

**BURLINGTON INTERNATIONAL AIRPORT
BOARD OF AIRPORT COMMISSIONERS
MINUTES OF SPECIAL MEETING
June 4, 2012**

Approved 6/27/12

MEMBERS PRESENT: Gene Richards (Chairman)
Bill Keogh
Jeff Munger
Jeff Schulman

MEMBERS ABSENT: Peter Plumeau

STAFF PRESENT: Robert McEwing
Tamara Gagne
Heather Kendrew
Ryan Betcher

OTHERS PRESENT: Rich Goodwin, Finance, City of Burlington
Chris Hill, Heritage Aviation
Christopher Benjamin, Skinny Pancake
Jonathan Adler, Skinny Pancake
Benjamin Adler, Skinny Pancake
Marianne Riordan, Recording Secretary

1.0 CALL TO ORDER and AGENDA

Chairman Gene Richards called the special meeting to order at 4:07 PM.

1.01 Agenda

MOTION by Bill Keogh, SECOND by Jeff Munger, to accept the agenda as presented. VOTING: unanimous (4-0); motion carried.

2.0 PUBLIC COMMENT

There were no comments from the public.

3.0 PRESENTATIONS

3.01 Letter of Support for F-35 Basing at Burlington Airport

There was discussion of the letter of support for the F-35 program at Burlington Airport and adding a statement acknowledging the noise issue and the ongoing effort to mitigate impacts. Bill Keogh suggested saying that the Airport Commission seeks to work with communities on mitigation of noise with the understanding noise has been a part of the airport's operations since its inception. With inclusion of the F-35 or any aircraft the commission is sensitive to the noise issue and impact on the neighbors. The commissioners concurred with adding a statement relative to noise. Gene Richards commented the airport needs to work on building a relationship with South Burlington, it would be shortsighted not to do this, so the letter should also note that the airport will work to help make available any programs to the community to help in the abatement of noise impacts.

Gene Richards mentioned that at some point a statement should be sent to the City of South Burlington pointing out that noise has been an issue since the first day of airport operation and for the last 65 years the City of South Burlington has been building houses by the airport. South Burlington could be asked to stop building houses by the airport and to rezone the area to light industry, for example, to be more applicable to the operation of an airport.

Bob McEwing will redraft the letter to reflect the Airport Commission's cognizance of the noise issue and the suggestion of possibly rezoning by the airport for uses compatible to airport operations.

MOTION by Bill Keogh, SECOND by Jeff Munger, to table action on the letter of support for the F-35 project pending further information from staff by June 18, 2012. VOTING: unanimous (4-0); motion carried.

4.0 LEASES & CONTRACTS

4.01 Grant Acceptance & Award of Associated Contract for Glycol Collection and Treatment System

Bob McEwing reported a grant was received for a glycol collection and treatment system at the U.S. Customs cargo apron. Funding is 90% federal, 6% state, and 4% local which is covered by airport PFC. Staff is recommending awarding two contracts for the project: one to Omega Electric for \$1,179,837 and one to Stantec for \$238,432 (construction and administration). Tammy Gagne noted the line of credit will be used for the airport's local share until reimbursement is received.

MOTION by Bill Keogh, SECOND by Jeff Munger, to approve the contracts as presented by staff (Omega Electric - \$1,179,837 and Stantec - \$238,432) for recommendation to the Board of Finance. VOTING: unanimous (4-0); motion carried.

4.02 Food Service Concession Contract

Bob McEwing reported staff is recommending awarding the food service concession contract to Skinny Pancake for the north concourse and south concourse kiosks as well as the lobby snack bar (to be operated by Chubby Muffin). Skinny Pancake uses a considerable percentage of Vermont products. Gene Richards commented positively on the bid presentation by Skinny Pancake as being interesting, creative, new and different, a good business plan, an investment in the airport, entrepreneurial, and providing healthy food and good service. Jeff Munger added he would recommend the bid be awarded to Skinny Pancake.

MOTION by Bill Keogh, SECOND by Jeff Munger, to adopt the recommendation of the team handling the food service concession contract and award the contract to Skinny Pancake, and further, to recognize the good effort by the team members.

DISCUSSION: There was discussion of offering a livable wage. Jonathan Adler with Skinny Pancake explained the business supports a livable wage in concept, but in the restaurant industry it is hard to make happen. There are many examples with restaurants in the Burlington area where a livable wage is not being paid so the rule should not be arbitrary. To pay staff a livable wage would be a 4% impact on the labor margin. The compromise is to split the difference with the airport. It is hoped because there is precedence in the industry relative to the living wage that this will not happen. Gene Richards reported Mayor Weinberger wanted more research and discussion on the livable wage issue, but did not want the matter to be a deal breaker. Chairman Richards suggested more thought be given to the matter and if a livable wage is not enforced that a statement be made saying there are good comparables where a livable wage is not paid and the Airport Commission supports not enforcing the wage in this instance. Bill Keogh pointed out the matter must be resolved sooner or later. Mr. Keogh will discuss the issue with Scott Schrader and report to the commission. It was noted Skinny Pancake will make a capital investment at the airport of approximately \$500,000 in physical infrastructure and renovations plus \$200,000 in equipment and startup costs. Rich Goodwin mentioned in his former position as CFO for NECI and working with Chris Benjamin, his experience is Mr. Benjamin is an exceptional financial and operations manager. It was noted a contract will not be awarded at this point in time for the restaurant. An RFP may be drafted seeking a creative approach for the restaurant. One Flight Up did bid on the restaurant and the north and south concourses and snack bar, but did not submit a bid on only the restaurant. Their plan is to convert the restaurant to a restaurant/lounge/snack bar rather than fine dining. One Flight Up and Skinny Pancake will submit proposals for the restaurant for review. Staff will then decide if it is necessary to ask for additional proposals. There were no further comments.

