

# Peninsula Airport Commission

Board of Commissioners Meeting Minutes

January 26, 2023, 8:00 a.m.

## **Commissioners in Attendance:**

Chair, Lindsey Carney Smith  
Vice Chair, Brian Kelly  
Secretary, Sharon Scott (arrived 8:23 a.m.)  
Assistant Secretary, Thomas "Tommy" Garner  
Treasurer, James "Jay" Joseph  
Assistant Treasurer, Jennifer Smith (arrived 8:03 a.m.)

## **Staff Members in Attendance:**

Executive Director, Michael Giardino  
Deputy Director, John Borden  
Finance Director, Mark Adams  
Marketing & Public Relations Manager, Victoria Hall  
Executive Assistant, Jamie O'Brien  
Assistant Parking Supervisor, Inez Gomola  
Shuttle Driver, John Short  
DPS Chief, Todd Rittenhouse  
Human Resources Manager, Regina Carson  
Operations Manager, Rob Gay  
Operations, T.J. Manning  
Operations, Nick Zielke  
Take Flight Restaurant, Jamie Riddle  
Take Flight Restaurant Manager, Alvin Dimaiuat  
Landscape Maintenance Supervisor, Skeeter Lavelle  
Business Development Manager, Chris Walton

## **Public Officials Present:**

Newport News Vice Mayor, Curtis Bethany  
Assistant City Manager, Ralph "Bo" Clayton

## **Public Attendees:**

Counsel, L. Scott Seymour  
Airport One LLC, Steve Romme  
Passero Associates, Andrew Holesko  
Passero Associates, Lisa Cheung  
Cherry Bekaert Advisory, Lauren Strobe (virtual presence)

Chair Carney Smith called the meeting to order at 8:00 a.m.

**Public Comment:** No public comment

**Presentation of Jared Alexander Award:** John Borden presented the Jared Alexander Award to:  
Jamie Riddle, Take Flight Restaurant  
Nick Zielke, Operations  
T.J. Manning, Operations  
Rob Gay, Operations Manager

John Short, Shuttle Driver was unable to be present  
Firefighter Wayne Woodcock was unable to be present  
Fire Chief Dewain Starks was unable to be present

Mr. Giardino thanked each recipient personally.

**Presentations:** Audit review was presented by Lauren Strope of Cherry Bekaert. See Exhibits. There were no questions or comments from the Board of Commissioners.

A Master Plan Update was presented by Lisa Cheung and Andrew Holesko of Passero Associates. See Exhibits.

Chair Carney Smith asked what is the role of the Commission as Passero works through the process. Mr. Holesko said a workshop can be set up to work through different elements of the development of the plan, or they can do brief updates at Commission meetings. It would be up to the Board to determine what they would like from Passero. There will be a couple of "open houses" where the public can walk through the elements as well.

Mr. Giardino reminded the Board that the Planning and Development Committee did receive the scope of work. We will email it to the rest of the Commission as well. Meetings with the Department of Aviation and the FAA are scheduled for funding purposes.

Commissioner Smith expects a systematic approach as to how engage with Passero. She then asked how the State funding works. Ms. Cheung provided the explanation. Mr. Giardino expanded on the explanation.

Chair Carney Smith asked about next steps. Mr. Holesko said the next step is the submission of the draft of scope of work to the State and the FAA for their feedback.

Mr. Kelly said he was very happy to see the Urban Air Mobility in the draft. Regarding the electric EVTOL, he questioned if that was a significant infrastructure change to go electric for charging vehicles. Mr. Holesko said that piece can be significant depending on the location of the charging station and the Urban Air Mobility. The biggest challenge will be if that will be incorporated into the physical facilities of the airport, if it will be a general aviation function or if there will be a close tie with the terminal building. Those are two different coordinations. Mr. Giardino said EVTOL and Urban Air Mobility are a big consideration in the industry. Electrification is part of the future. Even the car rental agencies are interested in charging capabilities.

Chair Carney Smith acknowledged Newport News Vice Mayor Curtis Bethany III in attendance at the meeting.

A Marketing Update was presented by Steve Romme. See Exhibits.

Commissioner Joseph asked Mr. Romme to read the number of available seats and number of seats sold on American flights for the past two Januarys. Chair Carney Smith asked for the number of flights American flies through PHF. Mr. Giardino provided that information.

Commissioner Smith asked if weather affected load factor. The answer was that weather did not play much role in the load factor.

Commissioner Garner asked if the size of the aircraft last year was larger than what we currently get. The answer was no, however, we did have an American flight to Philadelphia which we no longer have.

There was some discussion about getting a flight back to Philadelphia. The response was that because of the regional pilot shortage, we likely won't see increased flights currently but we continue to talk to American Airlines and encourage them to add more service through PHF.

Commissioner Kelly asked if it was less expensive for American to fly through PHF than it is to fly through ORF and RIC. The answer was that our cost per enplanement is far less than Richmond and Norfolk, but that isn't part of American's calculus when determining to add flights. They look at revenue, not expenses.

