

PENINSULA AIRPORT COMMISSION

MINUTES

March 22, 2018

PRESIDED: George Wallace

The regularly scheduled meeting of the Peninsula Airport Commission was held on Thursday, March 22, 2018 at 8:00 a.m. in the Commission Room at the Newport News/Williamsburg International Airport.

Commissioners present were:

Rob Coleman, Jay Joseph, Sharon Scott, David Wasson, and George Wallace.

Commissioners not in attendance were:

Walter Jubien, Jr.

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

Alan McDonald-RS&H

Jorge Gonzalez-RS&H

Alan Archer-City of Newport News

Viveca Munger-Legal Assistant

COMMENTS FROM THE PUBLIC

Peter Dujardin from the Daily Press wanted to let the Commission know that a photographer from the Daily Press would be coming in during the meeting.

APPROVAL OF MINUTES OF COMMISSION MEETING HELD FEBRUARY 22, 2018

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

Commissioner Rob Coleman made the motion to adopt the February 22, 2018 minutes and Commissioner Sharon Scott seconded the motion.

Voting yes were:

Rob Coleman, Jay Joseph, Sharon Scott, George Wallace and David Wasson.

Chairman Wallace introduced Mr. Jay Joseph, our newest Commissioner and asked him to give the Commission some information on his background. Commissioner Joseph is in the commercial real estate business with Harvey Lindsey. They provide leasing management of office buildings and shopping centers but no hotels or residential real estate. Also, Commissioner Joseph was first introduced to the airport when he served as Chairman on the Hampton EDA for 8 years and came to RAISE committee meetings.

ASSISTANT EXECUTIVE DIRECTOR

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

- Virginia Statewide Tornado Drill- All staff participated in the Virginia Statewide Tornado Drill on March 20, 2018. We practiced a tornado watch, warning and then sheltering in place. The exercise was very successful.
- Internship/Shadow Program-Each year we have an internship/shadow program with an Aviation Management Student. This year we have selected David Dorsey, a sophomore from Hampton University as our intern. The internship program will last for 6 weeks and Mr. Dorsey will be here shadowing the operations team and all departments of the airport. He will also have time on the airfield and be exposed to the Executive staff.

NEWPORT NEWS FIREHOUSE LEASE EXTENSION

Ms. Cheaney reported that the Newport News Firehouse lease will be ending on March 30, 2018 and would like to extend the lease until June 30, 2018 to get in line with the school year.

RESOLVED, that the Peninsula Airport Commission approve the extension of the Newport News Firehouse lease from March 25, 2018 through June 30, 2018 with the same terms and conditions for \$1.00.

Commissioner Sharon Scott made the motion and Commissioner Rob Coleman seconded the motion.

Voting yes were:

Rob Coleman, Jay Joseph, Sharon Scott, George Wallace and David Wasson.

GSA LEASE APPROVAL FOR CUSTOM BORDER PATROL/FEDERAL INSPECTION STATION (FIS)

Ms. Cheaney reported that last month the lease for the Custom Border Patrol/Federal Inspection Station was sent out to the Commissioners for review. This lease is a standard lease agreement to allow them to operate in our Federal Inspection Facility. The lease terms are a one-year term that can be extended up to nineteen years and would be renewable each year. Both legal counsel and our Executive Director, Michael Giardino, have reviewed the lease.

Commissioner Jay Joseph had a question about the lease at the previous meeting and had asked the Executive Director if he was comfortable with the future uncertain obligation at a future uncertain time that the tenant may cause us to spend money that we don't know when or how we must spend it? The Executive Director had said yes that this was customary and normal and he was comfortable with it and it is not a big risk. Executive Director, Michael Giardino, stated that this is a good marketing tool for International Air Service. Commissioner Joseph asked then the Tenant's ability to cause us to upgrade the equipment is not a big deal, correct? Assistant Executive Director, Melissa Cheaney said they would have to give us a minimum of a 180-day notice before the upgrade which would give us time to analyze it.

