

**BURLINGTON INTERNATIONAL AIRPORT
BOARD OF AIRPORT COMMISSIONERS
MINUTES OF MEETING
May 21, 2012**

APPROVED 2/19/13

MEMBERS PRESENT: Gene Richards (Chairman)
Bill Keogh
Jeff Munger
Jeff Schulman [via teleconference]

MEMBERS ABSENT: Peter Plumeau

STAFF PRESENT: Robert McEwing
Tamara Gagne
Heather Kendrew

OTHERS PRESENT: Rich Goodwin, Finance, City of Burlington
Chris Hill, Heritage Aviation
Guy Rouelle, Vermont Aeronautics Administrator
Bill Weilee, One Flight Up Restaurant
George Maille, 38 Logwood Street, South Burlington
Marianne Riordan, Recording Secretary

1. CALL TO ORDER

Chairman Gene Richards called the meeting to order at 4:12 PM and welcomed new airport commissioner, Jeff Schulman. Chairman Richards announced Peter Plumeau said he would delay his resignation from the board until a new member is appointed.

2. PUBLIC COMMENT

George Maille, South Burlington Resident

George Maille, 38 Logwood Street (behind the 'living wall' by the airport), applauded the effort to open up the community relationship and improve communications via the website and placard sent in May to residents. Mr. Maille said he hopes the effort works to improve operations and the view of the airport and what the airport is trying to do. Regarding serving on the committee to update the noise study, Mr. Maille said he appreciates the opportunity to work with the airport and be on the team, but is not prepared to take the position at this time. Mr. Maille said he has lots of questions regarding the duties, power, and scope of the role of the board and the member from South Burlington, and will submit these to Gene Richards in writing.

Guy Rouelle, Vermont Aeronautics Administrator

Guy Rouelle announced the FAA 90/10 funding model is back in place, but the state's aviation program will fund the delta this year so the city's share will remain at the current level.

3. MONTHLY REPORTS

Minutes of March 19, 2012, April 16, 2012, May 2, 2012

Action postponed until the next meeting. Tamara Gagne reported per the advice of legal counsel, the sitting board can approve the meeting minutes.

April Monthly Financial Report

Rich Goodwin reviewed the financial statements noting the following:

- Cash balance is \$1.499 million.
- The airport owes \$0 to the city in pooled cash.
- Passenger Facility Charges (PFC) has approximately \$3 million set aside.
- Prepaid account has \$5,000 and includes the debt coverage score for bond holders.
- There is \$500,000 in reserve for the \$5 million line of credit. Tamara Gagne noted with what is in the bank (\$2 million) plus what is due to the airport from the city, the airport will likely have to borrow \$2 million from the line of credit at the start of the fiscal year. Rich Goodwin said he will make recommendations for bond mechanisms for FY13 to the airport commission in the upcoming budget meeting(s). It is likely the recommendation will be for a line of credit for \$5 million rather than bonds with Community National in Northfield Bank or Key Bank because this approach has resulted in a savings in interest payments. The bank typically likes a line of credit for a year with payoff at the end of the term. It is also typical to roll over or use another tool. Rich Goodwin said he prefers a line of credit to bonds for the airport. The airport has a bond note of \$12 million due in December, 2012. The recommendation is to convert the BAN (bond anticipation note) to long term debt and bundle with existing long term debt on a bond with a more attractive interest rate.
- There is \$2.7 million in the debt service fund.
- The FAA fund shows approximately \$4.9 million. In May there is a \$1.3 million reduction. The lower the number, the better for the airport.
- Revenue anticipation note (RAN) used for working capital for the airport secured through TD Bank Securities is due June 30, 2012.
- The airport is advised to pay the \$5 million note on June 30, 2012.
- Per the cash flow from operations, there is ending cash of approximately \$2.4 million.
- The trend analysis shows revenues up by 12% compared to the prior year. Car rental, concessions, landing fees, parking revenues, enplanements are all up. The reason there has not been improvement in the ratings for the city by Moody's is there are unresolved issues with Burlington Telecom.
- Total capital projects year-to-date expenditure is \$2.4 million with money coming from cash flow, not FAA payment. The airport cannot be overly ambitious with capital projects because reserves will not be able to be rebuilt. In-house capital unreimbursed expenditure is about \$100,000. The remainder is PFC reimbursable.
- Debt coverage score as a requirement of the bond holders must be greater than 1.25 and Moody's and Fitch would like to see a score greater than 1.40. The airport's score is 1.39. Moody's and Fitch want to see a consistent score year after year (achieving the debt coverage score for three consecutive years) to show a commitment to honor the long term debt based on bond holders.

