation diluted with other communities coming on board and therefore have less of an oversight of the airport. He stated that in upcoming deliberations about this matter, we may want to consider that. Commissioner Mallon stated that he would then like to have a legal opinion from our legal counsel regarding this and what the Acts of Assembly and Bylaws state. Mr. McNider, legal counsel said he would be happy to give a report. Commissioner Mallon stated that we can't make a decision on that ourselves, he believes it would have to go to the General Assembly. Commissioner Rob Coleman agreed. Commissioner Mallon reminded everyone that the Commission had sent a letter inviting participation from the other communities and that Secretary Aubrey Layne recommended more participation on the Commission.

ADJOURNED

There being no further business, the meeting was adjourned at 12:16 p.m.

NEXT MEETING

The next regular meeting of the Peninsula Airport Commission will be held on Thursday, February 22, 2018 at 8:00 a.m. in the Commission Room.