RESOLVED, that the Chairman or Vice Chairman of the Peninsula Airport Commission (the "Commission") is hereby authorized to execute and deliver a lease for 10,168 square feet of terminal space for federal inspection services with the United States of America (Customs and Border Protection), provided that the lease shall permit the Commission to use and possess the upper level of Concourse A when the federal inspection station is not in use. Until this lease is executed and delivered, the adoption of this resolution does not create any rights for the benefit of any party.

Commissioner Rob Coleman made the motion and Commissioner Jay Joseph seconded the motion.

Voting yes were:

Rob Coleman, Jay Joseph, Sharon Scott, George Wallace and David Wasson.

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 February were decreased by 4.7%. American Airlines had 11 cancellations and Delta had 1 cancellation. We had a lot of unusual Nor'easters and snow storms during the month of March which caused cancellations. Norfolk passenger numbers were increased by 8.2% and Richmond passenger numbers were increased by 5.6%. To put into perspective as we compare our numbers with Norfolk and Richmond airports, we are really not comparing the same size airports. Norfolk and Richmond are two medium hub airports and we are a non-hub airport, so we are really not comparing against a like-size airport. We do have great growth potential. Executive Director, Michael Giardino, said the growth potential is here as we have lost 60% of our traffic and are estimating that we are losing about 1,000 passengers per day. We have to get people used to using this airport again. We have the ability to handle the capacity of new air service. In 2010 we had spectacular numbers and there is no reason we can't get back there again.
- Elite Airways- due to lack of demand for the Myrtle Beach service, Elite Airways has canceled that service. It would not have been our first choice for a route but Elite Airways wanted to try it but the demand was not there so we are working with them to get a route that has a good demand for service. Commissioner Coleman asked what a comparable airport to PHF would be in the Commonwealth. Michael Giardino, Executive Director had said possibly Wilmington, NC. Right now, it is hard to make a comparison when at one time we were at one million passengers and now we are at two hundred thousand passengers. Ms. Wharton, Director of Air Service, Marketing and Public Relations said that Roanoke has passed us now and so has Charlottesville because they have more air service than us. Commissioner Scott asked if Elite Airways is allowing us to participate in the next route selection. Mr. Giardino, Executive Director, said they asked for our input and we provided it. They are not able to do a summer flight so we are targeting the fall. We are looking for a route that we can both agree on. They don't want to compete with another airline because when they rolled out their Pittsburgh to Sarasota service, Allegiant came in and offered \$39 fares so Elite never got off the ground. Wherever they see competition, they don't want to do it. We are working together so they listen to our analysis but they don't

want to compete with other airlines. They believe in our airport; the bookings were just not there for the Myrtle Beach service. Commissioner Joseph asked if we have the ability to give an exclusive route to an airline and Mr. Giardino, Executive Director, said no that would be in violation with federal grant assurances. We can offer incentives and we do but we have to be fair and we cannot favor one carrier over another. Commissioner Joseph asked that no matter where Elite goes then there is no guarantee someone else won't come in. Mr. Giardino, said that was a true statement. Mr. Giardino also reported that he was supposed to attend a Department of Justice meeting (that was cancelled due to snow), to meet with airports our size that are advocating for relief from this. Due to consolidations within the airlines, there are now four airlines consuming 87% of the market and it is a nationwide issue.

DIRECTOR OF FINANCE & ADMINISTRATION

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

Ms. Ford reported the Airport's revenues were 1.9% below budget and 1.8% above last February 2017. Our expenditures were 6.8% below budget and 7.9% less than last February 2017.

Ms. Ford also reported that last week the paperwork was submitted to the FAA for reimbursement for the consolidated checkpoint project. We are anticipating receiving about \$1 million from the FAA.

Ms. Ford reported that she had signature cards for Commissioners to sign due to the changes of the board members and information to get from Commissioner Joseph.

