



COLUMBUS
REGIONAL AIRPORT AUTHORITY

BOARD OF DIRECTORS | MEETING MINUTES OF JULY 23, 2013

BOARD MEMBERS

Present: Dwight Smith, Chair
Susan Tomasky, Vice Chair
Don M. Casto, III
Frank J. Cipriano
William R. Heifner
John W. Kessler
William J. Lhota
Jordan A. Miller, Jr.

Absent: Kathleen Ransier

CRAA Executive Staff: Elaine Roberts, President and Chief Executive Officer
Rod Borden, Chief Operating Officer
Robin Holderman, Chief Asset & Development Officer
David Whitaker, Vice President, Business Development & Communications

CRAA Staff: A. Beaver, D. Finch, C. Goodwin, J. Lizotte, J. Rockwell
B. Sarkis, W. Shelby, P. Streitenberger, K. Whittington

Others Present: N/A

Chair Smith called the meeting to order at 4:04 p.m.

Chair Smith asked if there were any additions or corrections to the Minutes of June 25, 2013. Hearing none, Lhota moved for approval; Kessler seconded. Minutes approved unanimously.

COMMITTEE REPORTS

BUSINESS DEVELOPMENT:

Holderman reported on proposed Resolution #47-13 authorizing a Master Development Agreement and ground lease in phases with The Daimler Group for development of approximately 22 acres of Authority-owned property on the north airfield. The development will include approximately 300,000 square feet of space in four separate buildings. The necessary real estate for each building development will be leased by the Authority to Daimler at a fair market ground rent with periodic escalations. The Authority has an option for right of refusal to purchase the buildings to be triggered by a third party offer to purchase.

Holderman reported that the Fairfield Inn & Suites site work is well underway and foundation work will begin next week. We are pleased to report that participation by diversity business partners is 22% vs. our 20% goal, and we are expecting through Marriott's connections for the FF&E (furniture, fixtures and equipment) purchase to get an additional 15% minority participation.

Holderman reported that discussions continue on salvaging the old terminal building. There are still interested parties; however, there are no concrete plans at this time to save the structure.

Holderman reported that built-to-suit activity at the Rickenbacker Global Logistics Park remains very brisk. There are a number of projects in the market, including ACE Hardware, which is one of the projects going to West Jefferson. We were aware of this and Rickenbacker was not in the running; however, we did propose on the project. Rental rates are starting to increase, which is a result of vacancy rates going down and limited blocks of large space on the market. Rates are currently \$2.95 - \$3.00 /SF. The supply is getting absorbed and there is only one building larger than 400,000 square feet on the market, which will push spec development at some point, potentially this year if this trend continues.

FACILITIES & SERVICES:

Heifner reported the committee met on July 17, 2013 and in his absence at the committee meeting, requested Cipriano to report.

Cipriano reported the committee met to review the Major Capital Projects report for 2013 and all projects over \$2 million. These projects include:

- Runway 10R/28L replacement
- Converting existing runway to taxiway
- Runway 10L/28R rehabilitation
- Ticket lobby modernization
- Concourse A renovations
- Concourse C modernizations
- Data Center relocation
- TELCO room construction
- Jet bridge replacement
- Fairfield Inn & Suites – to open summer 2014
- Rickenbacker Parkway schedule
- New Air Traffic Control tower – there is funding to do the planning, but not the infrastructure. Roberts responded that the design is underway including site planning and environmental work which is funded; however, the challenge will be to look at the 2014 budget and determine how to pay for the tower within our own capital reserves.

Cipriano reported that the TSA baggage issue was discussed. Sarkis reported that we are working with the TSA to obtain final sign-off on acceptance of our inline baggage system. We had a programming change which was directed by the TSA. This resulted in an increase of our error rates on the system which were close to 9-10%. Since we changed the program, the error rate is at 3.07% with a goal of 3%. This is a baggage hygiene issue which represents how the bags are being introduced to the system. We

expect resolution within the next couple of weeks. An error is triggered when a bag is in a position in which it is diverted and screened by hand by a TSA employee.

Also reviewed were the project status report, cost variance report, and construction schedules and timelines. The committee also reviewed the Capital Budget Variance Report, the Budget Pacing Report of budget vs. actual expenses, which includes Business Development, Finance and Technology, Operations and Facilities, Planning and Engineering, and Asset Management departments.

The committee also reviewed and approved the proposed resolutions being presented to the Board.

FINANCE:

Miller reported that the Finance Committee met prior to the Board Meeting. Miller requested P. Streitenberger to report on the financial statements.

Streitenberger announced that as a result of the meetings held in June with the rating agencies, two of the three credit rating agencies, Standard & Poor's, and Fitch, have confirmed our credit rating of A+ as well as our outlook as stable. We are still awaiting the results from Moody's.

