

PENINSULA AIRPORT COMMISSION

MINUTES

February 23, 2017

PRESIDED: George Wallace

The regularly scheduled meeting of the Peninsula Airport Commission was held on Thursday, February 23, 2017 at 8:00 a.m. in the Airport Banquet Room at the Newport News/Williamsburg International Airport.

Commissioners present were:

James Bourey, Rob Coleman, Aubrey Fitzgerald, Sharon Scott and George Wallace.

(Commissioner Steve Mallon was not in attendance)

Executive Director

Mr. Ken Spirito

Assistant Executive Director

Ms. Melissa Cheaney

Director of Air Service, Marketing and P.R.

Ms. Jessica Wharton

Director, Finance and Administration

Ms. Renee Ford

Legal Counsel

Mr. Herbert V. Kelly, Jr.

Ms. Robyn Hansen

Executive Assistant

Ms. Rhonda Wissinger

Public in Attendance

Jay Talbert-Talbert & Bright

Dave Ress-The Daily Press

Rob Oden-Dixon, Hughes and Goodman

Leslie Roberts-Dixon, Hughes and Goodman

Kevin McDermott-Public

COMMENTS FROM THE PUBLIC

There were no comments from the public.

MINUTES OF COMMISSION MEETING HELD JANUARY 24, 2017 and JANUARY 31, 2017

RESOLVED, that the Peninsula Airport Commission approve the minutes of the Commission meeting held January 24, 2017 and January 31, 2017.

Commissioner Aubrey Fitzgerald made the motion to adopt the January 24, 2017 minutes and the January 31, 2017 minutes. Commissioner Rob Coleman seconded the motion.

Voting yes were:

James Bourey, Rob Coleman, Aubrey Fitzgerald, and George Wallace

Mr. Ken Spirito, Executive Director, told Mr. Bourey that the City Council of Newport News had requested to receive the minutes from the Peninsula Airport Commission Meetings and that we would send them to him to be distributed to City Council. Mr. Spirito also stated we could send them to Hampton City Council as well if they would like to receive them.

(Commissioner Sharon Scott arrived at 8:02 a.m.)

ASSISTANT EXECUTIVE DIRECTOR

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

- Consolidated Security Checkpoint-the Consolidated Security Checkpoint is set to open March 26th-27th for the entire space. This will be dependent on TSA getting all of their equipment moved and into place by this time. If anyone would like to have a hard hat tour of the area, we can take 2 people at a time. We will send an email out to you with more details and can get this scheduled for you.
- Tri-Annual Exercise- May 17, 2017 at 9:00 a.m., we will hold our tri-annual exercise. We are required to do a live exercise every three years and will have a simulator here to help us perform the exercise. We will have volunteers from the Denbigh Aviation Academy and will be working with our mutual aid partners. This is a two-hour drill that will be followed by a de-briefing. We will also have a drill in the terminal.

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 January were decreased by 0.2% and YTD were decreased by 0.2%. There were 25 cancellations due to weather and maintenance. American Airlines had 23 cancellations and Delta airlines had 2 cancellations. 4 cancellations were mechanical and the rest were weather related. We had a snowstorm and were impacted the most on January 6th, 7th and 8th with cancellations. Not only did the snow cause cancellations here but also in Philadelphia. Mr. Spirito, Executive Director, reported that this would have been about 3,000 passengers that were impacted. Had we not had so many cancellations, our numbers would have been increased for the month. At this time, Norfolk International Airport and Richmond International airport have not yet reported their numbers.

DIRECTOR OF FINANCE & ADMINISTRATION

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

Ms. Ford reported that the Airport ended the month of January with a loss of approximately \$200,000. Our actual revenue was on budget as far as the prior year. There were a lot of onetime expenses that were considerably higher than in our budget the previous year. Trending year to date we are still doing well. January is typically a month that we lose money so we had anticipated that. We just did not anticipate those one-time expenses. Mr. Spirito, Executive Director, stated we have this conversation

every January or February. He stated that there is not anything we can do about the one-time expenditures and that we added legal assistance we were required to have the last few months. Mr. Spirito stated that we are still on budget, we will still move forward with our revenue the way it has been projected, our expenses will continue to stay down, and we will be revenue positive at the end of the year. Ms. Ford reported the Airport's revenues were .2% better than budget and .1% below January 2016. Our expenditures for January 2017 totaled 15.7% above budget and 33.1% above January 2016.

