

**CHARLOTTE DOUGLAS INTERNATIONAL AIRPORT
AIRPORT ADVISORY COMMITTEE**

**Minutes from the October 6, 2011 meeting
Piedmont Conference Room
8:00 a.m.**

Present

Drew Riolo, Chair
Shawn Dorsch, Vice Chair
Pam Bennett
Scott Culpepper
C. Morgan Edwards
Todd Fuller
Tim Gause
Crystal Jackson
Russ McMillan
George Pretty

Staff Present

TJ Orr, Aviation Director
Haley Gentry, Asst. to the Aviation Director
Lauri Golden, Customer Service Coordinator
Erika Helm, Community Outreach Specialist

Absent

Ed McMahan

1. CALL TO ORDER

AAC Chair Drew Riolo called the meeting to order at 8:00 a.m.

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF SEPTEMBER 1, 2011 MINUTES

The minutes were approved as written.

4. BUSINESS AGENDA

1. Airport FY2011 PFC Administration Contract

Action: A. Approve a contract with Newton & Associates, Inc. not to exceed \$175,000 for Passenger Facility Charge applications, administration and reporting.

B. Adopt a budget ordinance in the amount of \$175,000 from the Passenger Facility Charge Fund.

Background:

- In November 2004, the Airport implemented the collection of a \$3.00 Passenger Facility Charge (PFC) for passengers boarding commercial aircraft at the Airport.
- The purpose of the PFC program is to provide the Airport with an additional source of funding for capital projects.
- All projects included in the PFC program must be approved by the Federal Aviation Administration (FAA) prior to any PFC funds being used.
- The administration of the PFC Program requires specialized professional assistance. Such administrative services include:
 - Preparation of a PFC application for each new project funded with PFC revenues.
 - Preparation of amendments to approved PFC applications to reflect changes in scope, timing, costs or finance plan.
 - Preparation of quarterly reports to the FAA on the collection and use of PFC's.

- Newton & Associates, Inc. is a local firm possessing the expertise to provide the required services and has been an integral part of the Airport development team throughout the formulation and implementation of the PFC Program. They will be paid at an hourly rate for services.
- The budget ordinance will appropriate \$175,000 from the PFC Fund Balance to fund this contract. The airlines collect the \$3.00 PFC on each eligible ticket sold and remit \$2.89 to the Airport. Those revenues are deposited in the PFC Fund until authorized by the FAA to be spent on an approved project expense.

Disadvantaged Business Enterprise

The Federal DBE Program neither requires nor permits goals for every contract. The City must meet its DBE goal through a mix of contract-specific goals and race-neutral means. No goal was set for this contract because subcontracting opportunities are not anticipated; however, Newton & Associates is a certified DBE.

Council Date: October 10, 2011

Motion: Dorsch

Second: Jackson

Vote: 9-0 (Fuller absent for vote)

2. West Boulevard Relocation Change Order

Action: Approve Change Order #2 with Blythe Development Company in the amount of \$345,310.01 for additional road improvements related to the West Boulevard relocation.

Background:

- Construction of the new runway has provided several new roads to serve the neighborhoods west of I-485. This portion of West Boulevard is the final portion of the relocation of roads due to the construction.
- West Boulevard is a state-maintained road (NC 160), and NCDOT provided \$1.7 million in grant funding to fund portions of the road relocation.
- Requirements of the grant funding included NCDOT approve all plans and that a state inspector review and approve any and all activities during construction. The on-site inspector has the authority to make additional changes during construction.
- In July 2010, City Council approved a contract with Blythe Development Company in the amount of \$2,559,800 for the paving of the West Boulevard extension.
- That contract included work along Steele Creek Road to realign the road to meet the new intersection and the connection of the relocated portion of West Boulevard.
- In November 2010, City Council approved Change Order #1 in the amount of \$128,707.95 for additional turn lanes, curb, and sidewalks for both sides of Steele Creek Road south of the new intersection.
- This change order will cover additional asphalt repairs to existing Steele Creek Road and asphalt wedging to maintain traffic as required by the NCDOT on-site inspector.
- Funding comes from the existing NCDOT grant and a future FAA grant.

Disadvantaged Business Opportunity

Established DBE Goal: 12%

Committed DBE Goal: 15%

Blythe Development Company maintains their current DBE commitment through this change order.