EXECUTIVE DIRECTOR'S REPORT

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

Everyone is working very hard and everyone is dedicated and focused on the mission. The first item to discuss will be:

AIR SERVICE DEVELOPMENT CONSULTANT SELECTION

Mr. Giardino reported that he purposefully recused himself and Ms. Wharton, Director of Air Service, Marketing and Public relations from the process because they have worked in the industry for a while now and may have had certain biases. We received three responses from good firms that Mr. Giardino and Ms. Wharton were familiar with. Mr. Giardino turned the selection process over to Ms. Melissa Cheaney, Assistant Executive Director and Accredited Airport Executive and Ms. Jessica Minor, Manager of Finance & Administration. All of the firms were qualified but one proposal stood out

more than the other two proposals. The firm that stood out had done their homework when they responded to us they had done about 50% of the work already that we were looking for. They knew the issues of the airport more than the other two firms. The scores were the highest for the firm that stood out and both Mr. Giardino and Ms. Wharton agreed with the results. Chairman Wallace asked if he could let us know who was recommended and why? Commissioner Scott asked what we are expecting them to do. Mr. Giardino said the Air Service Development Consultant will do a market analysis, a catchment study. A catchment study is the geographical area people come from to use the airport. Ms. Wharton stated that the catchment areas are broken down into primary and secondary catchment areas with the primary being the peninsula and people who should be using this airport. Secondary would be people that could drive easily between our airport and Norfolk or Richmond. You look at these areas to see what we are leaking out of the primary area and what we are leaking out of our secondary area. It is good to do this study every couple of years because of the continued growth in this area. Mr. Giardino, Executive Director reported that the consultant that was chosen was Crawford, Murphy and Tilly out of Springfield, Illinois. They talked about primary catchment in their proposal and have said that is where we leak the most passengers. A leakage study and catchment study will show us where our areas of concern are. The consultants will be getting analysis done, airline visits and preparing us for conferences where the airlines are all present and you have an opportunity to meet with them. We will take advantage of airline visits right away and especially service with Delta and American. We would also like to try to get United into the building. We will use the business consultant to put together our pitch to the different airline carriers we will be visiting.

There are two different payment options in the proposal one is a flat \$80,000 fee for one year. There is also an hourly fee that we could pay for their services. Mr. Giardino recommends the \$80,000 a year annually. It could get costly if we pay them hourly and the fees could add up quickly. Commissioner Joseph asked about how we would address their payment, is it in the budget for 2017? Ms. Renee Ford, Director of Finance & Administration stated that the 2017 budget has \$152,000 set aside for Professional Services and of that \$95,000 had been spent already. Commissioner Joseph asked if that would be enough in the budget to cover the rest of this year and then have a line item in the budget for the rest next year? Mr. Giardino said that he is not sure there is enough in the budget to cover the leakage/catchment study that we need to do. Commissioner Wasson asked what the \$95,000 was spent on. Ms. Ford stated it is for Professional Services and last year we used a lot of it on Hannagan Landau which is a lobbyist. Also, we spend \$1,000 a month on DIIO which provides a software package to us. Mr. Giardino said he will drop the DIIO software once we get a consultant because if we have a consultant with the software we don't need to have it too. Commissioner Wasson asked about the fixed price vs. the hourly rate. Mr. Giardino stated with the hourly rate that the costs can add up quickly. Especially because we would want to have a leakage study performed, airline visits and two major conferences taken care of.

