

# Peninsula Airport Commission Board of Commissioners Meeting Packet

*Lindsey Carney Smith, Chair*

*John Borden, Acting Executive Director*

Thursday, March 23, 2023

8:00 a.m.

Commission Room

900 Bland Blvd

Newport News, VA 23602

# AGENDAS

## **PENINSULA AIRPORT COMMISSION**

### **REGULAR MEETING AGENDA**

**Date: March 23, 2023**

**Time: 8:00 a.m.**

**Location: Commission Room**

- 1) Call to Order
- 2) Approval of Minutes from February 2023
- 3) Read Instructions for Public Comment
- 4) Public Comment
- 5) Committee Reports
  - a) Finance & Audit
  - b) Planning & Development
- 6) Old Business
- 7) New Business
  - a) Drawing for the charitable partner to benefit from the 5K on the Runway (Facebook Live broadcast)
- 8) Closed Session
  - a) Air Service Discussion
  - b) Discussion regarding personnel
  - c) Discussion regarding Professional Services
  - d) Discussion regarding ROFR
  - e) Discussion regarding consultant contract

§2.2-3711.A.(1):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 evaluation of performance of departments or schools of public institutions of higher education where such evaluation will necessarily involve discussion of the performance of specific individuals. Any teacher shall be permitted to be present during a closed meeting in which there is a discussion or consideration of a disciplinary matter that involves the teacher and some student and the student involved in the matter is present, provided the teacher makes a written request to be present to the presiding officer of the appropriate board. Nothing in this subdivision, however, shall be construed to authorize a closed meeting by a local governing body or an elected school board to

discuss compensation matters that affect the membership of such body or board collectively. (3) Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.

(5) Prospective Business Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made; (8) Consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel. (29) Discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body.

9) Adjourn

# MINUTES

# Peninsula Airport Commission

Board of Commissioners Meeting Minutes

February 28, 2023, 8:00 a.m.

## **Commissioners in Attendance:**

Chair, Lindsey Carney Smith  
Treasurer, James "Jay" Joseph  
Secretary, Sharon Scott (arrived 8:15 a.m.)

## **Staff Members in Attendance:**

Interim Executive Director, John Borden  
Marketing & Public Relations Manager, Victoria Hall  
Office Manager, Barbara Rumsey  
Operations Manager, Rob Gay  
Avelo Station Manager, Bill LaManque  
Grounds Maintenance Supervisor, Howard "Skeeter" Lavelle  
Business Development Manager, Chris Walton  
Custodial Manager, Brad Hauser

## **Public Officials Present:**

Assistant City Manager, Ralph "Bo" Clayton

## **Public Attendees:**

Counsel, L. Scott Seymour  
Kiln Creek HOA representative, David Hause  
Wavy 10 News Reporter, Brett Hall  
GA Hangar Tenant, John Gleason (President, Peninsula Aircraft Owners and Pilots Association)

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

**Public Comment:** Barbara Rumsey read instructions for public comment.

Mr. John Gleason addressed the Board of Commissioners. He would like to see a new Executive Director who is more "GA friendly." He feels the airport and GA interests should align and looks at the change in leadership as an opportunity for positive change.

**Finance and Audit Committee Report:** Commissioner Joseph stated; the audit was discussed in the meeting. A progress report will be given at the next committee meeting to address the separation of duties and journal entries. The audit contract was reviewed and planning has begun for the next audit so that it can be better coordinated to meet the City of Newport News deadlines. Staff is working on capital priorities. An annual submission is due for the first of April, so the Finance Director was asked to provide an update for capital priorities. We continue to focus on cash balances, investment opportunities, and a detailed report on restricted funds and how they align with capital priorities.

**Old Business:** none

**New Business:** Fire house lease extension. The City of Newport News wants to extend their lease on the fire house until their fire house construction is complete (approximately 2 years). Estimated completion of the new fire house is Winter 2024. The lease would be negotiated for the same cost but the new lease would include a 120 day early termination option.