Summary of Bids

N/A

Council Date: October 10, 2011

Dorsch: The area between I-485 and the railroad yard, is that area available for development? I am wondering why the road came over from the right. Why didn't you bring it closer to the exit, where Garrison Road got cut off?

Orr: You are asking about Wallace Neal Road, right?

Dorsch: I guess so.

Orr: That is the road that is coming down on the east side of I-485 and makes the 'S' curve.

Dorsch: Why didn't Wallace Neal Road come down straight to where the exit is instead of curving over to the middle there?

Orr: To get an adequate amount of space between the exit and the road for traffic purposes.

Dorsch: Is that area always going to remain empty like that?

Orr: More than likely.

Dorsch: Is that a safety zone, an FAA safety zone at the end of the runway?

Orr: It is in the clear zone, but the traffic implications of having development in there wouldn't be very productive. Remember that if the Garden Parkway is built, it starts right there. There would be another bridge, a line running east/west is the first two lanes of the future four lane divided highway.

Riolo: The Garden Parkway is what is going to run to Gastonia to get the traffic off of the interstate up there.

Orr: Right. At one time, there was discussion that there should be a huge intersection by the Airport, however it was identified that there was never going to be enough money raised to build an intersection that big and furthermore they did not need it. So, the current plan will keep these four ramps intact and use that bridge and just build a companion bridge there.

Culpepper: So the Garden Parkway goes which direction?

Orr: The Garden Parkway crosses the river on the new bridge and then crosses the South Fork River.

Culpepper: When is this going to get done?

Orr: I think it will get done some day.

Culpepper: They don't have to have that redundancy for the intermodal?

Orr: No, they do not have to have that because you are entering onto an interstate that goes to two interstates. They don't have to have it, but it would be a nice benefit. As you know it is proposed as a toll road. The real issue is can you generate enough tolls to pay for the road.

Motion: Dorsch

Second: Jackson

Vote: 10-0

3. Baggage Handling Systems Scanner Replacement

Action: A. Approve an agreement with SICK, Incorporated, for the purchase and installation of baggage conveyor barcode systems and repair parts, as authorized by the sole source purchasing exemption of G.S. 143-129(e)(6),

B. Approve an agreement with SICK, Incorporated, for equipment, installation, repair parts, and employee training used for the baggage conveyor barcode scanner systems in the amount not to exceed \$65,000.

Background:

- The Aviation Department owns and maintains the Airport's baggage conveyor system, including baggage conveyors, carousels and scanners. These systems transport passenger

luggage from the ticketing area through TSA screening to the designated sorting zones for flights.

- The Airport's current baggage scanners need to be replaced in order to maintain performance standards, standardization, and compatibility with other existing equipment.
- SICK, Incorporated is the manufacturer of specialized airport conveyor scanners that are required to sort baggage throughout this conveyor system.
- On August 29, 2011, a sole-source purchase order in the amount of \$87,316 was issued to SICK, Incorporated to expedite the delivery of two new scanners.
- This action requests an additional \$65,000 for costs related to the installation of the scanners, recommended spare parts, and personnel training.

Small Business Opportunity

Established SBE Goal: 0%

Committed SBE Goal: 0%

Sole source contracts are exempt (Appendix Section 23.2 of the SBO policy).

Council Date: October 10, 2011

Motion: Pretty

Second: Bennett

Vote: 10-0

4. Airport Revenue Bonds

Action: Adopt resolutions to approve the issuance of up to \$80 million of Airport Special Facility Revenue bonds.

Background:

- The Airport is planning on issuing up to \$255 million of revenue bonds in early November.
- The new bonds will fund improvements to the airfield, terminal and the construction of a new short term parking deck.
- A portion of the new deck, and other associated improvements, will be used as a rental car return facility. The construction costs for the facility will be funded through taxable bonds secured by contract facility charges (CFC) and contingent rent from the rental car companies.
- On September 12, 2011, Council approved the issuance of up to \$175 million of General Aviation Revenue Bonds as part of this financing.
- In the current action, Council will approve the bond order and final resolution for the issuance of up to \$80 million of special facility revenue bonds.

Culpepper: This deck will be in the place where the two existing decks are now?

