

The Airport Governance Study Oversight Committee convened on Monday, April 29, 2013 at 1:38 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Project Manager Kim Eagle presiding.

Those present included: Project Manager Kim Eagle; Consultant Bob Hazel, Oliver Wyman; Frank Emory, Charlotte Chamber; LaWana Mayfield, Charlotte City Council; Mike Minerva, US Airways; Tom Murray, Charlotte Regional Visitor's Authority; Andrew Riolo, Airport Advisory Committee; Landon Wyatt, Charlotte Regional Partnership; Various City staff and members of the media

Kim Eagle said this is the final meeting of the Airport Governance Study Oversight Committee. We are streaming live today on the City's website. You have copies of the agenda at your seat. There are extra copies of the study draft in the back of the room for others, if needed. I will turn it over to Consultant Bob Hazel to give us an overview of the study and then we will open it up for discussion.

Study Consultant Bob Hazel said thanks to the Oversight Committee for all you've put into this. And, thanks to the City for providing the resources that I requested to do this study. What we're going to do this afternoon is first, go through our findings. Second, I'm going to try to anticipate some of your questions. Third, I'm going to tell you about the comments I've received so far.

This is the part of the study where everyone who agrees with portions of report says what a great report it is. And those that disagree say that the portions of the report they disagree with aren't supported by the facts, aren't well researched or thought out. That's fine as long as we disagree with each other in a respectful way and that's certainly been my experience so far in this project.

As you know from reading the report, we addressed several questions; several sets of issues. First, what are the major factors that have determined and will determine the Airport's success in the future? We conclude there are a number of factors. But the critical factor that's most within the Airport's control is its low costs. We also concluded that the most successful airports around the world, and that's a category that we believe Charlotte belongs in, have certain characteristics. And those are, a commercial mindset, cooperation with airline partners, including the hub carrier, but certainly not limited to the hub carrier, and a clear decision-making structure. We then looked at the reasons why there's been an interest in changing Charlotte's governance. And, ultimately, we went beyond this to look at the strength of the arguments for changing the Airport's governance structure. We studied the strengths and weaknesses of different airport governance models and also how Charlotte's peers are governed. We studied the issues that have been encountered when an airport transitions from one governance structure to another. And on that subject, I note simply that a change of governance doesn't happen frequently. Only two of the top 30 airports have changed their form of governance in the past 20 years. Actually, three of the top 30 airports, if you include Pittsburgh, which was a top 30 airport at the time it changed governance. It really depends on your frame of reference. It no longer is, but it was at the time. Seven of the top 86 airports have changed governance in the past 20 years. All changes have been in the direction of creating a new airport authority. No change, to our knowledge, has been