ANNUAL AUDIT REPORT

Ms. Ford introduced Mr. Rob Oden, Senior Manager of Dixon, Hughes and Goodman and Ms. Leslie Roberts, Lead Partner in charge. Mr. Hugh Barlow has been partner for several years and has now branched out into doing taxation. Mr. Rob Oden gave the Annual Audit report for the year ending June 30, 2016. Mr. Oden reported that there are five reports he wanted to bring attention to:

1. Independent Audit Report
2. Independent Audit Report for Internal Controls and Compliance for Financial Reporting as required by Governmental Standards
3. Independent Audit Report on Compliance and Major Programs to include FAA grant money for airport improvement program and report on compliance for this program.
4. Management Discussion and Analysis which is a five page executive summary which provides the financial position and results of operation for fiscal year 2016 and compares those to 2015 and 2014.
5. Statement of Net Position which discloses the Assets and Liabilities of the Airport as of June 30, 2016 as well as the statement of Revenues and Expenses and Changes of Condition, essentially an Income Statement.

Mr. Oden reported that their opinion is that the financial statements in the independent Audit Report are materially correct. There were no major changes from previous years and no new major transactions, no new accounting standards or accounting policies. Mr. Oden reported that the results of the audit show there were no deficiencies in internal controls that could have a material impact on the financial statements. The results disclose no instances of non-compliance or other matters that are required to be reported in governmental standards. The report on Compliance with federal funds used for the consolidated security checkpoint project found no compliance issues or internal control deficiencies with the airport's management of federal funds. Chairman Wallace asked Mr. Oden why state funds are not a part of the auditing process and Mr. Oden stated that this is not a part of auditing requirements by Professional Associations; however, the Commission could engage Dixon, Hughes and Goodman to do a special procedure for this. Mr. Oden stated that the audit is sent to the FAA but is not required to be sent to the State.

Ms. Leslie Roberts, Lead Partner, Dixon, Hughes and Goodman discussed the

Management Letter, which is required to give information as required for auditing standards. She discussed the significant estimates in the financials including Retirement Benefits, Net Pension Liabilities, Income Streams in relation to the timing of retirements, the Performance of Investments in the Pension Fund, and the Depreciable Life of Property. Ms. Roberts stated that any sensitive disclosures in the financials or any disagreements with Management during the audit would be included here but we had none at this time. Ms. Roberts further referenced attachments including a Representation Letter that management signs and audit adjustments that were posted and any adjustments that were immaterial that management and the auditors agreed not to post. She also recommended that we adopt a travel policy. This was not considered a deficiency but would be good to have in place. Mr. Spirito, Executive Director, stated that we did have a formal travel policy but it needs to be more defined and clearly stated. Ms. Roberts also discussed Passenger Facility Charges and that we are currently in arrears with them but it is ok until we can get it caught up. Ms. Ford, Director of Finance and Administration is currently in the process of working with the FAA to get this brought up to date. Mr. Wallace requested a Board review of policies. Mr. Ken Spirito, Executive Director, stated that the Board would approve or comment to overall policy that would drive internal direction from him or recommendations from staff. He stated moving forward we will try to have special procedures put in place for State funds. It is not mandated but we can have it put in place.

Mr. Herbert Kelly, Jr. asked that a motion be made to approve the Annual Audit report as presented.

RESOLVED, that the Peninsula Airport Commission approve the Annual Audit report, for year ending June 30, 2016, as presented.

Commissioner Aubrey Fitzgerald made the motion to approve the Annual Audit report, for year ending June 30, 2016, as presented. Commissioner Rob Coleman seconded the motion.

Voting yes were:

James Bourey, Rob Coleman, Aubrey Fitzgerald, Sharon Scott and George Wallace

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, to consult with counsel in regards to compliance with lease terms by an

existing Airport tenant, the pending declaratory judgment action involving New Dominion Clubs, Inc., the ongoing Department of Aviation Audit and to discuss legal issues related to the issuance of an ABC license for the new restaurant.

Commissioner Aubrey Fitzgerald made the motion, seconded by Commissioner Rob Coleman to hold a closed meeting.

Voting yes were:

James Bourey, Rob Coleman, Aubrey Fitzgerald, Sharon Scott and George Wallace.

The Commission entered into a Closed Meeting at 8:40 a.m. and reconvened in Open meeting at 9:33 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, Aubrey Fitzgerald, and George Wallace.