Chair Smith asked for a motion to approve the lease as presented. Commissioner Joseph moved and Commissioner Scott gave a second. A roll call vote was taken. Chair Smith – For, Commissioner Joseph – For, Commissioner Scott – For. There were no objections or abstentions and the motion passed unanimously.

**Minutes:** Commissioner Scott moved to accept the January 26, 2023 regular PAC Meeting minutes as presented. Commissioner Joseph seconded. A roll call vote was taken. Chair Smith – For, Commissioner Joseph – For, Commissioner Scott – For. There were no objections or abstentions and the motion passed unanimously.

Commissioner Scott moved to accept the February 13, 2023 Special PAC Meeting minutes as presented. Commissioner Joseph seconded. A roll call vote was taken. Chair Smith – For, Commissioner Joseph – For, Commissioner Scott – For. There were no objections or abstentions and the motion passed unanimously.

**Executive Director Report:** Mr. Borden reported that the phased access road project bids have closed. Talbert & Bright are currently tabulating them.

Mr. Borden attended the Virginia Aviation Board meeting recently.

The Entitlement Utilization Report Plan (EURP) funding request has been updated.

Mr. Borden had a conversation with Brooke Chapman at the Department of Transportation regarding the SCASDP Grant.

AIP / PFC / Master Plan scheduled to meet on March 2, 2023, in Richmond. Mr. Borden, Ms. Rumsey, and Mr. Adams will attend.

Work continues with Allan Meyer on the taxiway project. The project is in the final stages.

James Seadler of American Airlines visited recently and is still happy with PHF. They are going to upgrade their counter space at PHF. American plans to go to four flights a day in April and possibly in June, July, and August. There is a chance we could have 5 flights a day. There are still no plans to get a Philadelphia flight back at PHF.

Commissioner Joseph asked what and when is the next air conference. Mr. Borden responded that the next big conference is in June. Chair Smith asked if it was too late to register. Commissioner Joseph requested that Mr. Borden have an update on air service conferences in 2023 to report at the next Board of Commissioners meeting. Chair Smith said to consult with our air service consultant about whether it's feasible to attend the conference in June.

Chair Smith commended Mr. Borden for doing a phenomenal job in the last two weeks as he has stepped into the role of Interim Executive Director.

Chair Smith proposed appointing Commissioner Garner as the Vice Chair of the Board of Commissioners. Commissioner Scott made the motion to appoint Commissioner Garner as Vice Chair. Commissioner Joseph gave the second.

A roll call vote was taken. Chair Smith – For, Commissioner Joseph – For, Commissioner Scott – For. Motion carried unanimously.

Chair Smith stated; there is one more resolution and that is for the compensation of the Executive Director. Counsel Seymour read the resolution. Commissioner Joseph made the motion to accept the resolution and Commissioner Scott seconded the motion. A roll call vote was taken. Chair Smith – For, Commissioner Joseph – For, Commissioner Scott – For. Motion carried unanimously.

Chair Smith asked if there were any other items for discussion before entertaining a motion to enter into closed session. Commissioner Scott said she had spoken with Commissioner Garner and he was to speak with Mr. Borden about removing the barriers at the parking spots near the terminal so commissioners can park there when they are on site. Mr. Borden said he would speak with the Operations Manager and see what the security plan allows.

**Closed Session:** Counsel Scott Seymour read the Virginia code 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; (5) Prospective business discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made; (8) Consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel.

A motion was made by Commissioner Scott and seconded by Commissioner Joseph. A roll call vote was taken. A roll call vote was taken. Chair Smith – Yes, Commissioner Joseph – Yes, Commissioner Scott – Yes. Closed session began at 8:26 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.”



A motion was made by Commissioner Scott and seconded by Commissioner Joseph. A roll call vote was taken. A roll call vote was taken. Chair Smith – Yes, Commissioner Joseph – Yes, Commissioner Scott – Yes. The motion passed unanimously. The meeting resumed in open session.

Chair Smith asked if there was anything else to come before the commission. There being none, the meeting adjourned at 9:30 a.m.