in the other direction; that is starting with an airport authority and moving to a city/county or state form of governance. We drew conclusions on the following subjects: the case for change. As reported in the press, we found that the Airport has been spectacularly successful in most regards, including its low costs and high service quality. We also found that the specific incidents that have been cited as driving the need for change deserve an examination on the merits. But not a rush to judgment, the City's actions has been aimed at increasing Airport's costs or in shifting Airport revenue to the City. In our interviews with the City, we found there was widespread acknowledgement that the City was open to redressing the specific issues raised. And one of the issues, that regarding US Airways requests for input regarding the next airport director has already been addressed. So when we compare Charlotte with other airports, the case for change is weak. Next we addressed the best form of governance going forward. Our conclusion is, nevertheless, that the best form of governance is a properly structured airport authority. Here we stress that because Charlotte has been so successful; changing the form of governance may not immediately, or even in the short-term, improve the Airport's level of performance. But it is likely to best position the Airport for the future. We provided five reasons: 1. is to reduce political involvement; 2. Ability to function more like a corporate board; 3. Separation of finances; 4. Ability to develop contracting and procurement policies best suited to the airport; 5. Ability to develop customized compensation and workforce development program. We pointed out several characteristics of a properly structured authority. First, board appointments should be made by those with an important stake in the airport. Based on our interviews and the lessons learned, this means, first Charlotte; the City of Charlotte; the second Mecklenburg County; with others having a much smaller stake. As applied to Charlotte, the City of Charlotte should have appointment power over a plurality of board members, but not a majority. One fundamental reason to establish an authority is to create continuity that is not found in the political process. And so that is the reason not to grant any particular jurisdiction a majority. Board size should be between 7 and 11 members, not larger. We drew the following conclusions regarding transition issues: 1. Transitions take time to do properly. That applies to airline mergers and it applies to airport governance transitions. 2. Based on studying other governance transitions, it appears that six months is the minimum time required and to accomplish that, the parties should be doing significant planning work before the six-month clock starts. An orderly process from start to finish does not necessarily require, but is more likely to take, a year. The new Connecticut Authority is taking much longer than that. We note that that is not a model. The FAA and TSA must approve airport governance changes and they cannot do so until a new board is appointed and the newly structured authority has in place all the things needed to operate, including funds transferred, etcetera. Prior airport governance changes, especially those done where the parties had only limited discussions with each other beforehand, have been done in a way that resulted in problems later on. We note for example the Asheville Authority which to my knowledge still has not received FAA approval. And the issues involved require highly specialized expertise to accomplish the transfer of bonds, if possible; making sure that employees have no disruption in employment and pensions, if possible. Making sure the airport has the land use zoning authority it needs, as well. In that regard, if there is a decision to change governance, the parties should be working together to accomplish that in the least disruptive fashion. Finally, we observed in general terms that the pending legislation is not consistent with the best practices we found. And that especially given the airport's current status as one of the most successful airports in the United States, it would make sense to carefully

consider the steps going forward. That means, 1.Reconsidering the structure of the airport authority; 2. Obtaining expert input so that any legislation is as effective as possible; 3. Carefully planning for a transition, which also means providing an adequate period for a transition. Neither our charge nor our purpose is to provide a detailed critique of the legislation. As for those who would like for us to be even more specific regarding exactly how many appointments should be made by whom and having what qualifications, we've laid out the basic principles based on interviews, experience and logic. We're dealing with governance issues, not math or physics. There's not a single right answer on every governance detail. We recognize that these issues, especially regarding board appointments, are often a matter of compromise and that they're best addressed locally by those most involved.

Let me now address the question you'll probably ask first. How can we conclude that the Airport has been a spectacular success and that the case for change is weak and then go on to say, nevertheless, that a different form of governance would be best for the future? The best way for me to explain this is for me to tell you that if there were no legislation pending, if we were not looking at these issues in a politically charged environment, and the City came to us for an independent objective analysis and recommendation on the best way to govern the Airport in the future to give it the greatest chance of success, our findings and recommendations on that subject would be exactly what they are now. Turning to the case for change in the context, we did indeed find the Airport has a long history of success, which the City should certainly be proud of. And that other airports are more obvious candidates for change in the sense that they have more of the issues that are traditional reasons for creating an airport authority. As a result of these facts that came through very clearly in our interviews, that many Charlotte stakeholders feel a strong sense of injustice with regard to the pending legislation, and we certainly recognize that. But ultimately these factors do not change our findings and conclusions about how to best position the Airport going forward. The other point I need to make is that ultimately having the best people managing and overseeing a complex business, and we do regard the Airport as a complex business, is much more important than optimizing the governance structure. In that vein, it's important to stress that one of the primary purposes of creating an airport authority is to reduce the level of political involvement. So to the extent that the process of creating an authority does not achieve that result, it will not have accomplished one of the most fundamental objectives of creating an airport authority. There's no guarantee that five years from now, Charlotte, under airport authority governance, will be more successful than it would be under city management. Whether or not that turns out to be the case is going to be largely determined by the individuals managing and the individuals overseeing the Airport. We believe, however, that the governance structure that is most conducive to the future success of the Airport is a properly structured airport authority. We received two sets of comments, to date; actually three. I received another from a member of the public within the last hour. I have not reviewed it. On Friday I received a phone call from City Councilmember David Howard regarding the rationale for concluding that the Airport was well managed and questioning how that could lead to a recommendation for change. I should note that at the beginning of the call, Councilmember Howard asked if it were appropriate for him to give me comments and I said, by all means. And also regarding the perspective taken in the report, specifically did the report emphasize the perspective of airport directors over other stakeholders? He indicated he would explore these and other issues at the City Council presentation. We also received a number of comments from Councilmember