Chair Carney Smith asked if the increased expense for the digital marketing came from the EDA. Mr. Romme answered that it was from the EDA and the airport. It is Ms. Carney Smith's understanding that only \$98,000 of the appropriated \$200,000 of the EDA marketing dollars has been used. Mr. Romme said that is about right. Chair Carney Smith then asked how much airport money has been used. Mr. Romme said probably close to \$80,000. The expected spend for Avelo will be about 70% of the earmarked funds in the first year.

Commissioner Joseph asked how marketing would be done differently next time with a new route. Mr. Romme said because in this instance, the airline has control over what marketing is done, he would not do anything differently. In the future, he would suggest the airport keep control over the marketing spend rather than the airline if possible.

Commissioner Smith asked if Mr. Romme was looking at spend or GRPs on Avelo marketing. Mr. Romme answered that he looks more at impressions. He believes people aren't aware of Avelo's air service through PHF. He is driving marketing to make more people aware of Avelo flights through PHF.

Commissioner Scott asked if the schedule of only flying two days a week (thereby forcing passengers to stay for 4 days) was a deterrent and also the additional add-ons was misleading. Mr. Romme said all other carriers have add-ons (baggage) and a passenger does not have to purchase a seat. Other low-cost carriers offer the same experience. Mr. Romme said typically low-cost carriers offer two fly days per week and they're successful. There was additional discussion about more flights meaning more labor costs but also more revenue in parking, rental cars, and restaurant, etc.

**Old Business:** None

**New Business:** None

**Committee Reports:**

**Finance and Audit Committee:** Did not meet

**Planning and Development Committee:** Did not meet

**Minutes:** Commissioner Smith moved to accept the December 21, 2022 regular PAC meeting minutes with clarifications. Commissioner Garner seconded and the minutes were approved unanimously.

**Closed Session:** Counsel Scott Seymour read the following to enter in to closed session: 2.2-3711.A.1: Discussion, consideration or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees or employees of any public body; and subsection A.39: Discussion or consideration of information subject to the exclusion of subdivision 3 of section 2.2-3705.6 proprietary financial information related to economic development and activities associated with Avelo Airlines.

A motion was made by Commissioner Smith and seconded by Commissioner Scott. A roll call vote was taken: Ms. L. Smith – Yes, Mr. Kelly – Yes, Mr. Joseph – Yes, Ms. J. Smith Ms. Scott – Yes, Mr. Garner – Yes. The motion passed unanimously. Closed session began at 9:29 a.m. Commissioner Kelly left the meeting at 9:30 a.m.

Attorney Seymour read the following: “To conclude the closed session meeting and return to the open meeting and that prior to a roll call vote, the Commissioners of the Peninsula Airport Commission shall certify that to the best of their knowledge (i) only such public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened, were heard, discussed or considered in the meeting by the members of the Commission.

Any member of the Commission who believes that there was a departure from the requirements just stated must so state prior to the roll call vote and indicate the substance of the departure that, in such Commissioner’s judgment has taken place.

If there are no such statements of departure, if we could please have a motion and second to end and certify the closed session and return to open meeting.”

Ms. J. Smith moved to open the meeting. The motion was seconded by Ms. Scott. A roll call vote was taken: Ms. L. Smith – Yes, Mr. Joseph – Yes, Ms. J. Smith – Yes, Mr. Garner – Yes, Ms. Scott – Yes. The motion passed and the meeting returned to open session at 11:30 a.m.

Attorney Seymour stated there was one motion coming out of the closed session with respect to the evaluation of the Executive Director for the year. He asked for the motion to that the results of the evaluation of the Executive Director and his performance as discussed in closed session by the Commissioners of the Peninsula Airport Commission be accepted as the annual evaluation of the Executive Director and that the Chair of the Commission is hereby directed to present and discuss such

evaluation and related plans of the Commissioners with the Executive Director and is hereby authorized, empowered and directed to take any and all actions to negotiate agreements, amendments to agreements to perform such other acts as she in her discretion may deem necessary in order to carry out the purpose and intent of the foregoing resolution.

Commissioner Garner moved and it was seconded by Commissioner J. Smith. A roll call vote was taken: Ms. L. Smith – For, Mr. Joseph – Against, Ms. J. Smith – For, Ms. Scott – For, Mr. Garner – For.

Commissioner Joseph stated for the record that Commissioner Kelly had to leave the meeting early and we do not have proxy voting, but as it pertains to this matter coming before the Commission, Commissioner Kelly requested it be expressed in the minutes that he would also have voted “Against” the motion had he been present.

Chair Smith asked if there was anything else to come before the commission. There being none, the meeting adjourned at 11:31 a.m.