Commissioner Coleman asked Ms. Cheaney, Assistant Executive Director, since she

chaired the selection committee, what attracted her to this firm. Ms. Cheaney stated they were all highly qualified but with the detailed analysis that CMT provided, they went above and beyond to look at our market already and everyone else did a standard, general proposal. CMT already showed an understanding of our specific area. They had more knowledge and preparedness of our market. The company is CMT, Crawford, Murphy and Tilly, Inc. from Springfield, Illinois. Commissioner Scott asked if they have done this before and what the outcomes were. Mr. Giardino stated that the analysis they put in the proposal exceeded anything the others had done. They are offering us relationships they have with the airlines. They know the load factors and can put a whole package together for us. Commissioner Scott asked where did the consultant work before. Mr. Giardino reported he worked at the Las Vegas Convention and Visitors Authority, Pittsburgh International Airport, Tampa International Airport, Akron-Canton Airport, Flint-Bishop International Airport, Hawaii Tourism Authority, to name a few. Chairman Wallace asked if Mr. Giardino was asking the Commission to take action. Mr. Giardino recommended a resolution to execute and deliver a purchase order contract acquiring on-call air service development services as needed, not to exceed \$80,000 annually. Mr. Giardino stated he had checked with legal counsel and this firm has met all of the requirements for the RFP. Commissioner Coleman asked how long the contract is for. Jim McNider, legal counsel stated we can terminate the contract at will but it is an annual contract. Mr. Giardino said we want to enter into a relationship with someone that is on-call for us. Commissioner Coleman asked if this will be a new line item in the budget? Mr. Giardino would like to propose that we break out the costs of professional services by line to include air service, financial analysis and legal services.

RESOLVED, it is acknowledged that the Peninsula Airport Commission (the "Commission") has issued a March 2, 2018 Request for Proposals for On-Call Air Service Consulting.

RESOLVED, it is further acknowledged that Crawford, Murphy & Tilly, Inc. has submitted a Response to this RFP in a form satisfactory to the Commission.

RESOLVED, that the Executive Director of the Commission is hereby authorized to execute and deliver a purchase order or contract acquiring on-call air service development services from Crawford, Murphy & Tilly, Inc. for such services as needed, not to exceed \$80,000 annually, pursuant to such terms and conditions as the Executive Director may negotiate to impose. Until a purchase order or contract is executed and delivered by the Commission, the adoption of this resolution does not create any rights for the benefit of any party.

Commissioner Rob Coleman made the motion and Commissioner Jay Joseph seconded the motion.

Voting yes were:

Rob Coleman, Jay Joseph, Sharon Scott, George Wallace and David Wasson.

Mr. Giardino reported that he met with the Community and did presentations for the City of Newport News Economic Development Authority Meeting, Historical Triangle Group Williamsburg, L3 Flight International, Oyster Point Rotary Club, Newport News Rotary Club, Department of Justice Meeting in Washington, D.C. that ended up being cancelled due to snow. In April, there are 4 speaking engagements scheduled and Mr. Giardino will be attending the AAAE conference in San Diego. This will bring the meetings attended in the community so far up to 38.

AIRPORT REAL ESTATE

Mr. Giardino reported that we had leases with the City of Newport News schools and the City of Newport News Firehouse that need to be negotiated and we are continuing to work on that. Also, L3 communications is renting from Atlantic and they are looking at a 3-year extension with the United States Navy and are looking to propose out to 2021 (10 years). Atlantic wanted to build a hangar here at the airport. W.M. Jordan wants to do the same. Mr. Giardino proposes with the Commissions approval to move forward with both projects. We have parcels that are available, they are on our website and in the Master Plan. These are aeronautical use developable parcels that we need to take advantage of. The FAA encourages us to do this type of work. We should have a dialogue with Atlantic. W.M. Jordan wants to build a hangar and we have a parcel for them so we are working on a process to make that happen. Commissioner Scott asked if W.M. Jordan was building the hangar for an airplane. Mr. Giardino said yes. Commissioner Scott asked if that included space to be leased. Mr. Giardino said we have parcels that would be leased as a ground lease. We would like to move forward to accommodate these requests. Mr. Giardino asked if there were any reservations with staff moving forward on this? Chairman Wallace said he would like to appoint two commissioners to help move these projects along and appointed Mr. Jay Joseph and Mr. David Wasson to help with Real Estate. Commissioner Joseph stated that as a new Commissioner, he would like to understand the process. It is our job to get the full potential of the airport whether it is air service development or real estate. He assumes the Commission would appoint long term leases and assumes ground leases would have to pass a market rental rate test. As long as the process is explained, we should max out the value and cash flow He is supportive of this process. Commissioner Scott stated that we need the information given to us to put the full discussion on the table. Commissioner Wasson stated that if the Commission is familiar with the process then they can be supportive of full utilization of the market, otherwise it is a case by case assessment. He offers his support in this process. Chairman Wallace stated then it is the consensus for us to continue this process. Commissioner Wasson stated to Commissioner Scott's point that we need to keep the Commission informed. Commissioner Coleman stated that we need to make sure that we have discussion and review the terms and any details before entering into these agreements because it has been a challenge in the past. Mr. Giardino, Executive Director stated that he knows of no discrepancies with any of the leases now. Some are month to month which may be an issue. We do have to comply and like Commissioner Joseph said they are market value and aeronautical use will always take precedence over non-aeronautical use so if