Warren Cooksey this morning. Instead of paraphrasing them, I will just note that they're available to members of the Oversight Committee and we will spend time studying them between now and Wednesday when the final report is due. And so, on that note, I'm happy to get your comments, questions, and etcetera.

Tom Murray said I'll just start by saying thank you for all your work. We know it's a tight schedule and we appreciate the energy and effort that went behind it. Our task was defined to ensure the study is objective, independent and unbiased. I think, from my perspective, I'm comfortable that you've been independent of any undue influence and I've followed up privately with you prior to this meeting to see if that were still the case and so I'm comfortable with that. I'd like to talk about objectivity and bias a little bit. I've read your study a number of times and I've just listened to your summary and as predicted, you predicted my question, but I think maybe we'll go into it a little bit more. In your report you say, "On its face, the Charlotte Airport is the most unlikely candidate for a change of any of its peers". And then you go on to say in Part B, "Charlotte has been a spectacularly successful airport in most regards, including its low costs, high service quality and prudent financial management." Then later in the report, you go on to say, "Our conclusion is nevertheless is the best form of governance for the public sector U.S. airports, including the Charlotte Airport, is a properly structured airport authority... As noted, this conclusion is not based on any real or perceived wrong-doing, mismanagement, or other impropriety by the City of Charlotte. It simply represents findings based on many interviews with airport directors and senior managers who have worked under multiple airport governance structures." My question to you, or I'd like for you to help me understand on objectivity here, would a condition exist where you would not recommend an authority or is your conclusion that the answer is always an authority.

Bob Hazel said, first I'd like to limit my response to airports similarly situated to Charlotte. And, in that category, let me start out by pointing to the critical success factor for Charlotte which is its low costs. Charlotte is an airport that is in a particularly competitive situation because of its reliance on transfer passengers. And so more than most airports, Charlotte is dependent on its low costs. That would be less the case, for example, if Charlotte were a big city with an OND airport, which is to say an airport where passengers are going to go to that airport regardless of what its costs are because it is the only airport serving that region, for example, and is not competing for transfer passengers. So let me start by saying my remarks are focused on airports in Charlotte's situation. And an airport in Charlotte's situation, in my view, is critically dependent on keeping its costs low. And the best way to create an environment in which the airport is able to keep its costs low is to create a business-like structure which is more likely to be found with an airport authority, for the reasons I identified. There's clear separation of finances from the city. There has been no history of wrong-doing by the City. To create an absolutely clear financial separation makes things clearer and simpler. This is an independent, commercially oriented enterprise. It will operate on its own. It will procure services only to the extent they are required. It will negotiate for its own needs. So for the reasons I identified, our conclusion is that this is the right structure for Charlotte.

Tom Murray said in your report when you wrote "Our conclusion is nevertheless is the best form of governance for the public sector U.S. airports, including the Charlotte Airport, is a properly

structured airport authority.” Most is the qualifier, and is there a circumstance where you wouldn’t recommend an authority?

Bob Hazel said, it’s conceivable. I would also say there are, to the extent there are airports that are very small that could have a need for financial support from the local jurisdiction you could also draw another conclusion. That’s not the case with an airport the size of Charlotte. But there are some circumstances that could vary.