DRAFT

**PENINSULA AIRPORT COMMISSION  
RESOLUTION 23-001  
REGARDING CITY OF NEWPORT NEWS FIRE STATION LEASE  
EXTENSION**

**FIRST LEASE AMENDMENT**

**THIS FIRST LEASE AMENDMENT** (this "Agreement") dated as of the 23rd day of February, 2023 (the "Effective Date"), by and between **PENINSULA AIRPORT COMMISSION**, a municipal corporation created by a Special Act of the General Assembly of Virginia ("Landlord"), and **CITY OF NEWPORT NEWS, VIRGINIA** a municipal corporation. ("Tenant"), provides:

**WHEREAS**, Landlord and Tenant are parties to an Agreement of Lease dated June 26, 2018, as supplemented and amended by that certain Lease Extension Letter Agreement dated November 23, 2020 (as supplemented and amended from time to time, the "Lease"), covering the approximately 21,590 square feet of land and a 4,600 square for building for use as the City's Fire Station 11 in Newport News, Virginia (the "Premises"), as more fully described in the Lease; and

**WHEREAS**, the current Lease term expires June 30, 2023; and

**WHEREAS**, Landlord and Tenant have agreed to amend the Lease to (i) extend the term of the Lease for two (2) years, (ii) provide both Landlord and Tenant with the right to terminate upon giving 120 days written notice to other party, (iii) set forth the rent to be paid during the Extension (as defined below), and (iv) otherwise modify the Lease as provided herein.

**NOW, THEREFORE**, for and in consideration of the above recitals, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the undersigned, Landlord and Tenant hereby agree as follows:

(1) The term of the Lease is hereby extended for an additional two (2) year period, commencing July 1, 2023 and expiring June 30, 2025 (the "Extended Term"), under the same terms and conditions of the Lease, except as otherwise expressly provided for herein.

(2) Notwithstanding anything contained in the Lease to the contrary, the annual rent during the Extended Term shall be as follows:

**Extended Term**

July 1, 2023 – June 30, 2024	\$20,700.00
July 1, 2024 – June 1, 2025	\$20,700.00

(3) Landlord and Tenant acknowledge and agree that Tenant's address (for notice purposes

under the Lease) is hereby confirmed as:

City of Newport News  
2400 Washington Avenue  
Newport News, VA 23607  
Attn: Office of the City  
Manager.

**IN WITNESS WHEREOF**, Landlord and Tenant have caused the execution hereof by a duly authorized party.

**WITNESS:**

**LANDLORD:**

**PENINSULA AIRPORT COMMISSION**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**WITNESS:**

**TENANT:**

**CITY OF NEWPORT NEWS**

By: \_\_\_\_\_

Cynthia D. Rohlfs, City Manager

**PENINSULA AIRPORT COMMISSION**

**RESOLUTION 23-002 REGARDING ELECTION OF VICE CHAIRMAN**

February 28, 2023

**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 General Assembly of the Commonwealth of Virginia of 1946, as amended, and owns and operates Newport News – Williamsburg Airport (the “Airport”);

**WHEREAS**, Col. Brian Kelly has resigned from his positions as a Commissioner and Vice Chair of the Commission;

**WHEREAS**, pursuant to section 11 of the Bylaws of the Commission, the Commissioners are to select a successor from their membership for the unexpired term of said office; and

**WHEREAS**, the Commissioners of the Peninsula Airport Commission, after mature deliberation, desire to approve the selection of a Vice Chairman.

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

1. Commissioner Thomas Garner is hereby elected to serve as the Vice Chairman if the Commission for the unexpired term of such office and until his successor is elected and qualified.
2. This Resolution shall take effect immediately.