DRAFT

# EXHIBITS



# Peninsula Airport Commission

A component unit of the City of Newport News, VA

January 26, 2022



# Table of Contents

Engagement Summary

Overall Audit Results

Required Communications with Those Charged with Governance

Future Accounting and Reporting Changes





# Engagement Summary



# Engagement Services

- ▶ You have engaged us to provide the following for the year ended June 30, 2022:

## Financial:

Audit of the basic financial statements in accordance with U.S. GAAS and *Government Auditing Standards*

## Compliance:

*Specifications for Audits of Authorities, Boards, and Commissions* by the Auditor of Public Accounts

Uniform Guidance 2 CFR Part 200

*Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration



# Responsibility of the External Auditor

## Plan

- Plan the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement
- Consider internal controls over financial reporting to design audit procedures appropriate in the circumstances

## Perform

- Perform an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
- Obtain audit evidence about the amounts and disclosures in the financial statements

## Reporting

- Opine on the financial statements based on the sufficiency and appropriateness of the audit evidence obtained during our audit



# Responsibility of the Commission

## Management

- The preparation and fair presentation of the financial statements in accordance with U.S. GAAP
- The design, implementation, and maintenance of internal controls relevant to the preparation of financial statements that are free of material misstatement, whether due to fraud or error

## Commission

- Oversight of internal controls over financial reporting and over compliance
- Oversight of management's policies and procedures

## Both

- Setting the proper tone at the top and encouraging a culture of high ethical standards
- Ensuring operations are in accordance with provisions of laws and regulations



# Overall Audit Results



# Audit Deliverables

## Audit Opinion

Basic Financial Statements

Notes to the Basic Financial Statements

## In Relation to Opinion

Supplementary Information

## Unaudited

Commission Members

Management's Discussion and Analysis

Required Supplementary Information



# Engagement Results

- ▶ Financial Statement Audit Opinion as of and for the year ended June 30, 2022

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## Audit Opinion

Our opinion is unmodified:  
Basic Financial Statements  
Notes to the Basic Financial Statements

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## In Relation To

Our opinion is unmodified in relation to the financial statements taken as a whole:  
Schedule of Operating Income  
Schedule of Income(Loss) from Operations before Depreciation per Activity  
Schedule of Pledged Revenue Coverage

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## Unaudited

We do not express an opinion or provide any assurance on:  
Listing of Commission Members  
Management's Discussion and Analysis  
Required Supplementary Information – Pension/OPEB Schedules

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# Engagement Results

## ▶ Test of Compliance as of and for the year ended June 30, 2022

<i>Government Auditing Standards</i>	<p>We identified a certain deficiency in internal controls that we consider to be a material weakness (item 2022-001) and a significant deficiency (item 2022-002).</p> <p>The results of our testing disclosed no instances of noncompliance or other matters that are required to be reported. However, our audit does not provide a legal determination of compliance.</p>
<i>Specifications for Audits of Authorities, Boards and Commissions</i>	In process
Uniform Guidance	In process
Passenger Facility Charge	In process





# Internal Control Communication

## Material Weakness

- ▶ 2022-001 – Financial Reporting and Close Process
  - ▶ The Commission does not have adequate controls over the financial reporting and close process. Specifically, we identified 4 instances which required material adjustments to the Commission's financial statements to be reported in accordance with accounting principles generally accepted in the United States of America.

## Significant Deficiency

- ▶ 2022-002 – Segregation of Duties
  - ▶ The Commission does not have adequate segregation of duties over initiating, recording, and reconciling transactions involving key financial cycles. Although the size of the Commission's accounting department limits the extent of separation of duties, we believe certain steps could be taken to separate duties performed by members of the accounting function. The basic premise is that no one employee or individual should have access to both physical assets and the related accounting records or to all phases of a transaction.



# Required Communications with Those Charged with Governance



# Required Communications

## Accounting Policies

- Adoption of new accounting policies effective July 1, 2021
  - GASB Statement No. 87 – *Leases*
  - GASB Statement No. 93 – *Replacement of Interbank Offered Rates*
- Application of existing policies was not changed during 2022

## Management Judgement and Accounting Estimates

- Allowance for Doubtful
- Compensated absences
- Depreciable lives of capital assets
- Pension and OPEB Liabilities



# Required Communications

## Corrected and Uncorrected Misstatements

- We identified the following misstatements which were corrected by management:
  - \$424,507 adjusting entry to construction work in progress and accounts payable.
  - \$200,727 adjusting entry to accounts receivable – Federal Aviation Administration and federal grant revenues.
  - \$2,410,756 adjusting entry to the net pension asset and a reduction of the pension expense.
- We identified the following misstatements which were not corrected by management:
  - \$999,916 adjustment to construction work in progress and beginning net position.



# Required Communications

## Disagreements with Management

- There were no disagreements with management regarding a financial accounting, reporting, or auditing matter

## Difficulties Encountered in Performing the Audit

- We encountered no significant difficulties in working with management in performing and completing our audit

## Consultation with Other Accountants

- To our knowledge, there were no cases in which management decided to consult with other accountants about auditing and accounting matters