Tom Murray when you looked at one of the reasons why you would want to recommend an authority, you talked about avoiding the political risks, “Reduced political involvement in airport management, which enable airport managers to better concentrate on running the airport most effectively.” Did you take into consideration that politics weren’t the only influence on the airport when it was being overseen, in other words, political people were not the people that were always managing it; there’s a city staff behind the management of the Airport. I don’t see that written into the report anywhere. Was that part of your thinking?

Bob Hazel said there’s a line in the report that acknowledges, in the section on strengths and weaknesses, that with the City Manager-Council form of government, the arguments for greater continuity of an airport authority need to take that into account. There is a reference to that and I certainly understand the argument that with Charlotte’s history of relatively long tenure for management, there is more continuity than when you get the, for example, the strong Mayor, who changes on a pretty regular basis. The point remains, however, that there is more continuity with an authority board, properly structured, with staggered terms, than there will be under another form of governance. And more continuity and also more focus on the airport as their sole subject of responsibility.

Tom Murray said is the study saying that a properly structured airport authority is better than having city oversight involved in it.

Bob Hazel said right, in this case. I tried not to use the term “better” but that’s our conclusion, so it’s a fair term.

Tom Murray said you’re suggesting a properly structured airport authority as your outcome, but you’re not supporting the legislation that’s on, is that correct?

Bob Hazel said correct.

Tom Murray said I guess we read into that as you’re worrying about risks in terms of the legislation, right?

Bob Hazel said in terms of risks, let me approach that in two ways. First, the structure of the legislation differs from the structure that we believe is best practice structure. And we’ve explained how it differs, at least in general terms; in terms of number of appointments, how those appointments are made and by whom, transition period, etcetera. In terms of risks, what we’ve said is there are no guarantees as to success. The City of Charlotte has managed this airport for

more than half a century; it's been spectacularly successful. Whether that will continue, it could well be the case. Our conclusion is that a structure most conducive to continued success, which has the lower risk, that there will not be continued success is an airport authority structure. So we are concluding that on the basis of risk and fertile environment for success, an airport authority is a better way to go in the future.

Frank Emory said my job today is to represent the Charlotte Chamber. First, thanks for the work and for a very readable report. As I look at your report, I've concluded that on every positive analytic metric Charlotte comes out in the top quartile or better. Is that fair?

Bob Hazel said correct.

Frank Emory said so who are the peers? You mentioned similarly situated airports, who would that be?

Bob Hazel said we identified the peers as those with the high percentage of connecting traffic and are large and we list them; they include Minneapolis, Detroit and others on page 32. They are: Atlanta, Dallas, Houston, Charlotte, Minneapolis and Detroit.

Frank Emory said the reason I asked the question the way that I did is because as I; recognizing I'm from the Chamber and we're for the City. As I look at this, I don't see anybody that is as good as are, either a city or with an authority.

Bob Hazel said so stipulated.

Frank Emory said when someone says the case for change is weak, I'd say nonexistent, given those facts. I recognize that's argumentative, but certainly for the facts on the ground, undisputed, that would be the case. I'm not suggesting you agree, but you understand why one would come to that conclusion?

Bob Hazel said if we look to the future based solely on the performance in the past, then it's hard to disagree with that.

Frank Emory said but then when we think about the future, what I gather, the issues concern whether the quality of the management can be maintained or enhanced with a governance structure that has elected people in it.

Bob Hazel said I didn't limit it just to the management structure. I identified a number of issues, including financial separation, procurement; there's five reasons given. And let me answer your question with my own hypothetical, which is, let's assume that Charlotte had been governed by an airport authority for the last 50 years and that airport authority had 30 board members on it, and yet nevertheless we had this same record of success that we have today, would it to be rational for us to conclude, based on studying airport authorities, that going forward, a better structure would in fact have an airport authority with seven to nine members or seven to eleven. And I believe that it would still be a rational conclusion based on what we've seen as best

practices in the industry. So, we're really ultimately, not meaning to be argumentative, but I think really if you believe that history is a perfect predictor of future success then your point is entirely valid. If you believe that history is relevant but not a perfect predictor of future success and that you do need or should, if you aspire to be the best in the U.S., you should aspire to adopt best practices and these are what we believe to be best practices.