**PENINSULA AIRPORT COMMISSION**

**RESOLUTION 23-003 REGARDING COMPENSATION OF INTERIM EXECUTIVE DIRECTOR**

February 28, 2023

**WHEREAS**, the Peninsula Airport 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 Airport (the “Airport”);

**WHEREAS**, John Borden has been appointed by the Commissioners of the Peninsula Airport Commission (the “Commission”) to serve as the Interim Executive Director of the Commission;

**WHEREAS**, in connection with such role, John Borden has assumed additional duties and obligations for the benefit of the Commission and the Airport; and

**WHEREAS**, the Commissioners of the Peninsula Airport Commission, after mature deliberation, desire to approve the compensation of John Borden, as Interim Executive Director.

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

1. In consideration of the additional duties and obligations being undertaken by John Borden as Interim Executive Director, his base salary shall be increased by an amount equal to \$2,000 per month, payable in accordance with the Airport’s existing payroll process, with such increase to be effective (on a prorated basis) beginning February 12, 2023.
2. This Resolution shall take effect immediately.

# FINANCIALS

**PENINSULA AIRPORT COMMISSION  
FEBRUARY 2023  
PROJECTION OF CASH**

	YTD 02/23	Rest of yr	Projected 06/23
Unrestricted cash beginning	2,775,071	4,436,725	2,775,071
Operating (loss) YTD	(2,480,907)	(1,498,399)	(3,979,306)
Other income/(Expense)	4,328,371	(196,000)	4,132,371
Capital expenditures	(2,018,442)	(50,000)	(2,068,442)
Debt principal payments	(372,190)	(186,096)	(558,286)
Other Assets/Liability changes	147,083	(147,083)	-
Unrestricted cash received (used)	(396,085)	(2,077,577)	(2,473,663)
Restricted cash expense reimbursement	485,305	20,000	505,305
Restricted cash capital reimbursement	1,572,434	280,000	1,852,434
Unrestricted cash ending	4,436,725	2,659,147	2,659,147
Restricted cash beginning	13,468,205	12,903,989	13,468,205
Restricted cash received	1,493,523	1,146,000	2,639,523
Restricted cash expense reimbursement	(485,305)	(20,000)	(505,305)
Restricted cash capital reimbursement	(1,572,434)	(280,000)	(1,852,434)
Restricted cash ending	12,903,989	13,749,989	13,749,989

**PENINSULA AIRPORT COMMISSION  
FEBRUARY 2023  
OPERATING INCOME STATEMENT**

DESCRIPTION	FEB 2023 ACTUAL	FEB 2023 BUDGET		YTD ACTUAL	YTD BUDGET		ANNUAL BUDGET		PRIOR YR ACTUAL	
<b>REVENUE</b>										
Airline Fees	32,909	52,652	62.5%	322,188	440,726	73.1%	672,032	47.9%	619,644	52.0%
Fixed Based Operators	43,112	47,925	90.0%	360,900	392,239	92.0%	593,311	60.8%	533,896	67.6%
Property Rental	98,496	93,988	104.8%	797,828	773,203	103.2%	1,149,785	69.4%	1,563,252	51.0%
Rental Cars	104,027	139,787	74.4%	1,362,101	1,244,738	109.4%	1,937,986	70.3%	1,948,834	69.9%
Parking Lot	59,757	70,581	84.7%	526,213	567,818	92.7%	853,512	61.7%	815,823	64.5%
Restaurant Income	26,926	29,596	91.0%	262,483	263,899	99.5%	411,056	63.9%	341,169	76.9%
<b>TOTAL REVENUE</b>	<b>365,227</b>	<b>434,529</b>	<b>84.1%</b>	<b>3,631,713</b>	<b>3,682,623</b>	<b>98.6%</b>	<b>5,617,682</b>	<b>64.6%</b>	<b>5,822,618</b>	<b>62.4%</b>
<b>EXPENSES</b>										
Labor and Benefits	374,139	358,671	104.3%	2,921,347	2,869,368	101.8%	4,304,073	67.9%	4,252,201	68.7%
Marketing & Advertising	25,593	63,177	40.5%	399,691	506,196	79.0%	793,911	50.3%	647,857	61.7%
Office & Administration	65,496	52,984	123.6%	662,860	591,732	112.0%	786,674	84.3%	758,936	87.3%
Utilities	75,633	47,187	160.3%	529,454	439,996	120.3%	677,486	78.1%	646,068	82.0%
Repairs & Maintenance	190,441	48,977	388.8%	1,115,618	392,734	284.1%	588,618	189.5%	751,540	148.4%
Restaurant Expense	42,452	26,558	159.8%	331,893	236,014	140.6%	367,136	90.4%	361,674	91.8%
Bond Debt	18,577	15,838	117.3%	151,758	126,704	119.8%	190,052	79.9%	246,068	61.7%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>792,331</b>	<b>613,392</b>	<b>129.2%</b>	<b>6,112,621</b>	<b>5,162,744</b>	<b>118.4%</b>	<b>7,707,950</b>	<b>79.3%</b>	<b>7,664,344</b>	<b>22.1%</b>
<b>NET INCOME</b>	<b>(427,104)</b>	<b>(178,863)</b>	<b>238.8%</b>	<b>(2,480,908)</b>	<b>(1,480,121)</b>	<b>167.6%</b>	<b>(2,090,268)</b>	<b>118.7%</b>	<b>(1,841,726)</b>	<b>22.1%</b>
<b>OTHER ITEMS</b>										
Trailer Park	(4,488)	-		(580,566)	(500,000)	116.1%	(500,000)	116.1%	(361,014)	
Expense Subsidy	-	-		689,688	689,689	100.0%	689,688	100.0%	4,300,988	
Sale of Land	-	-		4,219,249	-		-		302,520	
<b>NET AFTER OTHER</b>	<b>(431,592)</b>	<b>(178,863)</b>		<b>1,847,463</b>	<b>(1,290,432)</b>		<b>(1,900,580)</b>		<b>2,400,768</b>	

