



OCTOBER 24, 2019 COMMISSION MINUTES

PRESIDED: Jay Joseph

The regularly scheduled meeting for Peninsula Airport Commission was held on Thursday, October 24, 2019 at 8:00 a.m. at the Downtown Hampton Child Development Center, Room 109, 1306 Thomas Street, Hampton, VA 23669

Commissioners present were

Mr. Joseph, Mr. Wallace, Mr. Herbert

Absent were

Hon. Scott, Ms. Smith, Mr. Coleman

Executive Director

Mr. Michael Giardino, C.M.

Assistant Executive Director

Ms. Melissa Cheaney, A.A.E.

Director of Finance and Administration

Ms. Renee Carr

Director of Business Development and Corporate Analytics

Ms. Viveca Munger

Director of Strategic Initiatives/Govt Affairs

Mr. Kevin Knapp

Executive Assistant

Carrie Elizabeth Hause

Legal Counsel

Mr. Eric Ballou, Esq.

Mr. L. Scott Seymour, Esq.

Audit

Ms. Leslie Roberts

Ms. Katie Ward

CALL TO ORDER

Vice Chair Joseph called the meeting to order at 8:02 a.m.

COMMENTS FROM THE PUBLIC None.

APPROVAL OF THE MINUTES

RESOLVED, that the Peninsula Airport Commission approve the minutes of the Commission meeting held September 26, 2019.

Commissioner Wallace made the Motion. Commissioner Herbert seconded the motion.

Voting in the affirmative were: Commissioners Joseph, Herbert and Wallace.

ASSISTANT EXECUTIVE DIRECTOR REPORT

Ms. Melissa Cheaney, Assistant Executive Director

- Reported on ATAC aircraft mishap. No injuries, minor damage to the runway light, no delay in flights as there was an additional runway already in use. Runway was out of use for less than 4 hours. The Vice Chair asked about the frequency of these events. The staff confirmed that there have been two incidents like this in 2019, however this is highly unusual and the OP's team will be looking into this further.
- Phase 1 of the roof repairs is out for bid
- PHF games are scheduled for Friday November 15th 10:30 a.m. to 2:00 p.m. Commissioners are encouraged to attend if they are available. Chili and Baked good cook off.

COMMITTEE REPORTS

1. FINANCE

Commissioner Herbert reported.

- The September finances were included in the package
- Along with the increase in rates and fees there was an increase in enplanements of 26% over last September resulting in positive outcomes with respect to the budget
- There are several employees out on Short Term Disability (STD), which is saving money in the budget
- The status on the Capital and Repair projects is included in the package

ACTION ITEMS:

RESOLUTION AUTHORIZING TASK WORK ORDERS UNDER

ON-CALL FINANCIAL CONSULTING SERVICES AGREEMENTS

October 24, 2019

WHEREAS, the Peninsula Airport Commission (the “Commission”) is a political subdivision of the Commonwealth of Virginia, created pursuant to Chapter 22 of the Acts of the General Assembly of the Commonwealth of Virginia of 1946, as amended, and owns and operates Newport News – Williamsburg International Airport (the “Airport”); and

WHEREAS, the Commission has entered into an on-call financial consulting service agreement with Frasca & Associates, LLC and desires to authorize the scope of services and corresponding increases in budget authority for the following projects: (i) airline rates and charges modeling and airline negotiations, (ii) car rental rates and negotiations, and (iii) financial strategy, the various scope and extent of such work having been described to the Commission;

NOW, THEREFORE, BE IT RESOLVED THE BOARD OF COMMISSIONERS OF THE PENINSULA AIRPORT COMMISSION THAT:

The Executive Director of the Commission is hereby authorized and directed to enter into task work orders under the Commission’s existing on-call financial consulting service agreement with Frasca & Associates, LLC, and the Commission’s professional services budget shall be increased, with respect to the following projects and in the following amounts:

<u>Project</u>	<u>Consultant</u>	<u>Amount</u>
Airline Rates and Charges Modeling and Airline Negotiations	Frasca & Associates, LLC	\$25,000
Car Rental Rates and Negotiations	Frasca & Associates, LLC	\$25,000
Financial Strategy	Frasca & Associates, LLC	\$25,000

PENINSULA AIRPORT COMMISSION

RESOLUTION AUTHORIZING TASK WORK ORDERS UNDER
ON-CALL FINANCIAL CONSULTING SERVICES AGREEMENTS

October 24, 2019

WHEREAS, the Peninsula Airport Commission (the “Commission”) is a political subdivision of the Commonwealth of Virginia, created pursuant to Chapter 22 of the Acts of the General Assembly of the Commonwealth of Virginia of 1946, as amended, and owns and operates Newport News – Williamsburg International Airport (the “Airport”); and

WHEREAS, the Commission has entered into an on-call financial consulting service agreement with Newton & Associates, Inc. and desires to authorize the scope of services and corresponding increase in the Capital Improvement Program for the following projects: (i) preparation of the Commission’s Passenger Facility Charge (PFC) Application No. 6, and ii) amendments to current open PFC applications, the various scope and extent of such work having been described to the Commission;

NOW, THEREFORE, BE IT RESOLVED THE BOARD OF COMMISSIONERS OF THE PENINSULA AIRPORT COMMISSION THAT:

The Executive Director of the Commission is hereby authorized and directed to enter into a task work order under the Commission’s existing on-call financial consulting service agreement Newton & Associates, Inc.

<u>Project</u>	<u>Consultant</u>	<u>Amount</u>
Preparation/Amendment of Passenger Facility Charge (PFC) applications	Newton & Associates, Inc.	\$59,000

A motion to adopt the Resolutions was made by Commissioner Herbert. Commissioner Wallace seconded the motion.

Discussion took place with respect to scope of services for each of the tasks. The staff described the work to be done and the expected timeline of the work. The Executive Director handed out an exhibit that showed the impacted to the budget of these resolutions and what is spent on professional service. The Vice Chair asked if it was fair to say that we know our airport

very well but the consultants are brought on because they know what is happening at other airports? The Executive Director said there is saying in the business, if you've seen one airport, you've seen one airport, the Vice Chair's observation is correct. The Vice Chair asked that the consultants consider the use of land release revenues in their future recommendations.

Voting in the affirmative were: Commissioners Joseph, Wallace, and Herbert

Motion passed 3-0

- ❖ **Commissioner Joseph wanted it noted that these types of agreements should have been pre-built into the adopted budget, so that these items would have been a vote to agree to them rather, than amending the budget to accommodate them.**
- Leslie Roberts and Katie Ward from Brown Edwards reported on the FY 2019 Annual Audited Financials, the statements were distributed. Ms. Roberts briefed:
 - ❖ Everything went smoothly
 - ❖ Audit began in late July on Ms. Carr's suggestion
 - ❖ The Commission brief is a month earlier than usual
 - ❖ The audit is a "clean, unmodified opinion – everything looks good"
 - ❖ Pages three through eight are a good overview and a good read
 - ❖ Pages nine is the statement of net position or the Balance Sheet
 - Includes capital assets
 - \$8.6M in restricted monies (State, Federal) and net pensions assets
 - ❖ Page 11 is the Income Statement and shows a gross profit
 - ❖ \$7.9M in depreciation (not a cash flow item) is subtracted from the gross profit
 - ❖ Page 12. This and last year showed positive cash flow ("good to see")
 - ❖ Ms. Roberts explained Footnote 1. Why the Commission was reported as a subcomponent of the City of Newport News. It is not because of financial dependence; it is because of governance. The Commission has more board members appointed by Newport news than it does by Hampton, so Newport news "has control in that manner." The makeup of the board is driving that. That could change.
 - ❖ Page 48-49 (not numbered in the report), part of a governmental audit Identifies weaknesses, deficiencies and compliance issues. None were noted.
 - ❖ Page 50. Clean, unmodified findings. No deficiencies. Program is compliant.
 - ❖ Ms. Ward briefed the "Correspondence with the Board." There were no difficulties during the audit. There were zero uncorrected misstatements, there were additional journal entries during the audit executed by the auditors for expediency not because they were findings. New GASB 87 and 89 may impact the Commission. GASB 87 deals with operating leases.