Frank Emory said I don't know if I would disagree with the logic construct you make, but I think you create a false dichotomy because, let's use your hypothetical. If we were to apply to our situation we have a strong manager-weak mayor/council form of government that is done very well. We might look at that and decide that there were better ways to do that using your hypothetical. What we have here is, we're going to take a practice that we've used that has been very good and throw it out completely very quickly and put in a brand new structure. That's what we have on the table that's being proposed which is what sparked the study. What I hear you saying is that everything else being equal, what you would do long-term is put in a best practices structured airport authority.

Bob Hazel said right. The only quibble I have with your description, which I basically agree with, is that we have a practice that's been very good and I would say we have results that have been very good, not necessarily achieved, with a structure that is best practice.

Frank Emory said the last thing, with respect to a well-structured authority, one of the concerns that was raised during the public hearing, had to do with transparency and the ability for the people that are stakeholders to affect the management of or the outcomes of what goes on at the Airport. I want you to address that for me a little bit. The elephant in the room in my mind is that a lot of this has really come about by people's concerns about what happens when Mr. Orr retires. One wonders whether there's already a successor in place, which a good manager would suggest, and if not, people will worry about who's going to choose that person. If you have an authority, all of that would be outside the public realm, I assume. And that would be done solely by the people who run and manage the authority. Am I correct? By that I mean the choice of the professional leadership of the airport.

Bob Hazel said regarding transparency and regarding selection of the next airport director, it's not clear to me that there's a difference in transparency under a city structure or an airport authority structure; it may be, but clearly with the City structure we may all find out at the same time as we would under an authority structure without any prior, certainly public involvement, etcetera. I'm not necessarily aware of a difference in public involvement in the selection of airport directors under the two systems. There may be, but I'm not aware of that. There are many cases where you read in the paper that the city has appointed Candidate A and I don't know that anyone's been involved in that decision beforehand. So I'm not sure there's a difference.

Frank Emory said one might understand that if the current system were to produce a new manager or new leadership there, that the City Manager would answer to at least a group of elected officials. And if people are dissatisfied with that process could then address. With an airport authority I'm assuming that that is not the case. There is no recourse to the public because

it's now divorced from the public. It is run, in essence, as a private business or a separate business.

Bob Hazel said you identify one of the key distinctions between airport authority and an airport that's run by a city where elected officials are directly responsible for the enterprise. And certainly the citizens' recourse to the elected officials is going to be less with an authority.

Frank Emory said nonexistent.

Bob Hazel said ok, nonexistent. Other than you can get access to the officials that appoint board members but it's more lag in the process. It's a gradual process that occurs over a number of years as opposed to directly. That is a distinction between the two.

Frank Emory said the CPE cost per paying passenger I recognize is the corner the realm in this business and it's nice to see that we're at the bottom which actually is the top of the chart in terms of how we do that. We have one major citizen hub, US Airways, which has put us on the map. Do you see a challenge for us going forward being dependent on one airline as much as we are?

Bob Hazel said I think most major hubs have a single hub carrier. And certainly every hub the size of Charlotte in terms of its local population has a single hub carrier and that is the way the business works.

Tom Murray said I want to go back to that objectivity thing again. When you talked about this nevertheless phrase after you've concluded the Airport has been well run to date, you suggest that your conclusion would be to move toward a properly structured authority and you point out in your document that your conclusion comes from the findings based on many interviews with airport directors and senior managers who have worked under multiple airport governance structures. So that's why you say you've made your conclusion, right?

Bob Hazel said I may go back and expand the language there because I don't want anyone to think that it's just based on what some airport directors told me. It goes beyond that, so I may expand that language. But it's fine to focus on that.