**BALANCE SHEET**

	<u>Total</u>
Cash - Unrestricted	4,436,725
Cash - Restricted	12,903,989
Other Current Assets	312,478
Fixed Assets (Net of Depreciation)	78,638,833
<b>TOTAL ASSETS</b>	<b><u>96,292,025</u></b>
Current Liabilities	661,365
Long Term Notes Payable - Restricted	605,473
Long Term Notes Payable - Unrestricted	4,927,228
OPEB	6,441,300
<b>TOTAL LIABILITIES</b>	<b><u>12,635,366</u></b>
Net Capital Beginning	58,031,741
Capital Contributions	23,777,455
YTD Earnings Current Year	1,847,463
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b><u>96,292,025</u></b>



# AIR SERVICE REPORT

## Monthly Air Service Report Summary February 2023

- Load factors:
  - 87.4% for American
  - 60.9% for Avelo
  - 60.0% for Charters
  - 69.4% Overall
- 3276 Flight Ops (landings & take offs)

<u>FY23 Actual PAX</u> <u>(7/1/22 – 6/30/23)</u>		<u>FY23 Budgeted PAX</u> <u>7/1/22 – 6/30/23</u>		<u>FY22 Actual PAX</u> <u>(7/1/21 – 6/30/22)</u>		<u>FY21 Actual PAX</u> <u>(7/1/20 – 6/30/21)</u>	
Jul:	15,044	Jul:	15,830	Jul:	21,586	Jul:	12,409
Aug:	14,280	Aug:	15,208	Aug:	18,582	Aug:	9,589
Sep:	12,372	Sep:	16,055	Sep:	16,210	Sep:	8,384
Oct:	13,649	Oct:	18,812	Oct:	19,044	Oct:	11,463
Nov:	14,626	Nov:	18,921	Nov:	16,375	Nov:	10,113
Dec:	14,860	Dec:	19,552	Dec:	15,846	Dec:	10,201
Jan:	9,029	Jan:	19,552	Jan:	10,538	Jan:	6,929
Feb:	10,879	Feb:	17,660	Feb:	11,864	Feb:	6,775
Mar:		Mar:	18,812	Mar:	16,810	Mar:	9,116
Apr:		Apr:	22,902	Apr:	15,896	Apr:	12,840
May:		May:	22,817	May:	12,719	May:	11,744
Jun:		Jun:	22,902	Jun:	13,702	Jun:	20,408
<b>Total: 104,739 PAX</b>		<b>Total: 229,024 PAX</b>		<b>Total: 166,770 PAX</b>		<b>Total: 129,971 PAX</b>	