Tamara Gagne reviewed the revenue sheet highlighting the following:

- Regarding invoices to the airlines, payment of \$112,000 from Continental was just received.

- Effort continues with US Airways and the bankruptcy claim to collect revenue due (Delta as the parent company will pay the landing fees).
- Approximately \$60,000 of the \$195,000 reimbursable agreement for relocation of the tower due to the garage addition has been received, but it is unlikely the balance will be received. The transaction will be recorded as an error in recording rather than a loss of revenue. Rich Goodwin cautioned against doing anything that adversely impacts the level of profitability or puts the debt coverage ratio in jeopardy. Last year was the highest level of profitability in the last eight years for the airport, and this year the airport is on track to have the highest level of profitability for the airport.
- The financial advisors said the airport needs to have enough cash reserves in the bank to weather consolidation of airlines. Gene Richards added Moody's is concerned about fees, that Burlington Airport should be charging higher fees because the current fees are low compared to other similarly sized airports, but a jump in fees could jeopardize keeping an airline at the airport. The airport has to grow, but not lose an airline. Moody's looks at the amount of money the airport has grown in cash reserve (\$3 million) and PFC (\$3 million) and that debt service did not increase. The airport has about \$10 million in reserves in sum. The airport needs to improve cash reserves and that is done by improving profitability and being careful with expenditures. The drop in fuel prices will help with enplanements.

Jeff Munger asked if the energy efficiency project for \$1.172 million is reimbursable. Tamara Gagne stated the project is eligible for PFC reimbursement, but the airport will not receive the money this fiscal year though the money is already spent.

4. OLD BUSINESS

Refinancing Airport Bonds/BAN

It is anticipated City Council will take action on the contract for the feasibility study on May 21, 2012.

Status of FAA Request

The matter is in the queue at FAA Headquarters in Washington, D.C.

CAH Status

The airport was denied by the court to make Mr. Henniker personally responsible so payment of the amount awarded to the airport must come from the company which is only a shell.

Heritage Tax Suit

Heritage has paid all taxes to the airport and is the 'strongest interested party' in the lawsuit against So. Burlington.

Airport Appraisal

The airport needs an updated survey and will have better documentation going forward. The appraisal will determine value which will allow a better basis of discussion with South Burlington.

5. NEW BUSINESS

Grants

The airport commission concurred with going forward with the four grants outlined by staff (reimburse Porter Air expenses, engineering design for taxiway, runway and apron improvements [AIP-90], noise exposure map update [AIP-91], and land acquisition for 14 residential properties in the airport land acquisition plan for 2012 [AIP-92]).

Data Service to Airport

Tamara Gagne reported the current WiFi network at the airport has capacity issues. On June 7th Delta Airlines will be bringing in new WiFi based aircraft which at present the airport's WiFi service cannot support. Gene Richards stated Comcast can fill the void to serve Delta and other/new users. The cost per month is \$400. The airport commission concurred with the staff recommendation to use Comcast service.

Guy Rouelle noted the state is installing fiber service at all state airports. Mr. Rouelle will forward information to Bob McEwing.

Car Rentals

Five bids were received for car rental contracts. The airport requires 10% of gross or a minimum annual guarantee. The budget shows \$100,000 more generated in FY13 than FY12.