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

5.0 FY2013 BUDGET

Tamara Gagne and Rich Goodwin highlighted the following:

- FY2013 budget maintains the airline rates of \$48 per s.f. and \$1.75 per 1,000 pounds landing weight (subsidized from \$68.40 per s.f. terminal rent and \$4.26 per 1,000 pounds landing fee). The apron rate will stay the same.
- Common space or other exclusive space airlines have been using without charge will now be assessed a fee. A balance must be found between increasing fees and retaining airlines. Some airlines will be paying more than others due to the space used and number of landings. There will be a 3.77% increase over a six year period. The average projected in 2013 is \$2.1 million charged to the airlines as compared to \$1.6 million the prior year so the increase in the revenue stream is \$400,000 spread over four airlines.
- The revenue summary shows revenue sources at the airport including airlines, parking, building rents and leases, and concessions. The projected increase in revenues is 9%.
- The expense budget includes salaries, wages, benefits at the city rate (50% load for benefits plus automatic cost of living of 2%-3% and step increase of 1.5% on salary/wages), four additional employees/positions, and utilities (\$1.1 million to include electricity, pagers, telephone lines, cellphones, water, waste water, storm water). The projected increase in expenses is 5%.
- Capital expenditures are budgeted to be \$750,000. Net operating is \$250,000.
- Debt coverage ratio of 1.25 is a requirement of the bond holders. The airport's debt coverage ratio is 1.36 with projected expenses and revenues. The 1.47 number shown on the spreadsheet is a reflection of using a portion of PFC funding. There is \$500,000 in the prepaid account utilized to improve the debt coverage score. Moody's and Fitch want to see three years with a score of 1.40 or higher. The airlines use agreement includes the cost of terminal, airfield, and associated debt so airlines contribute to the 1.25 and the airport is not over-charging the airlines to come up with a debt coverage ratio of 1.36. The airport is still absorbing expenses of \$1.5 million that the airlines should be covering. The budget shows an increase in rates, but the increase cannot be too dramatic at the risk of losing an airline. The goal continues to be to decrease the subsidy and that is being achieved by charging for space being used and collecting more revenue.
- There have been two meetings on the budget with Mayor Weinberger who supports the budget, but wants a follow up letter from Frasca articulating that what is being charged is competitive and that charging the airlines for space they are using as well as the amount of the charge is consistent with what other airports are doing.

- The proposed four new employees/positions (some may not be full time) include an environmental engineer (\$50,000), marketing (\$48,000 for half year because the position needs to be defined and then filled which will take approximately six months), HVAC technician, and accounting position.
- Parking garage projected revenue for FY13 is \$7.4 million (\$6.5 million was generated this year). The revenue includes the parking garage (\$6 million) plus payment from the car rental companies (\$1.4 million – for 10 months of the current fiscal year the amount is \$600,000) recognizing a doubling of the CFC collections, and Park and Shuttle (\$24,000). Presently, the garage is running 32% above airport revenues for parking in the parking garage. The management fee is \$50,000 this year compared to \$225,000 the prior year.
- Terminal Rent Exclusive shows a decrease because some tenants have vacated their space and the authorized rate change (from \$48/s.f. to \$52/s.f.) was not implemented. Had the change been implemented the year-to-date figure would be higher.
- Police/security services are through the Burlington Police Department. Staff had to be increased post September 11th. The airport pays \$1.4 million for security services. The contract with the police department expires June 30, 2012. A provision in the contract says the contract continues with a 3% increase over the prior year's number. The amount of \$1.1 million is up 3% from the prior year. Gene Richards noted he asked the police chief for consideration in the charge to the airport for police services and he also requested a breakdown of costs. The Airport Commission will further discuss the police contract at a future meeting. Jeff Schulman will work with Bob McEwing and Tammy Gagne on the police services contract for the airport and research cost of service from the state police, sheriff's department, South Burlington Police for comparison. The airport has worked hard in cutting costs and needs to remain fiscally diligent in every relationship.

There was discussion of the taxi administration position being funded by taxi fees. Tammy Gagne noted taxi licensing is not a full time job. The office assistant has other duties at the front desk. There may be a full time position outlined in the taxi ordinance, but the individual in the office assistant position was hired to do more than just taxi work. There are airport operation specialists who do the badging of taxi drivers. The amount of time spent administering the taxi service at the airport far exceeds the revenues. Gene Richards suggested discussing the matter further at a future meeting.

MOTION by Bill Keogh, SECOND by Jeff Munger, to approve the FY2013 airport budget as presented by staff and so recommended to the Board of Finance and City Council.

DISCUSSION: It was confirmed mid-year adjustments to the budget can be made. Rich Goodwin noted with net operating income of \$6.1 million less interest payments of \$3.5 million and less \$750,000 in capital expenditures, the cash position of the airport improves by \$227,000. If the refinancing of the existing long term debt and conversion of the bond anticipation note (BAN) to a bond is successful then the cash flow and the profitability factor will improve. Though the Burlington Telecom situation is a factor, Moody's will also look at the airport's improvement in cash flow, increase in reserves, and consistently growing the debt coverage score. Jeff Schulman asked about marketing and targeted advertising in Canada. Bob McEwing explained Canada is trying to capture fares presently going to U.S. border airports. Burlington Airport did some target advertising in Canada with success and when the advertising was pulled back last quarter there was an impact on fares. The budget for marketing and printing is \$200,000. Hiring a marketing person for the airport to focus on marketing will be beneficial. There were no further comments.

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

6.0 OTHER BUSINESS

6.01 Next Meeting
June 27, 2012 at 4 PM

7.0 ADJOURNMENT

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

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

The meeting was adjourned at 5:50 PM.

RScty: MERiordan