Tom Murray said to me that where the switch from everything has been really well done to I think we should change that because I've talked to these guys who don't really want to go on record. It starts to weaken your argument a little bit that a properly structured authority is the right one because of what these people that tell me that are in there. The question is that full audience of the consideration set so you've asked people that have run airports and those people that run airports tell you that's the right thing to do, but I can tell you if I ask people that work for me would they rather be able to make independent decisions without having to work for me, they'd say yes. If you go ask people that run airports whether they would like to report to a city or a board, some of them may have selfish interests in that because it's easier or harder for them to work under one of the two environments. I guess what I'm saying is that I'm a little uncomfortable that you've moved from really good job, spectacularly successful airport to but

anyway we're suggesting we should move toward a properly structured authority because of these comments from these people. I agree, I would like to see more in the report if that's your conclusion or I would suggest that maybe then we ought to think about it differently.

Bob Hazel said I think that's a really good point. I'm comfortable that we'll find that if we look at a large range of stakeholders we will find only one set that is either not convinced of the merits of turning to an airport authority structure or is neutral on the subject. I think passengers, for example, are neutral. Passengers really don't have an opinion one way or the other; they just want good services, good concessions, and etcetera. The one set that I think will have a view on the subject would be city mayors because if you look at big cities, there is generally nothing preventing them from creating airport authorities. Why have they not done so? I believe it's because none of us wants to lose control or give up control of a large enterprise that does not take taxpayer dollars. And so with that exception I think you will find the full range of stakeholders is either in favor of an airport authority structure or has no opinion on the subject, but it's a very good point. So with the time I have available, we will look at the language on that.

Landon Wyatt said I think you did a great job of drafting. It was very easy to read for someone that hadn't spent enormous amounts of time on the subject. I, maybe interpreted it a little bit differently, that a conclusion that could be drawn from this is the City has done a great job historically of running this airport. How do you institutionalize a process that's really not been institutionalized? So I might be looking at it a little bit differently but our challenge here is fairly narrow. This is unbiased and objective and along those lines, I want to pick up on what Tom was saying that on page 35, the summary, that two sentences does not come across to me as unbiased. And perhaps the same issue Tom was just referring to that it needs more meat; that you ask senior airport management people who they'd rather work for or what they'd rather work for, a board instead of an indirect board. That does not come across to me as unbiased.

Bob Hazel said the purpose of that was to provide some context for this subject because one of the challenges you face in doing a study like this is that people are not willing to talk to you on the record because your employees may want something but it may not be what you want. In the case of city-run airports, those involved below the Mayor are quite uncomfortable making public statements on this subject. That doesn't mean the information they're providing is not valid, it just means they're not permitted to speak to you publically. I was trying to provide some context on that point, but I understand the way it came across and I appreciate your observation.

Landon Wyatt said I understand the context. It's not an inappropriate comment; it just probably needs a little more meat around it. The second question that's in one of the conclusions is an ask for further clarification. You state a properly structured airport authority would be subject to less political influence. I think that needs beefing up because one could argue that the current set-up is fairly removed from political influence where you've got Airport reporting to the City Manager who reports to the City Council. When you fill an airport authority with political appointments then I'm not challenging your conclusion so much as saying I think the structure of those appointments is critical. I think while you state that, I don't think it's stated loudly enough. Put in the reverse, an improperly structured airport authority board could be far more political

than a city environment. It could be a far worse animal than any political environment than we're envisioning being a problem.

Tom Murray said that is the point I was talking about. I'm not sure we've identified the strength of a city management oversight. So switching from the city management oversight to what could end up being a politically influenced board versus city council could be higher risk than our current environment.

Landon Wyatt said I think you point out that the current legislation proposed in Raleigh, the structure of that is not what you would call best practices that an airport authority in Charlotte having representatives from other parts of the state would not necessarily bring to that governance a nonpolitical view. I'm agreeing with what you've written here; I don't think you've stated it loudly enough.