someone wanted to rent a hangar parcel for a medical building we would have to see if there were any competing factors for that but aeronautical use will always trump non-aeronautical use. Mr. Giardino thanked the Commission for their support.

Jim McNider, legal counsel wanted to add on to the Real Estate information to let the Commission know some items that will be coming up in the future that are beyond leases but still relate to Real Estate:

1. City of Newport News is building a SCOT Center. The city is asking us to give back property (a road) we acquired from them about 20 years ago. The city will take over the maintenance of the road and make a better thoroughfare that would accommodate the SCOT Center. We are going to work with Missy and the FAA to make sure the FAA is satisfied with the procedures we are going through to give this road back to the City. To the extent the board is o.k. with relinquishing title to this road that is part of the ring road with McManus and Siemens. The present plan is to require a reverter in the event that anything happens to the property we can protect the airport in terms of access to the airport. Also, all of this is a moot point until the FAA is comfortable with this process. It is not on our airport layout plan so the FAA is less concerned with deeding it back to the City because otherwise we will have to bring it into our airport layout plan and then take it out. Mr. Giardino stated that this can be a long process and the airport layout plan is the Master document and goes through many approval processes and can take some time.
2. City of Newport News is asking for construction easements to permit them to more easily construct these road improvements. We are working on this as well.
3. Kentucky Farms Lease- a piece of property, over the York County line, about 100 acres, we are leasing for about \$40,000 a year that is being used currently as stables. The current lessee wants to sell his business to the current managers of the business. Mr. Giardino and Mr. McNider are working on a proposal to facilitate this to make sure it is in the best interest of the airport and also attractive to the lessee. The lease has 2 more years to go, but the current owner wants to get out of the business.

These are some things beyond our hangars and leases that we are working on. The overall issue is that the airport will be governed by fair market value test on any sort of transaction to be fair to the lessee's and to the airport. Historically we have had situations where there have been updated appraisals so we will focus on that.

Commissioner Coleman reported that a representative from the shopping center across the street where Golden Corral and Lowe's and Home Depot are, contacted him about the mound of land we own. They said it is being used by people to camp there and they are harassing people in the shopping center. They would like to clear the trees and heavy brush at no cost to us. They would like to meet with us to discuss this. Mr. Giardino asked for Commissioner Coleman to set the meeting up to discuss this.

Mr. Giardino reported that everyone is working very hard. Ms. Cheaney has been

working hard on the easement with the City of Newport News. Kentucky Farms has been an issue but we need to make sure we do this right.