MOTION by Bill Keogh, SECOND by Jeff Munger, to accept the staff recommendation to award contracts totaling \$1,642,373 for the minimum annual guarantee to the following firms with the minimum annual guarantee for the first year as noted:

- | | |
|---|------------------|
| ➤ Avis/Budget Group | \$495,000 |
| ➤ Hertz Corp. | \$444,000 |
| ➤ ELRAC: National/Alamo | \$296,734 |
| ➤ ELRAC: Enterprise | \$296,634 |
| ➤ DTG Operations: Dollar/Thrifty | \$110,005 |

VOTING: unanimous (4-0); motion carried.

F-35

Bob McEwing will draft a letter of support for review/signature by the airport commission. Bill Keogh urged including a statement saying the airport commission has sensitivity to noise problems, but supports the project. Mr. Keogh also requested the letter from Sylvia Knight and Robert Wright, dated 5/21/12, regarding the F-35 in Chittenden County be entered into the record. Gene Richards noted the following to provide a basis for the 65 decibel level:

- Rustle of a leaf - 20 dB
- A whisper - 30 dB

- Normal conversation – 60 dB
- Inside of a passenger car traveling at 60 mph – 65-75 dB
- Ringing telephone – 80 dB
- Hairdryer – 85-90 dB
- Lawnmower – 90 dB
- OSHA maximum exposure for eight hours – 90 dB
- Chainsaw – 90-100 dB
- Tractor – 95-105 dB
- Threshold of pain – 120 dB
- Fire engine – 120 dB
- Police siren – 120 dB
- Ambulance – 120 dB

Mr. Richards commented the F-35 aircraft have seven minute flights, the program will bring in \$200 million per year in economic benefits to the area plus 1,000 jobs. Other noise mitigations are being explored, but the airport will not purchase houses. Heather Kendrew noted there are appropriated funds from the Dept. of Defense budget to be used for mitigation.

FY2013 Budget

A budget meeting is scheduled on May 23, 2012. Financial statements (expense/revenue summary; rates and changes to airlines; proposed debt coverage ratio) showing the percent increase/decrease compared to last year and an explanation have been forwarded to the airport commission. Rich Goodwin requested the expense/revenue summary show FY2012 projected figures.

There was brief discussion of the cost to maintain the parking garage under service contracts through Burlington Public Works (line item 6500). The cost (\$800,000) is payroll, overhead, and management. The amount is a decrease from last year (the amount would have been over \$1 million if the \$250,000 management fee was included). BPW is being reimbursed for expenditures incurred plus a management fee of \$50,000. Park & Shuttle, Airport Ambassadors, and Security previously covered under service contracts are now under payroll. The police service contract is \$1 million out of the \$3 million service contracts line item.

6. LEASES AND CONTRACTS

Food Service Proposals

One Flight Up and Skinny Pancake will be interviewed on May 30, 2012 beginning at 8 AM for the food service contract at the airport.

7. PROJECT UPDATE

Park & Shuttle

No report given.

8. AIR SERVICE DEVELOPMENT

Jumpstart

Bob McEwing reported Penn Air out of Alaska has the essential air service contract in Plattsburgh and will provide 12 roundtrips, Plattsburgh to Boston. One way cost is \$80. Penn Air has been contacted about service from Burlington to Boston. Jumpstart meetings in June are scheduled with JetBlue, United, Southwest, Vision, Allegiant Air, US Airways, Spirit, and Delta.

9. MANAGER'S REPORT

The weekly report for the meeting was forwarded to the airport commission. The next weekly report will include a summary of enplanements and fare comparisons.

10. OTHER BUSINESS

Next Meeting

June 18, 2012 at 4 PM.

11. ADJOURNMENT

MOTION by Jeff Munger, SECOND by Bill Keogh, to adjourn the meeting.

VOTING: unanimous; motion carried.

The meeting was adjourned at 5:36 PM.

RScty: MERiordan