

GREENVILLE-SPARTANBURG AIRPORT COMMISSION

MINUTES

March 19, 2018

The Greenville-Spartanburg Airport Commission met on March 19, 2018 at 9:00 a.m. in the Greenville-Spartanburg District Office Board Room located at 500 Aviation Parkway Greer, South Carolina 29651. The public and media were given proper notice of this meeting, under applicable law. This was a regular, non-emergency meeting.

MEMBERS PRESENT: Minor Shaw, Hank Ramella, Bill Barnet, Leland Burch, and Valerie Miller

MEMBERS NOT PRESENT: Doug Smith

STAFF AND LEGAL COUNSEL PRESENT: David Edwards, President/CEO; Kevin Howell, Senior Vice President/COO; Basil Dosunmu, Senior Vice President-Administration and Finance/CFO; Scott Carr, Vice President Commercial Business and Marketing (Environ Area Administrator); Rosylin Weston, Vice President Communications and Governmental Affairs; Bobby Welborn, Police Chief; Nathan Garner, Director Cerulean Aviation; Dane Slaughter, Facilities Director; Betty O. Temple, WBD; Stefanie Hyder, Executive Assistant/Recording Secretary

GUESTS PRESENT: Steve Forrer, AFCO, Inc.; Frank Murray, Mead & Hunt; Dennis Wiehl, Mead & Hunt; Paul Smith, WK Dickson; Mike Darcangelo, AVCON, Inc.; John Mafera, McFarland Johnson; Scott Faulkner, McFarland Johnson; Alexander Michaels, McFarland Johnson; Zach Nelson, McFarland Johnson; Ken Holt, Holt Consulting; Alex Chambers, Wofford College

CALL TO ORDER: Chair Minor Shaw called the meeting to order at 9:03 a.m.

CONSENT AGENDA: A motion was made, seconded, and unanimous vote received to approve the Consent Agenda as follows:

- A.** The regular meeting minutes from the January 8, 2018 Commission Meeting.
- B.** The amendment to the Exempt Employee Benefit Program Policy (Section 216.05) in the Human Resources Policies and Procedures Manual.

PRESENTATIONS:

A. Proposed Enterprise Resource Planning (ERP) Implementation

Mr. Basil Dosunmu, Senior Vice President/Administration and Finance/CFO, provided a brief update on the ERP implementation initiative.

ERP is a systems and software package used by organizations to manage day-to-day business activities, such as accounting, procurement, project management, human resources, concessions, etc. ERP systems eliminate data duplication and provide data integrity with a "single source of truth." Instead of several standalone databases with an

endless inventory of disconnected spreadsheets, ERP systems bring order to the chaos for all users. With a secure and centralized data repository, everyone in the organization can be confident that data is correct, up to date, and complete.

To date, GSP has conducted an industry survey and obtained responses from 32 Airports, which included small, medium and large airports. In addition, the District solicited qualified firms to assist with a Phase I - Needs Assessment, a Phase II - ERP Solution Recommendation, and a Phase III - Implementation Oversight. The Airport District selected Cherry Bekaert because of their extensive experience in this space providing the type of assessment, recommendation and oversight that the District was seeking. Cherry Bekaert led onsite assessments and spent an average of 90 minutes with each of the District's senior staff and key personnel.

During Phase I, the rough order of magnitude (ROM) cost of the project is estimated between \$500K-\$1.0M. In Phase II of the project, costs will be fine-tuned based on solutions suitable for GSP. The gap analysis will address the degree of gap found between our business process support requirements and our current software capacity. Phase II will also involve ERP software evaluation. Phase III is the independent verification and validation of the software implementation stage (including "Go Live" Readiness Assessment).

ERP is a FY2019 item to be included in the FY2019 proposed budget in May.

Mr. Dosunmu provided a visual example of ERP and reiterated the benefits of ERP.

The District continues to grow in both personnel as well as assets. Mr. Edwards noted the challenges associated with integrating additional lines of business and the benefits that this holistic, comprehensive system will bring. Mr. Edwards responded to further questions related to security and whether or not FAA has exhibited a level of interest in this topic. He also responded to questions regarding the parking system.