# Required Communications

## Material Client Communications

- Management representation letter dated December 21, 2022

## Other Audit Findings or Issues

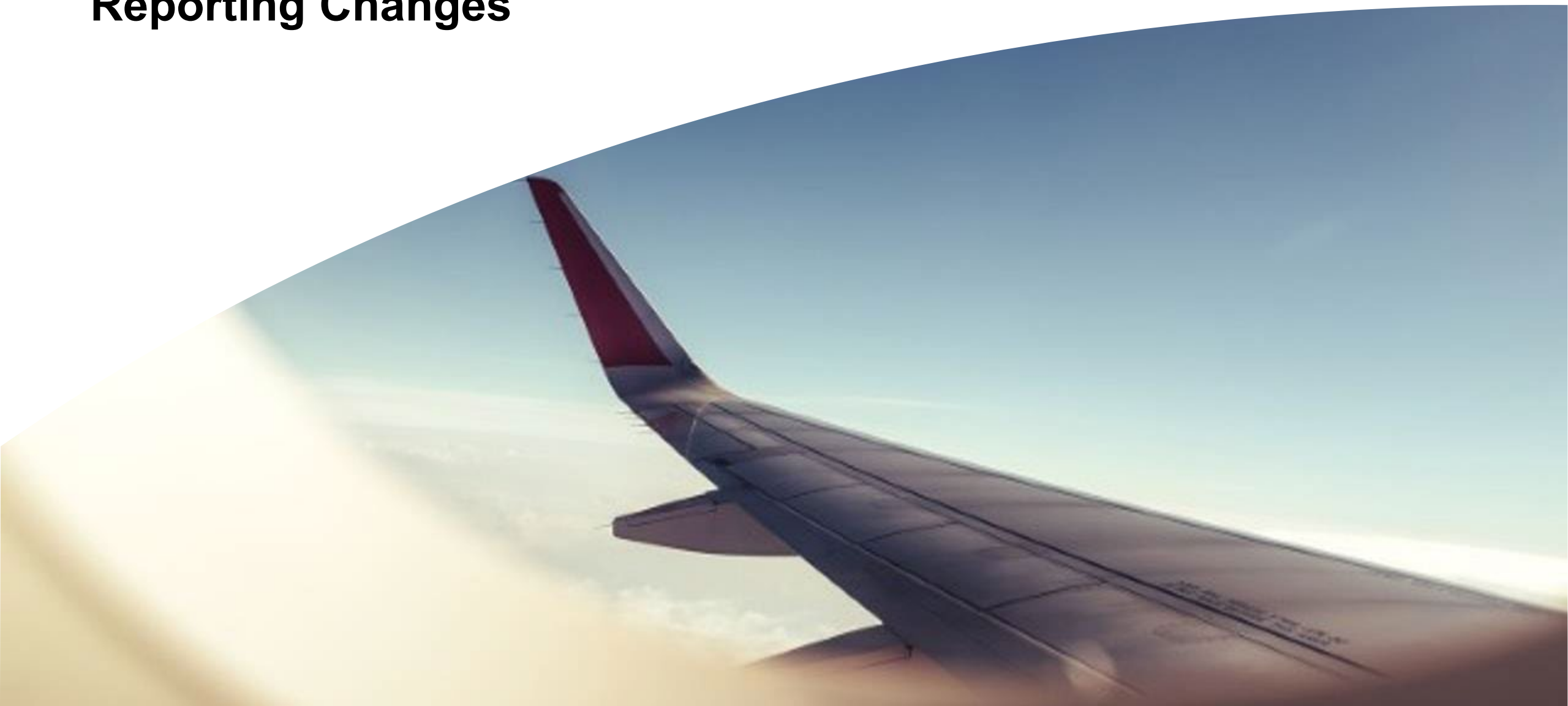
- All discussions with management occurred in the normal course of our professional relationship and our responses were not a condition to our retention

## Independence

- We gave significant consideration to the nonattest services performed, specifically drafting the financial statements, which may reasonably be thought to bear on independence, in reaching the conclusion that independence has not been impaired



# New and Future Accounting and Reporting Changes



# Future Accounting and Reporting Changes

**GASB  
statements  
effective for  
FY 2022**

- ▶ **Statement No. 87 – Leases**

Establishes criteria for determining the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflow of resources based on the payment provision of the contract.

- ▶ **GASB Statement No. 93 – *Replacement of Interbank Offered Rates***

Addresses accounting and financial reporting implications from the replacement of LIBOR (December 31, 2021), specifically relating to derivative instruments and leases.





# Future Accounting and Reporting Changes

## Statement on Auditing Standards effective for FY 2022:

- ▶ **SAS 134 – Auditor Reporting and Amendments**

Changes the layout of the standard audit report, adds optional disclosures of key audit matters, adds going concern considerations and additional required statements within the management's and auditor's responsibilities in relation to the audit.



# Future Accounting and Reporting Changes

## GASB statements effective for FY 2023:

- ▶ **GASB Statement No. 91 – *Conduit Debt Obligations***  
Provides a single method of reporting conduit debt obligations by clarifying the definition of a conduit debt obligation, establishing that conduit debt obligations are not a liability of the issuer, establishing standards for additional commitments and voluntary commitments extended by issuers as well as arrangements associated with conduit debt obligations and improving required note disclosures.
- ▶ **GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements***  
Improves accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users by establishing SBITAs as a right-to-use subscription asset, an intangible asset and corresponding subscription liability.