Streitenberger reviewed the financial statements for the year-to-date period ended June 30, 2013. Under the Operating Revenues – Actual vs. Budget, with \$41.6 million in actual revenues and a budget of \$42.8 million this leaves a negative budget variance of \$1.1 million. Airline revenue's negative variance of \$716,000 is a result of a higher 2012 Airline carry forward of \$419,000 due to increased 2012 expenses compared to estimate, and a \$287,000 decrease in landing fees due to weather related canceled flights. Concessions & Misc. Lessees' negative variance of \$268,000 is due to \$316,000 decrease in commissions as a result of lower enplanements and the recording of a \$147,000 year to date rental car liability related to contract true-ups. These amounts are offset by a \$69,000 increase in hotel commissions and \$150,000 in unbudgeted leases. Auto Parking's negative variance of \$368,000 is due to decreased activity in the Red and Blue lots resulting from lower enplanements.

Under the Operating Expenses – Actual vs. Budget, with \$32.8 million in actual expenses, and a budget of \$32.6 million, we have a negative variance of \$188,000. Salaries & Wages' negative variance of \$510,000 is due to a \$226,000 accrual of exempt sick time and non-exempt comp. time earned in lieu of seasonal overtime. The remaining \$284,000 is the result of incremental overtime related to snow operations, and anticipated but uncapitalized project management salaries. Benefits & Personnel Expenses' positive variance of \$509,000 is due to decreased health insurance costs. Contract Labor's negative variance of \$127,000 is the result of increased contract labor needs relating to the operations at Rickenbacker and Port Columbus.

Streitenberger reviewed the Statement of Net Position Analysis. With an approved Capital Budget of \$72.4 million and expenditures to date of \$14.5 million, this represents a year-to-date execution of 20% of the approved Capital Budget spend. Streitenberger reported that the debt per enplaned passenger is \$19.34, compared to the Moody's Average of \$68.87 from 2011, which is positive and reflects low debt levels at the airport. The days of unrestricted cash on hand are 510 days, with the Moody's 2011 average being 486 days. We have \$99 million of outstanding debt, including \$15 million outstanding under our Revolving Credit Facility. No payments were made in June.

Under the Statement of Revenues, Expenses, and Changes in Net Assets vs. Budget, actual Operating Revenues are \$41.6 million and actual Operating Expenses are \$32.8 million leaving Operating Income before Depreciation of \$8.8 million. This gives the Authority a negative variance of \$1.3 million as compared to budget, or -13.5%.

Under the Combined Statement of Net Assets vs. Prior Year End, total assets and deferred outflows were \$860.3 million with current assets being \$142 million. Net land, property and equipment in the amount of \$717 million are the largest asset on the statement of net position.

HUMAN RESOURCES:

No report.

PRESIDENT & CEO REPORT

Roberts referred to the monthly activity report for June:

- Passenger activity at Port Columbus was down 3.9% in June compared to last June and we are down 2.7% year to date. Air Canada and AirTran were up for the month and both those carriers, as well as United, are up year to date. The combined Southwest/AirTran was down 3.4% for the month of June and is flat year to date. The primary driver for the decreased activity is continued Industry consolidation and airline schedule refinement. The Authority had a 3.9% scheduled departure reduction in June year over year, and 5.7% reduction year to date. However, June was also exasperated by weather cancellations. We are aware of at least 50 weather cancellations due to summer storms in June by just two airlines and there were certainly cancellations by other carriers as well.
- Relative to industry consolidation, we may be nearing the end of that era. Both Southwest/AirTran and American/US Airways are expected to complete their mergers by the end of next year, leaving the domestic airline industry with four major airlines – Southwest, Delta, American and United – all with a very significant presence in Columbus. Southwest Airlines recently released their January 2014 schedule and the biggest change for Columbus is that all service except Atlanta will be converting from AirTran Airways to Southwest with this schedule, which is a reflection of that merger advancing into its final phases. While some markets will see seat increases with the switch to Southwest, we will drop one Chicago Midway frequency in January which will negate those gains for a flat overall impact.

Roberts reported that June cargo handled at Rickenbacker International Airport was down 3.8% due to a slowdown in air freight by domestic carriers. Domestic air cargo tonnage handled at the airport was down 7.1% compared to June 2012 as FedEx and UPS move more freight by ground. International cargo handled at Rickenbacker was up 26.1% in June largely due to the entry of Cargolux into the market with their new twice weekly service from Hong Kong that is off to a great start. Total cargo handled through the first half of the year is down 3.7% compared to the first half of 2012.

Roberts reported that concession revenue at Port Columbus continues to do well despite the flat passenger environment. Year to date through May of 2013, gross revenues are up 4.7% with gross sales for concessions (not including rental car and auto parking) at nearly \$11 million and revenue per enplaned passenger from concessions up 7.3% with gross average spend per passenger at \$8.71. Net revenue to the Authority for these services through May is \$1.7 million, up 1.6%.

Roberts announced that last week the Authority extended an invitation to all Board members, if interested, to participate in an “Essence of Columbus” workshop on July 24 with community representatives and CRAA staff. This will be a half day session identifying ways to enhance airport aesthetics, including upgrading our art displays and identifying ways to create a sense of the Columbus Region in the terminal building in conjunction with the Terminal Modernization Program. The workshop is being facilitated by MSA Architects.