OLD BUSINESS: None

NEW BUSINESS:

A. Approval of the Cargo Apron Project

Mr. Kevin Howell, Senior VP/COO, presented the Cargo Apron Project. The Cerulean/Senator operations originally began at the south end. The area is limited and can only service one aircraft at time. In previous meetings, the District has discussed the needs assessment of a new cargo apron. Senator has been with GSP for over a year now and originally started with two flights per week, then increased to three and four flights per week. During Thanksgiving and Christmas, peak season, Cerulean was operating four and five flights per week. The current location impacts not only the ability to grow but airline operations with the mixing of air cargo and passenger operations.

The planned new Cargo Apron Project includes the construction of a new cargo apron to be located south of the existing FedEx facility and north end of the general aviation area. This is a 75-acre parcel of property.

The Phase 1 Apron will provide enough apron space for two (2) 747-800 aircraft simultaneously and includes a taxiway connector to TW L and high-mast LED apron lighting. Plans include extending Gateway Drive and utilities to the site, and providing site prep and storm drainage for future expansion. Mr. Howell showed a sketch of Phase I recapping the location as well as ultimate build-out.

WK Dickson was the design engineer for the project. The engineer's estimate from WK Dickson was a little over \$14.8M. Six (6) bids were received and McCarthy Improvement Company was the lowest responsive bidder at a little over \$14.4M.

The construction phase budget for the Cargo Apron Project includes: 1) Phase 1 Apron Construction Contract of \$14,424,276.80, 2) Construction Phase Engineering/RPR Services of \$700,000, and 3) Project Contingency (10%) of \$1,512,427.68 for a total construction phase budget of \$16,636,704.48.

This project is fully eligible at 90% Airport Improvement Program (AIP) grant funding. If fully funded at the 90% eligible level, the District's 10% share would total \$1,512,427.68. GSP receives, on average, a little over \$4M in entitlement money. We have been allotted additional \$7M in discretionary funding for the project for a total of \$11M. If the funding is less than 90%, the District will either have to cover the balance temporarily and use future AIP entitlement funds for reimbursement. Airports cannot use discretionary money for reimbursement once the project has started.

Mr. Howell and Mr. Edwards responded to questions regarding discretionary funding. If the District does not have a discretionary grant in place by then, there are opportunities/provisions in the contract either to stop work or proceed with the work and look at future entitlement funds for the phase work that would have been during that hiatus period. The Airport District Office (ADO) FAA shared that we have to identify work associated with that money.

Mr. Howell responded to questions about time frame. Phase I expects to be completed before first quarter next year. The final phase includes finishing grading on the south end to be completed in February or March 2019. The goal is to have the cargo apron, taxiway connector, and the building pad completed before January 2019.

Mr. Edwards addressed concerns about risk and self-funding raised by the Commission.

There was a motion to approve the Cargo Apron Project with a construction phase budget of \$16,636,704.48, to authorize Staff to award the construction contract to McCarthy Improvement Company, to authorize the President/CEO and/or CFO to make budget amendments, and authorize the President/CEO to execute all necessary documents. The motion was seconded and unanimously approved.

B. Approval of the Final Rankings for Development Services on the Air Cargo Facility Phase I Project

Mr. Kevin Howell, Senior VP/COO, presented the Final Rankings for Development Services on the Air Cargo Facility Phase I project.

Mr. Howell provided some background information regarding the need for a new cargo facility. As discussed in the past, challenges include weather, inefficient building depth, low building clear height, etc.

The District issued an RPF for development services. The pros, cons, and advantages of a using a third party developer to deliver a cargo facility had been discussed in a prior meeting. The District received proposals from the following: 1) Aviation Facilities Company, Inc. (AFCO), 2) CenterPoint Properties, 3) GSP Air Cargo, LLC, and 4) Panattoni Development Company, Inc. The Evaluation Committee, consisting of Mr. David Edwards, Mr. Kevin Howell, Mr. Basil Dosunmu, Mr. Scott Carr, and Mr. Nathan Garner, shortlisted AFCO, CenterPoint and GSP Air Cargo, LLC for presentations and interviews, and ranked each team on structure, team experience, technical expertise, financial capability, facility concept, project schedule, and proposed cost and terms. The recommended final ranking was #1) Aviation Facilities Company, Inc. (AFCO), #2) CenterPoint Properties, and #3) GSP Air Cargo, LLC.