# Questions?

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Director – Government Transportation Group

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#### **About Cherry Bekaert**

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# Master Plan

- Why? Last completed 2014, needs updating, airport/airline/industry changes
- Funding? Federal Grant – 90% Federal, 8% State, **2% Local**
- Who? Master Plan team led by Passero and Talbert & Bright
- Critical Elements
  - Inventory
  - Forecasts - with your air service provider (CMT) – **FAA approval**
  - Alternatives – best use of airport, identify areas for aviation / econ development
    - Airfield, Terminal, Old Terminal Redevelopment, Cargo, Urban Air Mobility/EVTOL, ARFF, Cargo, General Aviation, Maintenance, Ground Access
  - Financial Plan – with your financial consultant (Frasca)
  - Airport Layout Plan – 20-year development graphic – **FAA approval**
  - Public Open House and Updates
- Schedule – anticipate start in April/May – conclusion in 18 months

TM

NEWPORT NEWS WILLIAMSBURG  
INTERNATIONAL AIRPORT

# Newport News Williamsburg Airport

## MARKETING UPDATE

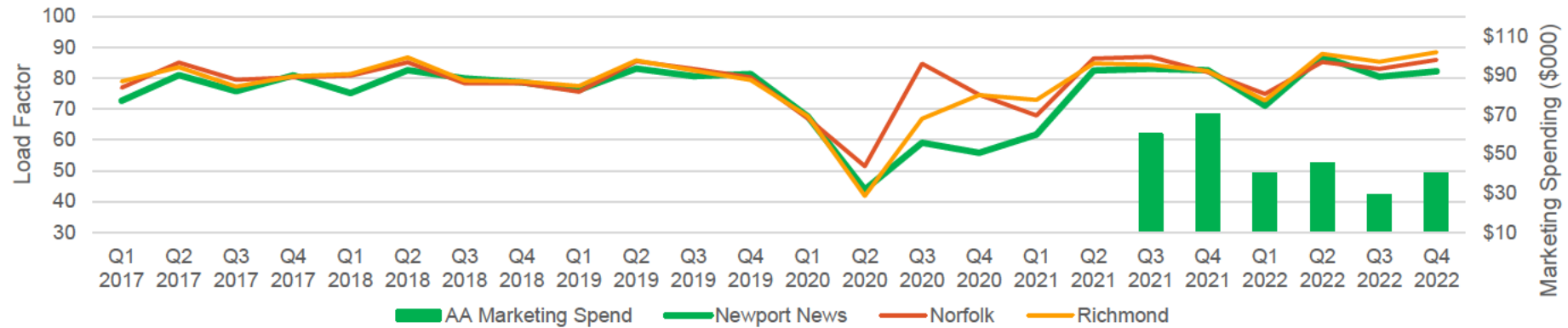
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January 2023