Bob Hazel said I certainly agree that in improperly structured airport authority would not be a good thing. I think I've said that but I can state it more clearly. As to the view that the current city manager structure puts the airport in a similar position to that it would be under properly structured airport authority.

Landon Wyatt said I was making a comparison.

Councilmember LaWana Mayfield said thinking about the comments we received from the community as well as the email comments that were received, how much of that information was taken into consideration when we're looking at the report? On page 36, looking under the "Airport Governance Best Practices", you noted just two unsolicited emails that were received. When I read through the report on that "community discussion", I think that's the other piece that I didn't see as far as even considering changing this governance and what that impact would be when by all accounts, under the current structure, the City of Charlotte in partnership with Charlotte International Airport, has been successful. I didn't see where the community is involved in this process and I think that's the biggest concern as a member of City Council that I've heard from the community and thinking about what Mr. Emory mentioned earlier as far as if there is a question or concern, there is almost direct access when a citizen in the community has a question regarding the expansion of the airport, the runways, the fact that the Airport is growing and what that impact on their neighborhood, as well as what their individual home are, they have almost immediate access to their representatives and in turn the City Manager. I didn't see more clarity on what an authority's role would be when those conversations come up.

Bob Hazel said I don't think anyone's under the illusion that the impetus for change in the governing structure is coming from the community. And as I expressed, there are many people that feel the way this is being done is not just. I acknowledge that. I need to put that aside in terms of making recommendations about best practices and I've done my best to do that. In terms of members of the community and their concerns for a redress, I understand that people at the Public Input Hearing raised that concern. I would point out that other airport authorities deal with the same issue. Other airport authorities are not regarded as insensitive to community needs and some cases, they're quite sensitive to community needs and in fact, able to do things for the

local community that city-run authorities may not be able to. Or, they may well do things more quickly. I would be very hesitant to paint this distinction in sharp terms. Airport authorities are very aware that they serve the public. They are very aware that they need to be good neighbors. I understand the concerns. We have access to our elected officials today; tomorrow we will only have access to the authority members, but I think in the real world these issues have not been differentiated the way it is suggested. I would also point out that if you look at the past 20 years, we see airport governance going in only one direction. It's not a landslide. The changes have been infrequent, but all the changes have been in one direction. I think there is again, not proof positive from that, but I think there is some evidence from that that airport authorities are not a bad thing if done properly.

Councilmember Mayfield said reiterating what other members of the Committee have stated; thank you for the work that you have done. You had a very short period of time and you were able to gather a lot of information. We definitely appreciate what was identified; I just want to make sure that when the time comes to answer the questions in the community that we all have a clear understanding because I think at the end of the day, this report can be interpreted three different ways. It all depends on your lens that you're looking through where we're saying okay you've done a great job, yes an authority can be successful, but also what I'm looking at is that when you flip through the pages and go to the back from 52 to 56 where the Appendix just clearly lays out the "U.S. Airports with over 1 Million Enplanements, Categorized by Governance Type." When you look at the City of Charlotte and look at our number per million of enplanements in comparison to some of the other airports around the country, there are very few that are currently under an airport advisory that's in our category or that have greater enplanements than what we have, it really seems like it's more of the smaller airports than the airports the size of Charlotte Douglas International. And I will admit that my personal bias, I have a concern about us moving forward to the appearance of privatization of services and what that impact can be when this clearly says you have done a great job, as a matter of fact, you have done an excellent job, but we still say that it could be even better under this model, but I didn't really see anything that says why this model would be better than the model you're currently working under and even though slowly it may appear that more airports are moving to an authority doesn't mean that, to me, that's the way we should go just because smaller airports are moving in this direction if we can't clearly say okay here's some really big holes in your current process and this authority will help to fill those holes as opposed to you've done really great, you've done better than a lot of other airports, but still you should go this direction without having a clear reasoning as to what impact would this be that would make the Airport better than what we're already doing. So if there's somewhere to clarify that, so that people don't walk away with those particular questions; you can't answer everything, I completely recognize and respect that, but I just think it would be a little more helpful for some of us in the community, if we could clearly see why an authority would be better when we've already said that Charlotte Douglas International has grown, expanded and been successful under this model, why going into this model and why it would be preferred and what concerns could be solved under an authority that are not being served under the current model.