Mr. Howell shared some renderings from the AFCO proposal. This facility is a 100,000 SF cargo warehouse with 10,000 SF of office and support space. General business terms include a ground lease agreement between the Airport and the developer, and an installment purchase agreement (lease agreement over a 20-year term) with buyout options. This is a triple net agreement.

Mr. Edwards recommended to the Chair that any specific contractual items, as they relate to this project, be discussed in Executive Session. Mr. Edwards anticipated a recommended action once out of Executive Session.

Mr. Howell responded to the question of belly freight handling.

C. Approval of the Fuel Farm Expansion Project

Mr. Kevin Howell, Senior VP/COO, presented information regarding the Fuel Farm Expansion project.

In Year One, Cerulean Aviation grew 30% over Stevens Aviation in the amount of fuel pumped. Stevens Aviation stayed in the 10M-11M gallon range in their best five years, but Cerulean Aviation pumped nearly 14M gallons in Year One. The District has seen growth on both the airline side as well as GA side. Each wide-body cargo freighter takes on an average 20K-25K gallons per flight. During several days last fall, the team pumped 80K-90K gallons/day.

The District's Fuel Farm has a 120K gallon capacity for Jet A fuel. When fuel is delivered to the tank, it takes one hour/foot to settle before it can be dispensed to an aircraft. The tanks are nine feet deep calling for nine hours of settle time.

Mr. Howell proposed the addition of a fifth 30,000-gallon Jet A tank be added to the current Fuel Farm. Provisions were made when the Fuel Farm was designed and there is room to add this 30,000 gallon tank to the farm without significant additional infrastructure. The project is proposed to start immediately in preparation for the World Equestrian Games on top of increased traffic from Senator. Mr. Howell showed some pictures of the Fuel Farm. This will be the last tank we can add to the farm.

Mr. Edwards discussed costs, commercial fueling operations, return on investment, projections for growth, and challenges with reserve capacity.

Mr. Howell responded to questions about the tank and tanker trucks. Mr. Edwards noted that other temporary measures were explored.

There was a motion to approve a Fuel Farm Expansion project with a project budget of \$250,000.00, to authorize the CEO and/or CFO to make the necessary budget amendment(s), and to authorize the President/CEO to execute all necessary documents for the project. The motion was seconded and unanimously approved.

D. Approval of the Ground Support Equipment (GSE) Purchase for Cerulean Commercial Aviation

Mr. Kevin Howell, Senior VP/COO, presented the ground support equipment purchase for Cerulean Aviation.

In November 2016, Cerulean began operations with two flights per week and the GSE equipment purchases were based on servicing two to three wide body aircraft per week. Due to inadequate building size/capacity, cargo is staged on the ramp.

At this time, Cerulean has enough cargo dollies to service a full inbound and a full outbound flight, but more dollies are needed for staging export cargo. With the expected increase in scheduled activity, the best way to handle staging is with the purchase of static cargo racks. This equipment will be needed and used at the new facility and can be used indoors or outdoors. The static cargo racks are essentially stands with rollers. The cost difference between the static racks and new dollies is about \$1,500. Mr. Edwards noted this is a more cost effective solution in dealing with the issue of capacity.

There was a motion to approve the purchase of fifty (50) static cargo racks and a purchasing budget of \$125,000.00, to authorize the CEO and/or CFO to make the necessary budget amendment(s), and to authorize the President/CEO to execute all necessary documents for the purchase. The motion was seconded and unanimously approved.

PRESIDENT/CEO REPORT:

Aviation Industry Update:

As discussed during the cargo apron project, there may be an extension of the AIP Reauthorization Bill this week. On the House side, Chairman Shuster, House T&I Committee, has withdrawn his proposal for corporatization of ATC. Senator Thune on the Senate side is backing off on items related to the 1500-hour rule with regards to the pilot shortage. Both of these changes should help move a bill forward more quickly.