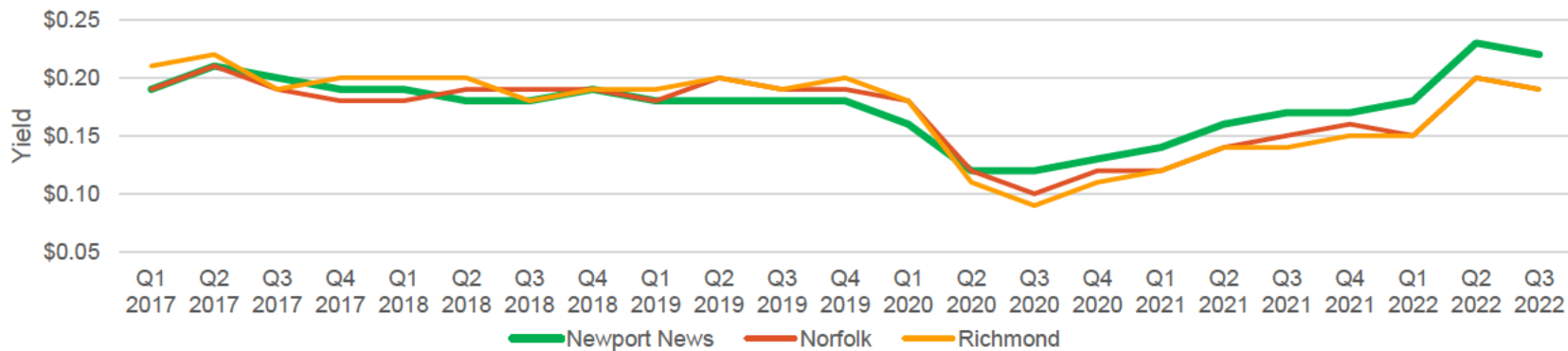
# Results for American Airlines

## Load Factors and Yields by Airport

Load Factors AA

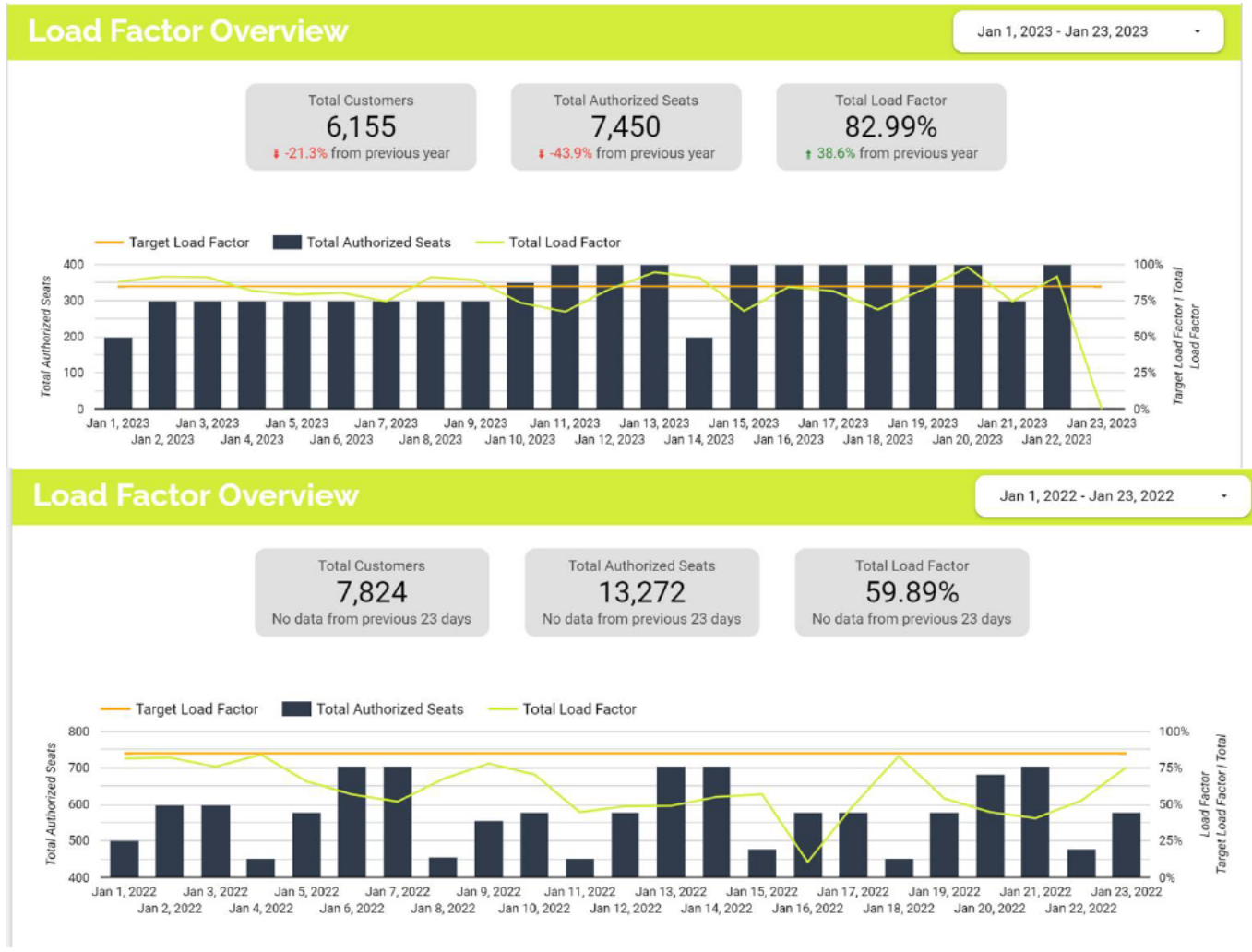


Yield AA



# Results for American Airlines

## Load Factors – 2022 YTD vs 2023 YTD



# American Airlines Summary

- Load factor and yield performance has been good
- Marketing spending has become more efficient
- Current schedules create a larger challenge



# Avelo Air Timeline

- **July**

- First meeting - Avelo will lead marketing
  - Airport funding immediate made available
  - EDA funds to be administered by Avelo

- **October**

- Avelo requests support to help administer untapped EDA funds

- **November**

- Airport One agrees to administer EDA funds on behalf of Avelo
- Comprehensive marketing plan created
  - Includes airport and EDA funds
  - Expands channels to include digital, radio, and military
- Expedited implementation begins mid-November