Mike Minerva said I don't have much to add. I think there's been a good discussion here. I want to reiterate that you and your group have done a terrific job in a short period of time and a very

difficult issue. I'm satisfied that your report is within the scope that's been approved, that is objective, independent and unbiased. I think there's been some discussion about differences of opinion, but to me opinion and bias are two different things. You were hired to give your opinion and that's what you've given and there're obviously some differences of opinion around the table and around the community about this, but I don't feel that your study has been biased in the sense that we're concerned about here.

Andrew Riolo said a congratulatory note, this is the first public meeting in Charlotte since the reports that our Mayor will be nominated by the President as Secretary of Transportation and I think it's important that we congratulate Mayor Foxx, that we wish him all the best, and to note that we are proud of our Mayor. Mr. Hazel, welcome to Charlotte. The citizens of Charlotte welcome you and your report. Thank you for allowing a review of it before the final draft and thank you for calling our airport "spectacular"; we appreciate that. My name is Drew Riolo and I am new to this Committee and I'm not very smart. Those two factors dictate that I keep quiet, but I passed your report to the Airport Advisory Committee and they have questions. Most of those questions have been answered by your introductory message and also by the members of the Committee and thank you for your straightforwardness on that. Two questions I have left, on page 49, Number 3, "Finances are completely separated ..." I already thought that was the law. I thought that the *Airway Improvement Act of 1982* separated that, that the general principle is that airport revenue is only to be used for capital and operating costs of the airport. So if that's the law, how are we going to say that finances are completely separated?

Bob Hazel said when an airport is part of a city that is the law, you stated it correctly. When an airport is part of the city structure, it uses common city services. It pays overhead; it contributes to the city overhead. And so there is a gray line between what an airport's cost is and what is a city cost? The accountants are able to draw the line, but when an airport is separated from a city and when an authority is created the line is crystal clear. And when an airport authority is created, an airport typically has the ability to procure only the services it needs. It typically has the ability to negotiate the price or cost of those services. It generally will not be paying a portion of city overhead, because it will not be part of the city system. And so the line is in fact gray; grayer than we might think it is. And also when an airport is part of a larger city, it's also not entirely clear at what point the city suggests that the airport should contribute to the various programs, services, and etcetera. And some of those issues are some of the issues in this project. And we haven't seen evidence that the City has done anything wrong, but those issues are dealt with more clearly by an airport authority, in fact those issues disappear with an airport authority.

Andres Riolo said I appreciate that in-depth answer that explains a lot to me. My second question, but first a statement: Compromise makes the world go round. In your lettered opinion, give us some ideas, give us some direction, some steps on compromise.

Bob Hazel said I was hired to do a study. I'm really not here to broker a deal. I hope there is a resolution that makes everyone relatively comfortable. I've really called things the way I saw them, which is to say a spectacular record of success, here's what I think is best practice in an ideal world and I'm afraid that's probably about as far as I can go, but thanks for the question.

Airport Study Oversight Committee

April 29, 2013

Meeting Minutes, Page 13

Bob Hazel said next steps are for me to go back, think about your comments and questions, as well as any others I've received, and make some changes that will produce a final report by May 1st. Next week there will be a presentation to City Council as well as a presentation to legislators in Raleigh. And at that point, my work on this project will be done. Thank you for your courtesy, for your interest and for your advice. It's been a pleasure.

The meeting was adjourned at 2:36 pm.

Stephanie C. Kelly, MMC, NCCMC
City Clerk

Length of Meeting: 58:01 minutes

Minutes Completed: May 1, 2013