Roberts announced that plans are under way to host an event celebrating the commissioning of the new south runway on August 22. Board members should have received their invitation last week and we hope that they can attend this event, which will be held under a tent on the south airfield. We're planning for 250+ attendees at this event, which will culminate with the first flight on the new runway. CRAA remarks will be provided by Board Chair, Dwight Smith. Other expected speakers include the following:

- FAA Administrator Michael P. Huerta or the new DOT Secretary Anthony Fox.
- Columbus Mayor, Michael Coleman
- Franklin County Board of Commissioners' President, John O'Grady
- Southwest Airlines Executive Vice President, Robert Jordan

Roberts reported that the FAA conducted its annual certification inspection at Rickenbacker last week. The final inspection report noted no discrepancies. The inspector was extremely complimentary of both the physical condition of the airport, and all the required records and other documentation. In addition to finding the airport in full compliance with standards, the inspector made only two very minor recommendations, and noted that, "It's getting tougher and tougher to find anything to make recommendations about here."

Roberts reported that on July 11 at approximately 7:00 p.m., a single engine aircraft landed at Bolton Field with its landing gear retracted. The pilot had previously reported a problem with the landing gear, and performed a low pass over the airport so personnel on the ground could determine whether the gear was down. Once it was determined that the landing gear was stuck in the up position, the pilot remained airborne until emergency responders were in place. The pilot then landed the airplane without the landing gear. The pilot was the sole occupant of the airplane and was not injured. The airport was closed for nearly four hours as a result of the incident.

Roberts reported that on July 11, all-cargo carrier Kalitta Airlines conducted an International Air Transportation Association (IATA) audit of our Rickenbacker cargo ground handling operation. The audit resulted in a finding of full compliance with all applicable standards and procedures. Separately, a recent audit of the Airport Police Department by the Law Enforcement Agencies Data System (LEADS) found full compliance with all security protocols for access to confidential law enforcement sensitive data.

Roberts reported that it is time for the bi-annual reissuance of I.D. badges at Port Columbus. Rebadging begins August 1 and must be completed by October 31, the expiration date of all current badges. Presently just over 3,700 employees at Port Columbus hold an airport I.D. badge. We have redesigned a badge for our board members and will provide information and instructions in August regarding the renewal process.

Roberts announced that Chief John Rockwell is retiring and we are in the process of searching for his replacement. There were 36 strong applicants for the position and we expect to spend the next 30 days in the interview process.

READING OF RESOLUTIONS

RESOLUTION #45-13 OF THE COLUMBUS REGIONAL AIRPORT AUTHORITY AUTHORIZING A MASTER AGREEMENT WITH INTERVISTAS CONSULTING LLC FOR GENERAL BUSINESS DEVELOPMENT AND RELATED SERVICES IN AN AMOUNT NOT TO EXCEED \$220,000 TO SUPPORT AIR SERVICE DEVELOPMENT EFFORTS.

MOVED: S. Tomasky; SECONDED: J. Miller
YEA: 8 NAY: 0 ABSTAIN: _____

RESOLUTION #46-13 OF THE COLUMBUS REGIONAL AIRPORT AUTHORITY AUTHORIZING A CONTRACT WITH LITHKO RESTORATION TECHNOLOGIES IN THE AMOUNT OF \$216,598.30 FOR THE TERMINAL STRUCTURAL REPAIRS PROJECT AT PORT COLUMBUS INTERNATIONAL AIRPORT.

MOVED: J. Kessler; SECONDED: J. Miller
YEA: 8 NAY: 0 ABSTAIN: _____

RESOLUTION #47-13 OF THE COLUMBUS REGIONAL AIRPORT AUTHORITY AUTHORIZING A MASTER DEVELOPMENT AGREEMENT AND A GROUND LEASE WITH THE DAIMLER GROUP FOR THE DEVELOPMENT OF AUTHORITY PROPERTY NORTH OF BRIDGEWAY AVENUE AT PORT COLUMBUS INTERNATIONAL AIRPORT.

MOVED: D. Casto; SECONDED: W. Heifner
YEA: 5 NAY: 0 ABSTAIN: D. SMITH, J. KESSLER, J. MILLER

RESOLUTION #48-13 OF THE COLUMBUS REGIONAL AIRPORT AUTHORITY RESCINDING RESOLUTION 42-13 AND AUTHORIZING A CONTRACT WITH ADVIZEX TECHNOLOGIES FOR THE PURCHASE OF NETWORK EQUIPMENT IN THE AMOUNT OF \$331,952 FOR THE TELCO ROOM CONSTRUCTION PROJECT #13052 AT PORT COLUMBUS INTERNATIONAL AIRPORT. MOVED:

F. Cipriano; SECONDED: J. Miller
YEA: 8 NAY: 0 ABSTAIN: _____

OTHER BUSINESS

With no further business being brought before the Board, Tomasky moved to adjourn; Heifner seconded. Chair Smith adjourned the meeting at 4:32 p.m. on July 23, 2013.

Respectfully submitted,



Elaine Roberts, A.A.E.

Secretary

ER | ksw