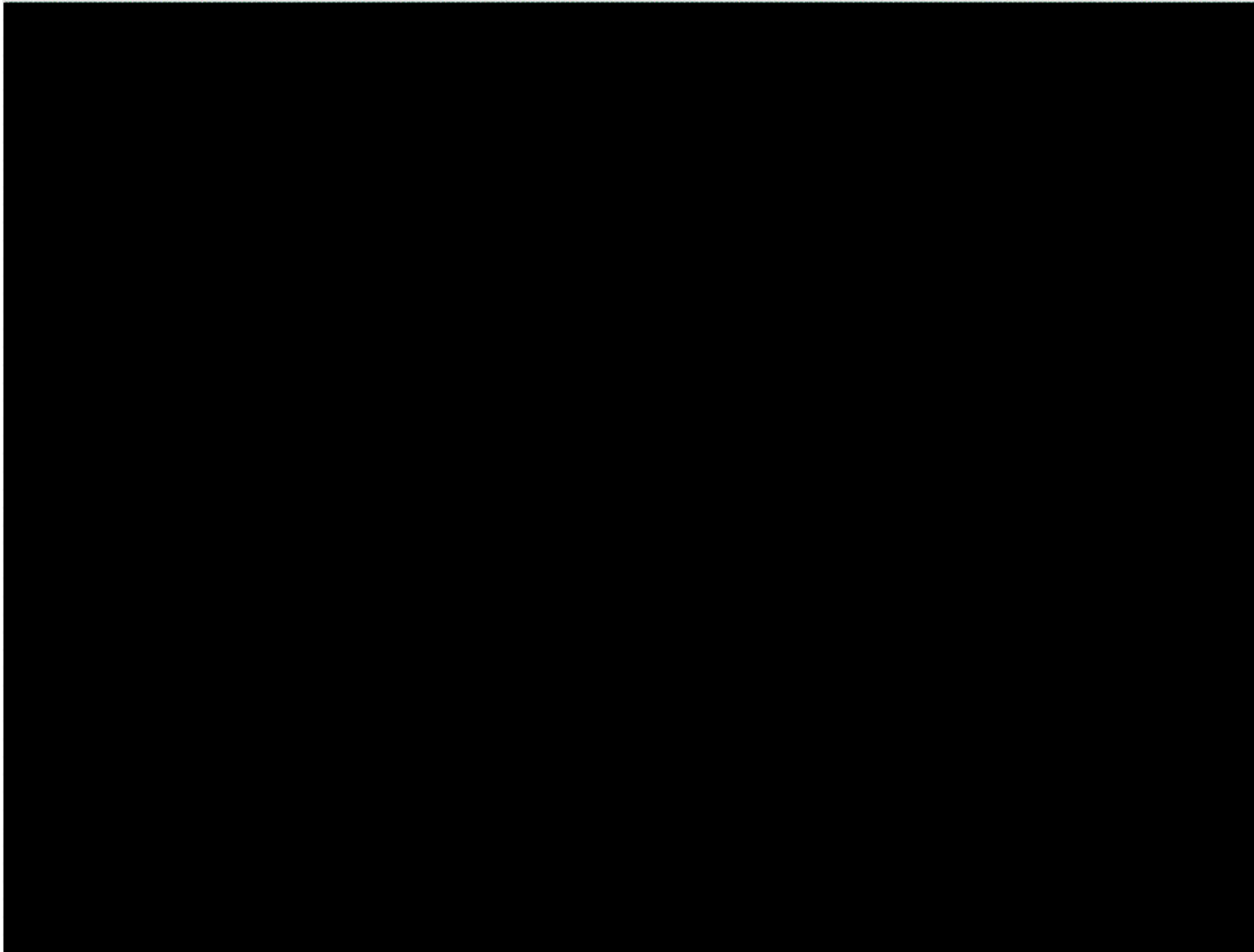
- **December**

- Comprehensive plan implementation complete by end of December

- **January**

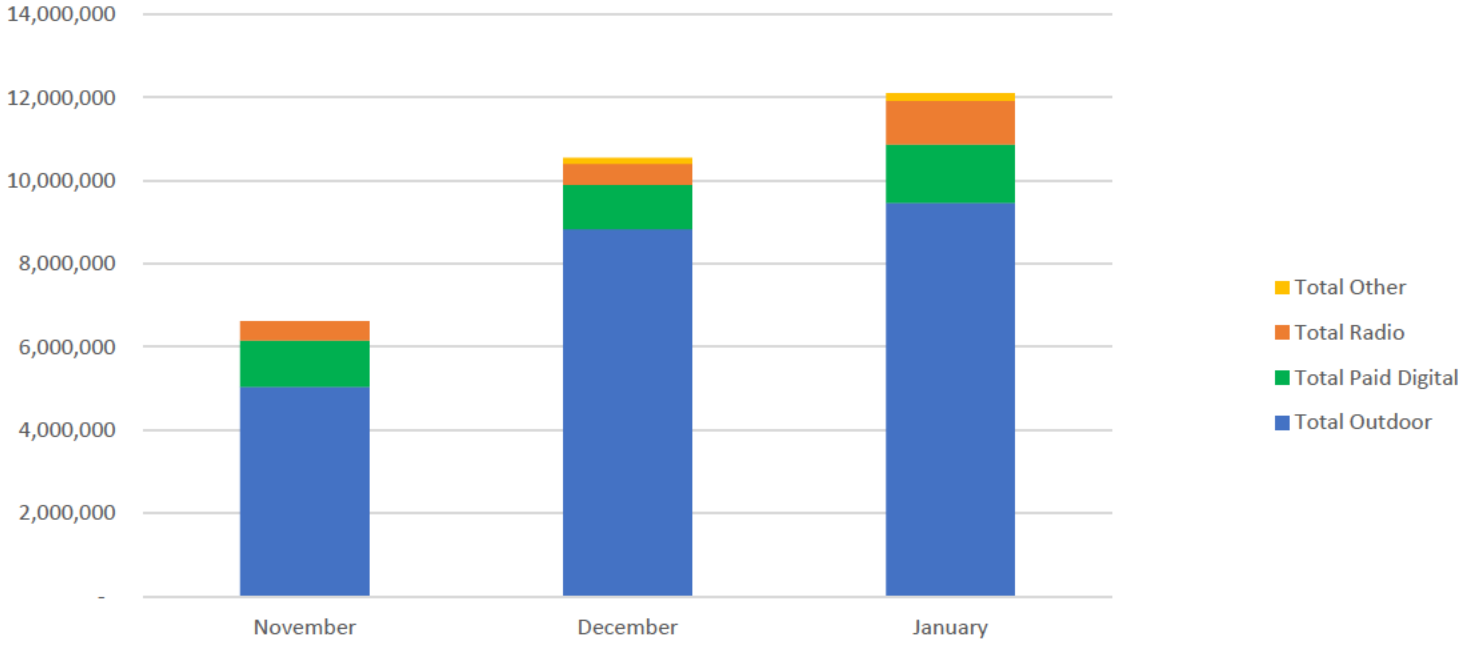
- Lower than expected bookings communicated on January 14
- Incremental and realigned marketing added by January 21
- Digital referrals to Avelo more than doubled