RESOLUTION(S)

# EXHIBITS

To: Peninsula Airport Commission  
From: Jay Joseph, Treasurer  
CC: John Borden  
Mark Adams  
Date: March 15, 2023  
Re: Finance Report

The Finance and Audit Committee did not have a quorum for its rescheduled March meeting. I will be absent from the March PAC meeting so I am submitting this written report for your information.

- Staff has provided a written report in your board packet. Please note the accelerated cash consumption rate based on recent air service, parking lot and car rental performance.
- As noted in the staff report, staff is trying to conserve cash including by leaving open positions unfilled and bringing contracts in house. Marketing is now in-house with Steve Romme on call for special projects. The air service development contract with Nicolas Hahn at CMT expires at the end of March; John Borden is exploring the best path forward for air service development.
- As mentioned previously, based on current trends, the PAC will exhaust its cash balances during the 2023/2024 fiscal year and will require outside support to maintain current operation.
- Staff has confirmed the balances and purposes of the PAC's restricted cash accounts. Restricted cash balances total \$12,903,989. These are made up of \$9,970,911 accumulated from State capital improvement grants and \$2,933,078 accumulated from Passenger Facility Charges. Any interest earned on these accounts is credited to the same capital account. The interest is not available to support operations and does not appear on our income statement.
- Our bank accounts are with Primis Bank. The PAC, as a subdivision of the Commonwealth, has fully protected deposits if properly documented. Mark Adams obtained written assurance from Primis Bank to that effect; see attached letter and email.
- Draft capital and operating budgets will be presented at the April meeting. Budget approval typically occurs at the May meeting. The draft budgets will project a continuation of the air service trend of approximately 70,000 annual enplanements. Note that this is down from the 114,000 enplanements we budgeted (and are not reaching) for the current fiscal year and down from 212,000 actual enplanements in the 12 months prior to COVID (3/2019-2/2020).

Open issues for future staff reporting include:

- Status of audit contract. Confirmation that City and auditor have agreed on date and data to be delivered to City for City's audit.
- Confirmation that additional staff has been trained to create recommended separation of duties.

Potential action item:

- The PAC pays approximately \$156,000 in annual debt service on a Virginia Resource Authority (VRA) bond that funded the south ramp pavement project. The payment is a deduction from the PAC's \$2 million per year State capital grant. The VRA bond has a balance of approximately \$600,000 and projected payoff of \$574,862.35 on June 1, 2023. Since these payments are fully contained in a restricted capital account, they do not affect our unrestricted cash balances or our operating statements. However, we are in default of our debt service coverage ratios on this bond. The State has suggested and staff and I agree that it would make sense to use current State restricted capital account balances to pay off this bond. If you agree, I suggest counsel work with staff to draft a resolution for formal PAC action at a future meeting.

Two final notes:

- If the PAC plans to ask for operating support, the PAC should discuss when and how it plans to act. I refer you to my earlier email of February 28<sup>th</sup> with the subject line Cash Flow Projections.
- New commercial air service is the only path toward financial sustainability. The PAC should spend as much time and energy as necessary to achieve positive results.



March 16, 2023

Mark Adams, Chief Finance Officer  
Newport News/Williamsburg Intl Airport  
900 Bland Blvd Suite G  
Newport News, Virginia 23602

Dear Mr. Adams,

I can confirm that Primis is a qualified public depository and is authorized to hold Virginia public deposits in accordance with the Security for Public Deposits Act (SPDA).

Furthermore, I can confirm that the Peninsula Airport Commission deposits are counted as public deposits at Primis Bank and are included in our pledging process with the State of Virginia Treasury on a monthly basis.

