

GREENVILLE-SPARTANBURG AIRPORT COMMISSION

MINUTES

May 28, 2019

The Greenville-Spartanburg Airport Commission met on May 28, 2019 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, Valerie Miller, and Doug Smith

MEMBERS NOT PRESENT: None

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 Communications (Environ Area Administrator); Kristie Weatherly, Director of Finance; Bobby Welborn, Police Chief; Tony Lohrman, Fire Chief; Dudley Brown, Public Relations Manager; Betty O. Temple, WBD; Stefanie Hyder, Executive Assistant/Recording Secretary

GUESTS PRESENT: John Mafera, McFarland Johnson; Daniel Stoddard, Prime Engineering Incorporated; Alex Chambers, College Student

CALL TO ORDER: Chair Minor Shaw called the meeting to order at 9:08 a.m.

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

- A.** The Greenville-Spartanburg Airport Commission March 25, 2019 Regular Meeting Minutes.
- B.** The Greenville-Spartanburg Airport Commission Audit Committee April 29, 2019 Meeting Minutes
- C.** Approval of Final Rankings for External Financial Audit Services

PRESENTATIONS:

- A.** Recognition of Mr. Basil Dosunmu - Leadership Greenville Class 45 Graduate - May 16, 2019

Mr. Edwards recognized Mr. Basil Dosunmu, Senior Vice President Administration and Finance/CFO, for his recent completion of the Leadership Greenville Class of 45 program approximately two weeks ago. The Commission extended their appreciation for Mr. Dosunmu's participation in that program.

Mr. Edwards noted the positive feedback from Greenville Chamber Staff and Mr. Dosunmu's involvement in both Leadership Greenville and the Chamber's Finance Committee.

B. Air Service Development – Passenger Leakage Statistics Update

As a follow-up to the request of the Commission, Mr. Scott Carr, Vice President, Commercial Business and Communications, presented a passenger leakage statistics update. The GSP primary catchment area has a population of 2.3 million. GSP is able to pull a significant amount of traffic throughout the GSP primary catchment area.

On the domestic side, in markets without GSP non-stop service, passengers utilize GSP 40% of the time. In markets with GSP non-stop service, passengers utilize GSP 50% of the time. GSP's domestic leakage is 46% to Charlotte followed by 31% to Atlanta. GSP's international leakage is 44% to Charlotte followed by 43% to Atlanta.

Mr. Carr reviewed the top 15 GSP domestic markets and compared the passengers daily each way (PDEW) from 2017 to 2018. Mr. Carr also reviewed the domestic markets by carrier. Mr. Carr then reviewed the top 15 unserved domestic markets including Boston, LA Basin, and the Bay Area.

The Commission inquired about the timing of the study to which Mr. Carr responded that the study captured second half of Calendar Year 2018. Mr. Edwards also noted the data lag in the information that comes from DOT.

Mr. Carr provided an overview of the top 15 GSP international markets noting a decrease in leakage in nine of those markets. Mr. Carr reviewed the international markets by carrier.

The Commission inquired about data regarding international markets as well as sources of data to which Mr. Carr responded.

Mr. Edwards commented on the leakage map. In the future, Staff would like to provide another update with more of a condensed primary catchment area versus an expanded catchment area. The leakage study conducted in 2009 and 2012 provided more of a condensed catchment area than what was reviewed today. The Commission asked about Asheville capture of the market to which Mr. Edwards responded.

OLD BUSINESS: None

NEW BUSINESS:

A. Approval of Fiscal Year 2019-2020 Airport District Budget

Mr. Basil Dosunmu, Senior Vice President Administration and Finance/CFO, presented to the Commission the FY 2019-2020 Airport District Budget.

Mr. Dosunmu presented financial history and general statistics. Between 1963 and 2018, GSP has experienced an average annual growth rate of 4.9%. Enplanements in FY 2018 were 1.1 million. In FY 2019, enplanements are trending at 1,228,500. In FY 2020, the forecast for enplanements is 1,253,000.

Mr. Dosunmu discussed the proposed FY 2019/2020 O&M Budget. The operating revenue budget is expected to increase to \$48,892,500, a \$8.1M or a 19.9% increase over FYE 6-30-2019. Factors contributing to the increase include space and ground rentals, auto parking, concessions, other income, and fuel sales.