# Avelo Air Marketing Plan

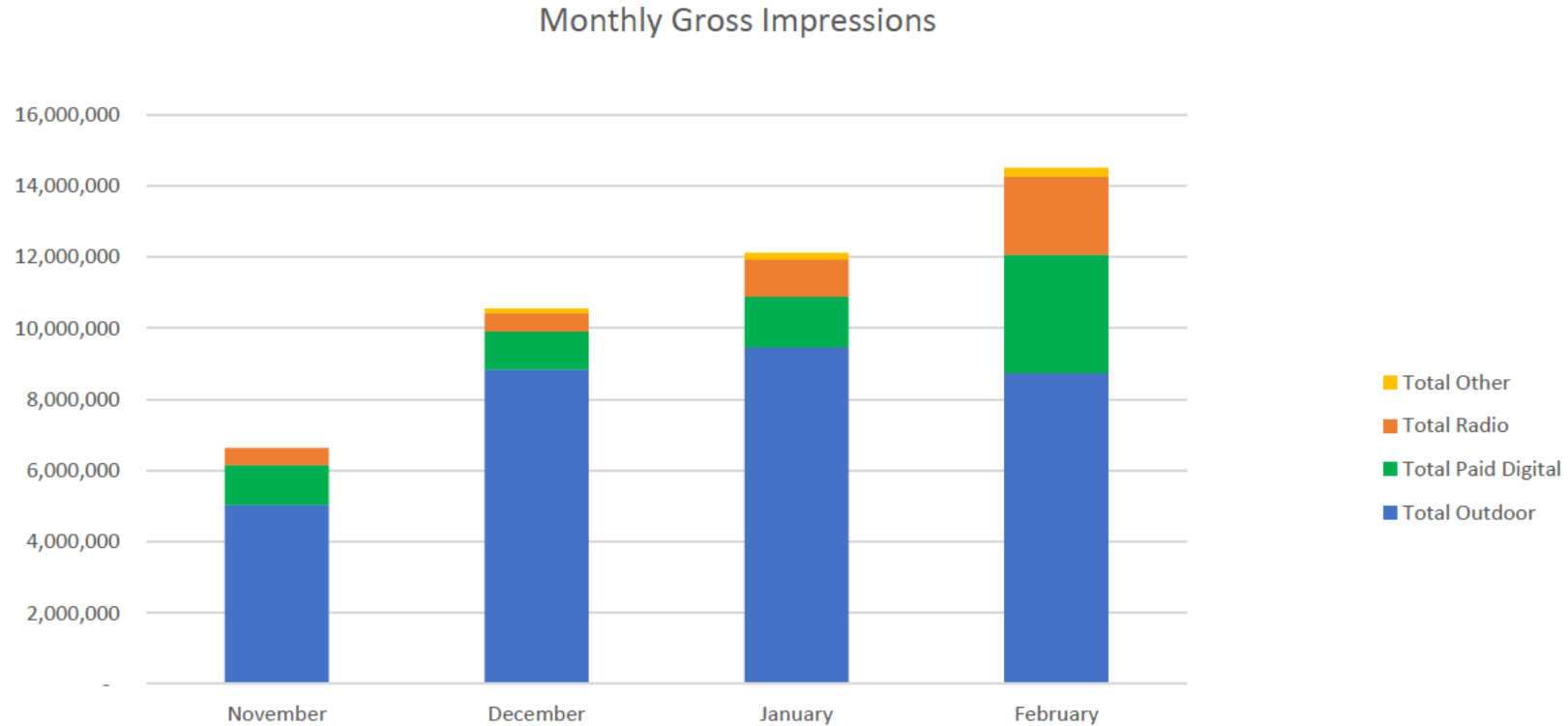


# Avelo Marketing Plan Summary through January

Monthly Gross Impressions



# Avelo Marketing Plan Summary Updated through February



- **Digital clicks to Avelo booking page**
  - Dec 750/day 23,000/month
  - Feb 1,500/day 46,000/month

Questions?