If you have any questions or would like to speak further about this, please do not hesitate to reach out to me.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Tyler", written over a light blue horizontal line.

**Mike Tyler**

EVP

Treasurer

Primis

10900 Nuckols Road, Suite 325

Glen Allen, VA 23060

Direct: 804.528.4767

Thank you for your business and trust

Primis <primis@email.primisbank.com>

Tue 3/14/2023 10:22 AM

To: Mitchell Broughton <mitchell.broughton@primisbank.com>

**Caution:** Please be aware that this message is from outside of your organization



Good morning! I'd like to provide you with some timely information about Primis Bank and the safety of your deposits. The events within the financial industry that we all witnessed last week were very surprising, and like you, I read and listened to more news reports and opinions than I normally do on a given weekend.

Most experts agree that the failure of Silicon Valley Bank (SVB) last week occurred because too many deposit customers left that bank in rapid fashion. It's important to note, that despite SVB's failure, regulators have backstopped depositor losses and have said that no depositor will lose money. Nevertheless, it's left many wondering about their own bank - where are their deposits and how strong is their bank?

Across the entire financial industry, deposit levels have been falling for several quarters; however, Primis's results, fortunately, have been very much the opposite. Since January 1, 2022, we have grown core customer deposits by \$866 million or 31%. **We are strongly core funded, thus we do not utilize wholesale borrowings, crypto related deposits or venture capital customer deposits.** Primis has more than twice as much cash (\$593 million) on our balance sheet as we do investment securities (\$244 million). Our capital ratios are strong, alongside our impressive liquidity results. This dedicated focus on growing core, customer relationships has resulted in some of the best deposit growth rates and resulting liquidity ratios in the industry.

We are proud of our diverse customer base. Primis customers are in all 50 states, with a mixture of consumer and commercial customers. Our

account types add more diversity with checking (37% of total), savings and money markets (49% of total), and CDs (14% of total). Lastly, we have extensive, unused borrowing capacity of approximately \$855 million, or 24% of deposits if we needed it.

We work 24 hours a day, helping customers when and where they need it. Our team will go to whatever lengths necessary to safely protect the financial health of our customers. Please reply directly to this email if you would like more information on Primis Bank.

Thank you for your continued business and your trust.

Dennis Zember  
President and CEO, Primis Bank

A handwritten signature in black ink, appearing to read 'Dennis Zember', with a long horizontal line extending to the right.

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<https://www.bizjournals.com/washington/news/2023/03/13/greater-washington-contain-svb-fallout.html>

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## **Greater Washington banks, companies rush to contain fallout from Silicon Valley Bank failure**

*Mar 13, 2023, 3:24pm EDT*



Abdullah Konte / Washington Business Journal

Dennis Zember is CEO at Primis Financial in McLean.

Greater Washington banks and tech companies rushed Monday to contain the fallout from two large bank failures in recent days,

assuring clients and investors that their money is safe and that their exposure to the collapsed banks is limited.

Local banks emphasized Monday that their business models are fundamentally different than those of Silicon Valley Bank in Santa Clara, California, and Signature Bank in New York, which catered to niche industries and were shut down by regulators days after they suffered massive outflows of deposits.

Silicon Valley Bank, which was shuttered Friday, largely catered to tech startups and venture capital firms, while Signature's downfall Sunday was tied to its connections to the cryptocurrency industry.

On Monday, Reston's John Marshall Bancorp Inc. (NASDAQ: JMSB) issued a statement to "inform our shareholders, as well as the customers and employees of the bank that we are of sound financial condition, our business model differs materially from that of SVB's." The company, which saw its share price drop 13.5% since Thursday's closing bell to close at \$19.96 per share Monday, said in its statement that it believes SVB was shut down due to factors that were "a function of their unique business model."

Susan Riel, president and CEO at Eagle Bancorp Inc. (NASDAQ: EGBN) in Bethesda, sent a similar note to customers.

"I would like to assure you that the issues that have been documented with both Silicon Valley Bank and Signature Bank do not resemble the structure and operations of EagleBank. EagleBank's business model does not include a focus on crypto or early-stage venture-backed technology companies," Riel wrote.