Omnibus Bill:

As discussed earlier, the passing of the Omnibus Bill is necessary by March 23, 2018 in order to keep all money moving.

In response to the question of scheduled meetings at the upcoming conference in DC, Mr. Edwards specifically noted the joint breakfast meeting between SC and GA airports on Tuesday morning that includes delegation members from both states.

Mr. Edwards responded to the question regarding the status of the passenger facility charge. The \$4.00 increase remains in the Senate Appropriations Bill. Senator Graham sits on the Appropriations Committee and is fully supportive of keeping that in the bill. If the Omnibus gets passed, there is the opportunity for the PFC to increase to \$8.50, but only on originating passengers.

U.S. Chamber of Commerce Aviation Summit:

There was a lot of discussion on the PFC. Mr. Kevin Burke, President/CEO of ACI-NA defended the passenger facility charge and why it is needed. There was a lot of discussion on drones. In response to the question regarding any discussion on driverless cars, there was no discussion at this particular meeting. This is more of an airline/airspace driven meeting.

2018 Airport Revenue News (ARN) Conference:

Mr. David Edwards and Mr. Scott Carr attended the 2018 ARN Conference. Greenville-Spartanburg International Airport received the Best Concessions Program Design Award in the small airport category. The short-listed competition included: Calgary International, Edmonton International, Louisville International, Portland International, and Greenville-Spartanburg International. In response to the question of GSP's unique factor, GSP's concessions program, for its size, offers a wide range as far as local flavor and national brands. Another unique aspect was the airside garden.

Passenger Growth; Non-passenger Access to Post-Security Concessions:

Mr. Edwards noted that passenger growth continues and preliminary enplanement numbers are up about 9%. Mr. Edwards responded to questions of signage and the Pittsburg model of allowing non-passengers to access post-security concessions. At this time, the District doesn't see the value proposition based on utilization reports from Pittsburgh.

SC Retirement System Discussion:

Last week, Mr. Edwards and Mrs. Rosylin Weston traveled to Columbia to meet with Representative Bradley, Representative Elliott, PEBA Staff, the CEO of Greenville Water, and

the CEO of REWA to talk about options for the SC Retirement System (the "retirement system").

There are two bills, one in the House and one in the Senate. The House bill is going to get introduced this week and will deal with some of the issues with the retirement system. The Senate bill, they believe, is coming, and discussion, being led from representatives from the House side, is expected to get conference and further discussion. We outlined concerns which are thought to have been heard well.

There are ongoing efforts to involve other political subdivisions, hospitals, etc. in meetings with the Legislative Delegations, of both Spartanburg and Greenville.

Comments were made on the seriousness of the issue in connection with the issues with the retirement system.

INFORMATION SECTION: None

ITEMS FOR NEXT MEETING:

Items for next Commission meeting include the Budget and Dr. Steve Van Beek's update on the 2019 Strategic Business Plan metrics. Dr. Van Beek is then expected to return in July for a recap of the year.

The next Commission Meeting is scheduled for May 14, 2018.

COMMISSIONER'S REPORT:

Mr. Hank Ramella and Mr. Leland Burch will be attending the ACI-NA Commissioner's Conference in May 2018.

Mr. Burch is attending the Washington Legislative Conference this week.

EXECUTIVE SESSION:

There being no further business, a motion was made, seconded, and carried to go into Executive Session for the purpose of discussing contractual items related to the development services on the Air Cargo Facility Phase I Project.

ADJOURNMENT:

At approximately 10:58 a.m., public session resumed with no action being taken in Executive Session.

There was a motion to approve the final rankings for Development Services on the Air Cargo Facility Phase I Project; authorize Staff to negotiate and finalize agreements with the highest ranked firm/team (If an acceptable agreement cannot be reached with the highest ranked firm/team, negotiations will be formally terminated and will then proceed with the

next ranked firm/team.), authorize a Not-to-Exceed (NTE) project cost budget of \$13,000,000.00, and authorize the President/CEO to execute all necessary documents. The motion was seconded and unanimously approved.

The meeting was adjourned at 11:00 a.m. The next meeting is scheduled for May 14, 2018 at 9:00 a.m.

SIGNATURE OF PREPARER:



Stefanie Hyder