(Commissioner Jim Bourey left at 9:33 and Commissioner Sharon Scott was not present)

EXECUTIVE DIRECTOR 'S REPORT

Mr. Ken Spirito, Executive Director, gave the following report:

- Special Meeting-we will hold a special meeting on Monday, February 27, 2017 at 8:00 a.m. to discuss change orders we will have from Hourigan Construction. We should also have a ruling from the judge regarding New Dominion Clubs. Ms. Robyn Hansen, legal counsel also asked that we add a resolution for VRS for Chief Rittenhouse.
- State Audit- we are doing everything the State is requiring us to do. We have submitted everything they have asked for and hope to have a resolution soon. We were supposed to meet with the Auditors and they cancelled the meeting so we are in the process of re-scheduling it.
- Food and Beverage Services-we are waiting for the ruling to come through regarding New Dominion Clubs before we can move forward with Food and Beverage Services. At that time we will be able to discuss what our options are.
- Elite Airways- Mr. Spirito spoke with Mr. John Pearsall from Elite airways and reported that they are still very eager to come to the Newport News/Williamsburg International Airport. They have not given us a new date to start service and are delaying their start

because they don't want their brand being introduced to the market with all of the press surrounding the airport at this time. They also would like to get through the audit process. Commissioner Sharon Scott suggested we put something on social media to let the public know Elite is still interested. Ms. Jessica Wharton, Director of Air Service, Marketing and Public Relations stated that she has been keeping Facebook updated with Elite Airways information.

Commissioner Rob Coleman requested to make a By-Laws Committee. He noticed that the By-Laws have not been updated for some time and some things he would like the Commission to review are:

1. There are no term limits on how long you can serve on the Commission,
2. It only takes 3 Commissioners to make a quorum so only a few people are making big decisions.

Chairman George Wallace will appoint two Commissioners to chair the body of the By-Laws Committee.

Commissioner Rob Coleman also requested that the Commission put out a formal invitation to York County, Williamsburg and James City County to have a representative appointed to the Peninsula Airport Commission. Commissioner Coleman said the By-Laws state they can have a representative and this would then include all of our Peninsula Partners: Newport News, Hampton, York County, Williamsburg and James City County. Mr. Ken Spirito, Executive Director, stated York County has been very interested but he hasn't heard anything from Williamsburg or James City County either way of their interest in serving on the Commission. Commissioner Sharon Scott suggested we invite them to one of our Commission meetings so they can get a better feel for what we do. Chairman Wallace stated that having representatives from all jurisdictions could also help with developing a Regional Aviation Academy.

Chairman Wallace asked if we had received the State entitlement fund utilization reports that Mr. Spirito had requested from the State. Mr. Spirito stated that we did get information on what other airports have used State entitlement funds for and we are sifting through that information now to put it into a presentable format. We will have it ready to present at the next regularly scheduled board meeting.

DISCUSS AND CONSIDER ATLANTIC AVIATION LEASE EXTENSION

Mr. Ken Spirito, Executive Director reported that management has met with representatives of Atlantic Aviation and they are prepared to make an estimated investment of over \$3,400,000 to construct a new hangar in their leasehold space. The hangar will be approximately 19,000 sf.

The current base term is set to expire on 3/31/2026. It is management's recommendation that we consider using a ratio of \$250,000 of investment to one year

of lease extension as our policy moving forward. Mr. Spirito has called a few airports and the range varies from no policy (case-to-case), to depending on the lending institution to provide guidance. The general consensus in the industry is that \$250,000/yr. is very reasonable. Based on the estimated investment, the lease would be extended approximately 14 years (13 years, 7 months) to account for the investment. The final lease extension period would be based on the overall final cost of the construction.

Mr. Spirito recommends the Commission approve the tentative lease extension of 13 years, 7 months. This would take the lease out to 10/31/39. Final investment will be provided by Atlantic and a final lease term will be presented to the PAC for approval.

RESOLVED, that the Peninsula Airport Commission approve the tentative lease extension with Atlantic Aviation for 13 years, 7 months, taking the lease out to 10/31/39.

Commissioner Aubrey Fitzgerald made the motion to approve the tentative lease extension with Atlantic Aviation for 13 years, 7 months, taking the lease out to 10/31/39. Commissioner Rob Coleman seconded the motion.

Voting yes were:

Rob Coleman, Aubrey Fitzgerald, Sharon Scott and George Wallace

ADJOURNED

There being no further business, the meeting was adjourned at 9:56 a.m.

NEXT MEETING

The next meeting of the Peninsula Airport Commission will be held on Monday, February 27, 2017 at 8:00 a.m. in the Commission Room.