The banks also touted their liquidity positions, emphasizing that they, unlike SVB and Signature, have enough cash and other highly liquid assets on hand to cover any significant losses of deposits. McLean's Primis Financial Corp. (NASDAQ: FRST) noted in a letter to customers that Primis has more than twice as much cash on hand, \$593 million, as it does investment securities and similarly told investors that it maintains "some of the best liquidity ratios in the industry."

Dennis Zember, the company's president and CEO, said in an interview he felt the need to put out both a mid-quarter update to investors and a separate note to customers after speaking with

some large clients over the weekend who wanted assurance that their deposits were safe.

Primis noted that the bank has pulled in more than \$900 million in core deposits in just the last three months, thanks in large part to the rollout of a new mobile banking platform that has helped it attract new customers from across the country. That influx of deposits helped Primis lower its loan-to-deposit ratio from 108% to 83% in the prior three months and shrink its uninsured deposits to 37% of total deposits.

SVB, by contrast, had about the highest rate of uninsured deposits of any bank in the country, at a whopping 93%. Just under 50%, or about \$1 trillion, of deposits sitting in bank accounts were uninsured as of Dec. 31, according to Federal Deposit Insurance Corp. data.

To be sure, local bank stocks were still hit hard Monday in what was a rough day for bank stocks, but most began to recover some of their value as the trading day progressed. It certainly helped that the Federal Reserve late Sunday unveiled a low-interest loan program that could help banks quickly bolster their liquidity levels in the event of a deposit runoff.

Primis' stock closed down 7.5% Monday, but Zember said the stock market response is "divorced from the behavior of our customers."

"We may have as many inflows of deposits today as outflows," he said, attributing the response "to some of the data that we put in front of our customers."

In a letter sent to clients Monday morning and shared with the Washington Business Journal, Freedom Bank of Virginia President and CEO Joseph Thomas noted that the events of the past few days had brought up "lots of anxiety and questions about the banking system and what risks you might be facing with your deposit accounts."

"The purpose of this email is to demonstrably state that Freedom Bank is different from these banks and that your money remains safe here," Thomas wrote. "I also want to explain what happened to SVB and contrast it to Freedom Bank. We remain a stable and resilient community bank with 22 years of history, a proven

business model, abundant liquidity and robust capital levels. We are not experiencing the challenges faced by these banks.”

Burke & Herbert CEO David Boyle said he and his colleagues took calls from clients over the weekend and held a contingency task force meeting Monday morning to go over its plan in the case of events like a run on deposits. “We put all sorts of contingencies in place for events like this, and our liquidity is substantial,” Boyle said in an interview.

After Silicon Valley Bank was shut down by regulators Friday, Fed officials made the decision over the weekend to protect all deposits that were at the bank, including those beyond the \$250,000 typically insured by the FDIC. That assuaged fears that tech companies with more than \$250,000 tied up at the bank might face challenges to making payroll and continuing operations this week.

Arlington restaurant software platform company MarginEdge, like many tech startups, maintained a deposit account at Silicon Valley Bank, but moved the “lion's share” of its funds to a different financial institution Thursday, co-founder and CEO Bo Davis told the Washington Business Journal on Friday afternoon.

“We were advised to do so by every single one of our primary investors, individually, which was pretty wild,” Davis said, adding that those investors — about a dozen total — all contacted him within a span of a few hours.

On Monday, Tysons software firm Appian Corp. (NASDAQ: APPN) filed a document with the Securities and Exchange Commission assuring investors that it doesn’t believe the SVB shutdown “will have a material impact” on Appian’s operations.

“The vast majority of the company's cash, cash equivalents and short-term investments are deposited in or in the custody of institutions other than SVB,” it said, adding that the firm has up to \$50 million of credit available at other financial institutions. A spokesperson declined to elaborate on Appian’s relationship with SVB beyond what was in the filing.

*Alan Kline contributed to this story.*