The operating expenses budget is expected to increase to \$30,703,600, a \$3.3M or a 12.1% increase over FYE 6-30-2019. Factors contributing to the increase include personnel and benefit costs to include a performance pay program, professional services, administrative expenses, and contractual services.

The projected net operating income for FY 2019/2020 is \$18.2M compared to FY 2018/2019 budget of \$13.4M.

Mr. Dosunmu provided the rates and charges overview. For FY 2019/2020, the cost per enplaned passenger (CPE) is projected at \$6.54. The terminal building rental rate per square foot for FY 2020 is \$40.86 and the landing fee per 1,000 pounds is \$1.49. The Commission inquired about CPE costs and expenses related to Southwest and United Airlines to which Mr. Dosunmu and Mr. Edwards responded. The driving force for the increase in revenue is the increase in the numbers of turns rather than the cost per turn.

Mr. Dosunmu highlighted the O&M budget assumptions in the proposed FY 2019/2020 budget. Assumptions include passenger enplanements of 1,253,000, an increase in terminal maintenance costs, an increase in FBO operations, an expansion of Senator and associated long haul cargo operations, recruitment of personnel, an increase in space to support air cargo operations, implementation of a performance pay program, and an increase in the Economy Parking rate from \$6/day to \$7/day. Mr. Dosunmu noted that there has been no change in investment policy but continues see an uptake in yield with an average this year of 1.9%. The last assumption is the implementation of \$4.50 passenger facility charge program.

Mr. Dosunmu reviewed sources of revenue as well as operating expenses by category and then presented the proposed FY 2019/2020 Capital Budget. Capital projects approved in prior fiscal years and carried forward into FYE 6-30-2020 total \$44,671,834. The new proposed capital budget, including capital improvements, equipment and small capital outlays, renewal and replacement and professional service projects, is \$27,034,150. The

Commission inquired about the list of capital budget items to which Mr. Edwards responded.

Mr. Dosunmu stated that the Other O&M Reserve Funds provisional budget includes \$750,000 for emergency repair/replacement/operations funds and \$1,000,000 for business development/agreement obligations and incentives.

Mr. Dosunmu reviewed the Land Development and Cerulean Profit and Loss (P&L) statements.

Mr. Dosunmu concluded the budget presentation with discussion related to the FY 2019/2020 budget/investment plan, the historical and projected investment plan, the Line of Credit, and the 5-year fund balance financial forecast.

The Commission inquired about income and expenses associated with the third parking garage to which both Mr. Dosunmu and Mr. Edwards responded. The Commission further inquired about the landscape plan, Valet Parking, performance bonus program metrics, and the passenger facility charge program to which Mr. Edwards, Mr. Howell, and Mr. Dosunmu responded.

There was a motion to resolve to adopt the Fiscal Year 2019/2020 Budget. The motion was seconded and unanimously approved.

B. Approval to Implement a Passenger Facility Charge (PFC) Program

Mr. Basil Dosunmu, Senior Vice President Administration and Finance/CFO, presented to the Commission the approval to implement a Passenger Facility Charge (PFC) program.

At the Commission meeting held on November 19, 2018, the Commission adopted the final Greenville-Spartanburg International Airport (GSP) Master Plan presented by McFarland Johnson. The Airport Master Plan includes projects and associated costs for Phase I (0-5 years - \$153.6 million). The Airport Master Plan assumed PFC funding for airport infrastructure improvement projects. In five years, \$20.4 million in non-operating revenues will be generated from the PFC program if it is implemented at a \$4.50 level. Airports use these fees to fund FAA-approved projects that enhance safety, security, and capacity at the airport.

Staff has identified projects totaling \$52,254,994 over the next five years of which \$20,378,025 would be PFC eligible.

Mr. Dosunmu indicated that the Airport District would be responsible to notify air carriers that operate at GSP the Intent to Impose and Use PFC, issue a public notice of GSP Intent to Impose and Use PFC, and consult with the air carriers the Intent to Impose and Use PFC revenue and review the listing of projects.

There was a motion to (1) approve the implementation of a Passenger Facility Charge (PFC) Program at a \$4.50 level; and (2) authorize the President/CEO to execute all necessary documents. The motion was seconded and unanimously approved.

In response to the Commission's request to keep them informed of the process, Mr. Edwards anticipates implementation of the program by January 2020.