Discussion about Component Reporting:

- ❖ Vice Chairman Joseph: Back to consolidation of audits with governing municipalities. Other than the voting control, is there any financial statement

impact or overlap – I mean does the City of Newport News have any direct or indirect liabilities, intended or otherwise, do they have any net investment debt or equity loans or equity investment in the airport of any kind? Leslie Roberts: No. No and as you refinance or whatever you're going to do with your refinance plan you need to make sure that that's not the case if you want to ensure they are not guaranteeing or co-borrowing with you on anything. Vice Chairman Joseph: This airport's been around since 1946 but in the community there's some confusion about who paid for the airport, who owns the airport, and who has exposure if there were losses at the airport, and so my understanding is we are an independent state sponsored entity and that none of the municipalities have any contingent or direct liability or contingent or direct investment in our operations, in other words they didn't pay for the airport. Leslie Roberts: The airport is paid for with loans, federal and state money, the infrastructure, if that's what you are talking about. I have two other airport authorities that I do that definitely have financial dependence. They get grants every year, and there is no way you can separate the two and they have loans that are underwritten by the government entity. In Newport News' case the definitely the relationship is the governance piece. Vice Chairman Joseph: It is a source of confusion among the laymen in the community. Brown Edwards being a governmental audit firm chose to put it on the cover page of the audit.

- ❖ Eric Ballou, Esq.: Legal relationships between the city and the entities can come into question as to who they financially report to and with respect to GASB rules that speak to component units and whether the treatment is blended or discretely presented. The PAC enabling legislation is clear that the Airport Commission cannot really bind the cities by virtue of running a deficit or anything. What happens is budgets are to be presented to the jurisdictions and if they are approved in a deficit then that would be the in fact jurisdiction's willingness to appropriate money as in some of the other airport commissions you see but I think it takes an affirmative act by the jurisdiction in order to support fiscally the Airport Commission.

2. REAL ESTATE

Commissioner Joseph reported. Did not meet.

3. GOVERNANCE.

Commissioners Joseph reported.

- Governance Reform: Mr. Joseph has asked Mr. Wallace to join him for the meetings with James City County, York County and Williamsburg.
- The calendar has been distributed
- A by-laws review is underway
- Mr. Giardino is close to producing a syllabus newly appointed Commissioners

4. AIR SERVICE.

Mr. Giardino

- Work on the new Marketing Strategy continues
- Traffic is up, report included in the packet distributed

EXECUTIVE DIRECTOR'S REPORT

- Meeting with Congressman Bobby Scott went very well, Mr. Knapp talked with Congresswoman Luria's office as well
- At the request of the Newport News Schools Superintendent Mr. Giardino met with Dr. Parker and the Newport City Manager to discuss the future of the Denbigh Aviation Academy
- The Executive Director will join a panel on transportation which will be aired on WHRO November 14th.

NEW BUSINESS. None.

OLD BUSINESS.

- Executive Director's Annual Evaluation and Bonus: The Governance Committee is using the same evaluation form as last year, the form will be distributed during the next Commission meeting, then reported on the following meeting
- The Executive Assistant has created Commission and Committee binders that will be distributed and utilized during meetings.
- Due to the November PAC meeting falling on Thanksgiving, it is automatically postponed until the following Thursday (December 5, 2019) per the PAC By Laws.

ADJOURNED

Being no further business, the meeting was adjourned at 8:54 a.m.

NEXT MEETING

The next regular meeting for the Peninsula Airport Commission will be held on Thursday, December 5, 2019 (due to the Thanksgiving Holiday) at 8:00 a.m. in the Commission Room at the Newport News/Williamsburg International Airport.