Orr: Yes. We will build the back half of this deck first, while leaving the two decks there. When building the back half, that will include the full seven stories and also include the entrance and exit lanes for the deck. Then we will open that portion, move the cars from the existing Hourly decks into that portion and then tear down the two Hourly decks to build the front half.

Dorsch: Will the control tower still be there?

Orr: Yes. The FAA's current plan is to have the new control tower built on an expedited schedule and be open in 2019. As you know, we have made an offer to the FAA through the Secretary of Transportation, that we would fund, design and construct that tower and have it open in two years, if they would guarantee us that they would lease it, lease purchase or later pay us back.

Culpepper: The response?

Orr: They are thinking about it.

Culpepper: The front half of this, the construction is actually to start before the DNC?

Orr: Not the front half, the back half. The back half of the deck has actually already started. You may have noticed us moving some power lines, drain lines and other work to get ready.

Jackson: What about the rental car companies? When will they occupy the space in the new deck?

Orr: They will not move in until the entire deck is finished, which will take about three years. As soon as we tear down the existing Hourly two decks, we can expand the roadway system and move it further out. As soon as we get that done, we can expand the terminal building by making the lobby bigger and baggage claim bigger.

Motion: Bennett

Second: Dorsch

Vote: 10-0

5. STATUS REPORTS

1. Presentations to Bond Rating Agencies

Orr shares a presentation with the committee on the Airport's current bond issues (GARBs and Rental Cars), which was presented to the three major bond rating agencies during a recent visit to New York. The Airport currently has an A+ rating on its GARBs. The Airport expects to maintain that and expects an A level rating on the CFC (Contract Facility Charge).

Covered in the presentation was the issuance of General Airport Revenue Bonds (GARBs). GARBs are used to fund Airport projects and are a debt of the general revenues of the Airport; they are not a debt of the tax payer. The interest rate the Airport receives is based solely on the bond rating of the Airport, not the City, State or County. When presenting on the GARBs, all of the Airport's projections are very conservative. The revenue projections are conservative with the cost projections set high. The projections for enplanements are set at a one percent increase, although it has been considerably higher. Additionally, the Airport has a very strong long term agreement with the major airlines serving Charlotte, including JetBlue, under which the airlines jointly and severally guarantee all of the Airport's outstanding GARB service if the Airport is not able to make the payment, as well as any shortfall in the M&O (Maintenance and Operation) expenses by voluntarily raising their rates and charges, which are the lowest in the world. The Airport also highlighted average airfares from other Airports (surrounding Airports that are competitive to Charlotte) over the last 20 years. Today, those airfares are very competitive across those Airports (Pittsburgh, Raleigh, Greensboro and Nashville). Additionally, Charlotte has more local traffic than those Airports. The Airport also pointed out that there is no debt in its excluded cost center, which includes cargo, FBO and the railroad. Within the included cost center, where there is debt, only 25% of the revenues come from the airlines, which is extremely low. Also shared was the Airport's cost per boarded passenger, which continues to decrease and is at a current rate of around \$1. There is a potential for the airline operation at CLT to be revenue-neutral to the airline (at one time, Northwest had a net cost per boarded passenger of \$-0.4, which means the Airport paid the airline \$0.4 to operate at CLT, per boarded passenger). The Airport also highlighted that if the US Airways hub went away, the Airport could pay all of its debt service, meet all obligations and the cost per boarded passenger would still be less than most Airports, which would be in the \$5 range. The Airport is very close to getting an AA rating with Fitch, which only few Airports in the country have. The Airport also shared with the bond rating agencies its future CIP, which all projects are discretionary from the Airport's point of view. The Airport does not spend any capital on projects until a revenue source as been identified to pay for it and a tenant ready to occupy it.