C. Approval of a Budget Amendment for the Cargo Apron Project

Mr. Kevin Howell, Senior Vice President/COO, presented the budget amendment for the cargo apron project.

The Cargo Apron Project designed by WK Dickson and currently under construction with McCarthy Improvement (MCI) includes the construction of a new cargo apron and associated connector taxiway to serve the new Air Cargo facility currently under construction by Haskell.

The original construction phase budget for the project of \$16,636,704.48 was approved on March 19, 2018. A budget amendment was later approved on September 10, 2018 increasing the construction phase budget by \$1,610,145.32.

The current approved project budget is \$18,246,849.80 and is partially funded with a combination of AIP entitlement and discretionary funds under two AIP grant agreements totaling \$17,531,885. The current District share is \$714,964.80. The Commission inquired about the additional project costs to which Mr. Howell responded.

Based on the mediation settlement, extended CA/RPR services and projections of various quantity overruns and remaining additional project costs including rock excavation, etc., the project team estimates \$1,194,620 of costs over the currently approved construction phase budget. A 5% contingency brings the necessary budget amendment to an increase of \$1,250,000.00.

The cost overruns and extended CA/RPR services are considered AIP eligible and the District will be applying for a grant amendment to cover 90% of these costs upon close out of the cargo apron project. If the additional costs are covered at 90% with AIP funds, the District's share would be approximately \$125,000.

There was a motion to (1) approve a project budget increase of \$1,250,000 for the Cargo Apron Project; and (2) authorize the President/CEO to execute all necessary documents. The motion was seconded and unanimously approved.

PRESIDENT/CEO REPORT:

Aviation Industry Update:

The Passenger Facility Charge (PFC) continues to remain a topic of discussion.

Airlines continue to be profitable. Discussions related to the grounding of the 737 Max's and their impacts are ongoing. GSP has not experienced any direct impacts.

State Legislative Issues Update:

The Guide Dog/Emotional Support Animal (ESA) Bill passed through the Legislature this year and was signed by the Governor. This provides the District the ability to set regulations as it relates to guide dogs as well as Emotional Support Animals in the airport terminal. The District had support from both Senator Talley and Senator Campbell on the Bill. The Bill does impose civil penalties related to violations of the Bill's provisions.

Additionally, Mr. Edwards drafted a Bill seeking changes to the alcohol laws to address the sale of alcohol in the terminal facilities. While the Bill was not introduced this past legislative session, Senator Campbell has indicated that he will prefile the Bill in the fall for next session.

New Air Traffic Control Tower Update:

Mr. Edwards, Mr. Howell, and Mr. Kossover were in New Jersey last week attending a three-day session with the FAA regarding site locations for a new air traffic control tower. Three preferred sites were determined. GSP Air Traffic Control Tower Staff were also at the meeting. A cost-benefit analysis on those three sites will be conducted. The FAA has scheduled AFTIL 2 for the first week in November.

TSA Certificate of Appreciation:

Mr. Edwards noted that the Airport District received a Certificate of Appreciation from TSA for the District's efforts during the government closure.

Concessions Awards:

At the last Commission meeting, Mr. Scott Carr briefed the Commission on the District's recent concessions awards. Mr. Edwards noted that he will be traveling to an ACI Conference in Scottsdale in a couple of weeks to accept another award on behalf of GSP Airport District.

COMMISSIONER'S REPORT:

In response to Mr. Barnet, Mr. Edwards stated that he addressed the Victor Hill Road closure email and responded on behalf of the Chair. Mr. Carr indicated that Staff is waiting on a traffic study and for the City of Greer to schedule the hearings.

Four GSP Commissioners attended the ACI-NA/AAAE Airport Board and Commissioner's Conference in San Francisco May 6-8, 2019. Mr. Burch commented on PFC legislation and FAA land management. Mrs. Miller commented on the PFC as well.

EXECUTIVE SESSION:

There being no further business, a motion was made, seconded, and carried to go into Executive Session at 10:47 a.m. for the purpose of discussing a contractual matter.

ADJOURNMENT:

At approximately 12:22 p.m., public session resumed with no action being taken in Executive Session.

The meeting was adjourned at approximately 12:23. The next meeting is scheduled for June 24, 2019 at 9:00 a.m.

SIGNATURE OF PREPARER:



Stefanie Hyder