VICE CHAIR VACANCY

Commissioner Joseph asked how long the officer terms are and how long is the appointment for Vice Chairman? Mr. Jim McNider, legal counsel stated that the new fiscal year is coming up and the Vice Chair position that would be appointed would be filling a vacancy so it will be filled again in July. Mr. Giardino stated we will have a May annual meeting to establish the new officers that will start in July. Commissioner Joseph asked if this appointment is for the balance of this year. Mr. Giardino stated yes and that it was to fill the vacancy left by the previous Commissioner. Commissioner Joseph asked if we elect the officers annually for one-year terms. Mr. Giardino said yes and Commissioner Joseph asked if there is an expectation that the Vice Chair is then to become the next Chair. Mr. Giardino said no, there is no succession. Commissioner Scott reported she had sent an email to all Commissioners stating she would like to be considered as Vice Chair. She said that second to Chairman Wallace she had been on the board the longest and has attended all meetings and been intrinsically involved and would like to be considered for the Vice Chair vacancy. Commissioner Wasson asked if there were any other Commissioners interested in the Vice Chair position and no one responded.

RESOLVED, that the Peninsula Airport Commission appoint Sharon Scott to be the Vice Chair of the Peninsula Airport Commission.

Commissioner Rob Coleman made the motion to appoint Sharon Scott to be Vice Chair of the Peninsula Airport Commission and Commissioner Jay Joseph seconded the motion.

Voting yes were:

Rob Coleman, Jay Joseph, Sharon Scott, George Wallace and David Wasson

COMMITTEE APPOINTMENT FOR AIR SERVICE DEVELOPMENT (TO FILL VACANCY)

Commissioner Jay Joseph asked what other committees we have. Mr. Giardino reported that we have:

- Governance Committee-Rob Coleman and Sharon Scott
- Air Service Development-Walter Jubien and a vacancy
- Finance/Audit Committee-to be appointed
- Real Estate-Jay Joseph and David Wasson

Chairman Wallace asked for a list of Committees. Mr. Giardino said we will get that to him. Commissioner Coleman volunteered for the Air Service Development Committee.

Commissioner Joseph asked if the Chairman appoints Committee members and Mr. Giardino said yes. Mr. McNider stated the bylaws say the Commissioners may appoint Committees. Chairman Wallace appointed Commissioner Coleman to fill the vacancy for the Air Service Development Committee. Mr. McNider stated that we will get a list of all committee members and then we can vote on the resolution for all committees. Mr. Giardino said we will propose a list of Committee members at the April meeting so we can vote on that resolution.

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 Rob Coleman made the motion, seconded by Commissioner David Wasson to hold a closed meeting.

Voting yes were:

Rob Coleman, Jay Joseph, Sharon Scott, George Wallace and David Wasson.

The Commission entered into a Closed Meeting at 9:39 a.m. and reconvened in Open meeting at 10:41 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:

Rob Coleman, Jay Joseph, Sharon Scott, George Wallace and David Wasson.

(Chairman Wallace left at 9:40 a.m. and Vice Chair, Sharon Scott took over presiding)

NEW BUSINESS

Vice Chair Scott asked if there was any new business. Mr. Giardino, Executive Director reported that the Hearing Loss Association of America will be presenting him an award

and recognition for work he did at his last airport in Rochester. We can do the same work here. Commissioner Coleman congratulated Mr. Giardino for being recognized.

OLD BUSINESS

Commissioner Joseph stated that he read the final recommendations from the State Audit and there were thirteen recommendations. He asked if there was a written report on how they have been addressed or have they all been addressed? Mr. Giardino reported that they had culminated with the Honorable Secretary Layne's letter. Commissioner Joseph stated there were some other internal control issues. Mr. Giardino stated they had been addressed and Commissioner Joseph stated he will call Mr. Giardino to discuss further.

Vice Chair Scott asked Commissioner Joseph if he had completed COIA/FOIA training and he stated he had already had it at the Fort Monroe Authority Board.

ADJOURNED

There being no further business, the meeting was adjourned at 10:44 a.m.

NEXT MEETING

The next regular meeting of the Peninsula Airport Commission will be held on Thursday, April 26, 2018 at 8:00 a.m. in the Commission Room.