The other bond issue is for the rental cars and will fund the bottom three levels of the new deck. It is referred to as a CFC (Contract Facility Charge), which is the \$4 per rental car, per day, that the customer pays when renting a car at the Airport. The money collected will be used to pay the debt service on the bonds. The Airport has a ten year lease with the rental cars that states if the CFC charge is not sufficient to retire the debt, then they will be obligated to pay a contingent rent and make up the difference. If that still does not work, the worst case scenario is the Airport pays off the debt and takes back the bottom three levels and converts it into short term parking, which is the highest revenue

producer of any investment on the Airport. Additionally, the Airport has leases with each individual rental car brand, independently, as opposed to the holding company. There is considerable strength in extending the leases we have, as opposed to having new leases with the holding companies. One exception to that is Alamo and National, which is now a combined brand. For the CFC, the revenues are projected at \$8 million annually, and growing with the market. The revenues then go into the debt service fund and then M&O costs come out of there. Following that is a whole series of reserve funds. Twenty-five percent of the maximum annual debt service is set-aside in a debt service reserve fund. At the bottom is an emergency fund that is initially funded with \$1.5 million. Each of these funds is refilled through the revenue flow. There is a whole series of reserve funds for unexpected contingencies. It resembles a stair-step with revenues coming in at the top, followed by a Stabilization Fund, then a Rolling Coverage Fund, then a Supplemental Reserve Fund and a Debt Service Reserve Fund at the bottom. There is also a City Loan Provision in place which allows the Airport to step-in and from any source, loan rental car's money to meet their debt service requirements. This is to keep the banks from taking ownership of any building on Airport property.

2. Construction Update

Baggage Claim Renovations:

- Renovations to the baggage claim area continue to make progress.
- Crews are currently completing the back wall, pouring the terrazzo flooring, installing brighter, energy efficient lights and new ceiling tiles.

Dorsch: Who designed this?

Orr: Brooks Runkle with Redline Design.

Runway 18C/36C Rehab:

- This project is near completion and includes removing the pavement from the full length, middle portion of the runway and replacing it with new concrete.
- New runway lighting is also being installed.

3. Electric Vehicle Charging Stations

- Two electric vehicle charging stations are now located inside the Business Valet Deck.
- The units are free to paying customers using the Airport's Business Valet or Curbside Valet services.
- Customers may simply inform the Valet that they would like to take advantage of the complimentary service.
- Each station is able to charge two vehicles at a time.

6. DIRECTOR'S REPORT

1. Bank Closing Nov. 18 and Travelex starting Nov. 15

- First Citizens Bank, located in the Ticket Lobby, is scheduled to close November 18.
- Travelex, a foreign currency provider, will begin service at CLT on November 15.
- Travelex will operate two mobile carts, one in the Atrium and a second cart on Concourse D.

2. The AeroClinic Closed

- The AeroClinic has closed.
- The business was not profitable enough to remain open.
- Originally, the intent was to have a joint venture with one of the area hospitals, which never came to fruition.
- Additionally, The AeroClinic was unable to secure contracts (for worker's compensation, drug testing, etc.) with some of the Airport's major tenants.
- The Airport plans to make the space available to an area hospital.

3. EA Sports Grand Opening Held Sept. 2

- The new EA Sports store is the first retail outlet for the brand and is located on Concourse C.

4. Runway 5K Run on Saturday, Oct. 29

- The Airport's 5th Annual Runway 5K Run is scheduled for October 29 at 8:00 a.m.
- Last year's Run drew 3,317 participants and raised over \$40,000 for LifeSpan's Community Activity and Employment Transition Program (CAET).
- LifeSpan, a nonprofit organization, assists children and adults with developmental disabilities by providing education, employment and enrichment opportunities.
- The Airport's Run is now considered the largest locally-sponsored 5K event in the state.

5. US Airways Chamber video

- US Airways CEO Doug Parker called the growth of CLT's hub "phenomenal" during a speech to Charlotte Chamber's Board of Advisors on Monday, September 19.
- The link to view the video will be emailed to all committee members.

6. Neighborhood Update and Connections Published

- Copies are in each member's book.

7. Charlotte USA Economic Development Guide

- The Airport assisted Wilson Air Center with an advertisement in this publication.
- There is also an article included on transportation, which features the Airport.

Miscellaneous Discussion

Dorsch: Runway 18R/36L, that's not a concrete runway, is it?

Orr: Parts of it are concrete.

Dorsch: Will it eventually have to be repaired like the center runway is now?

Orr: Yes, we will dig up the northern part of it sometime next summer. It's already in design and we will be bidding that early next year.

Meeting adjourned at 9:00 a.m.



 T. J. Orr, Aviation Director

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