



AGENDA

COMMISSION MEETING

December 16, 2015

8:00 a.m.

- | | |
|---|-----------------------------|
| 1) Call to Order | Chair |
| 2) Comments from the Public | Chair |
| 3) Approval of Minutes of Commission Meeting held November 24, 2015 | (Exhibit I)
Chair |
| 4) Assistant Executive Director Report | M. Cheaney |
| 6) Director of Marketing and Public Affairs | J. Wharton |
| 7) Director of Finance & Administration Report | R. Ford |
| 8) Closed Session | |
| 9) Executive Director's Report | K. Spirito |

CLOSED MEETING

ACTION: BE IT RESOLVED, that the Commission enter into a Closed Meeting pursuant to the Virginia Freedom of Information Act; Section 2.2-3711.A.

1. Discussion, consideration or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees or employees of any public body.
2. Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.
3. The protection of the privacy of individuals in personal matters not related to public business.
4. Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community.
5. Discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected.
6. Consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the public body; and consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel.

PENINSULA AIRPORT COMMISSION

MINUTES

November 24, 2015

PRESIDED: James Bourey

The regularly scheduled meeting of the Peninsula Airport Commission was held on Tuesday, November 24, 2015 at 8:00 a.m. in the Airport Commission Room at the Newport News/Williamsburg International Airport.

Commissioners present were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon and George Wallace.

(Executive Director

Mr. Ken Spirito

Assistant Executive Director

Ms. Melissa Cheaney

Director, Marketing and Public Relations

Ms. Jessica Wharton

Director, Finance and Administration

Ms. Renee Ford

Legal Counsel

Ms. Robyn Hansen

Executive Assistant

Ms. Rhonda Wissinger

Public in Attendance

Jay Talbert- Talbert & Bright

Jared Alexander- PAC Operations Manager

COMMENTS FROM THE PUBLIC

There were no comments from the public at this time.

MINUTES OF COMMISSION MEETING HELD OCTOBER 27, 2015

RESOLVED, that the Peninsula Airport Commission approve the minutes of the Commission meeting held October 27, 2015.

Commissioner Aubrey Fitzgerald made the motion to adopt the October 27, 2015 minutes. Commissioner Steve Mallon seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., James Bourey, Aubrey Fitzgerald and Steve Mallon.

ASSISTANT EXECUTIVE DIRECTOR

Ms. Cheaney, Assistant Executive Director gave the following report:

ADDITIONAL TIMBER HARVESTING ON AIRPORT PROPERTY

There are two additional areas on airport property that have been identified for timbering due to safety concerns and future impacts to FAA Part 77 surfaces. The first area is located in the trailer park and the second area is located in between the runways. ClearWater Environmental and Forestry (CEF) will again assist the airport in selecting the ideal timbering company to complete each project.

Approximately 8 acres in and around the trailer park will be selectively harvested and approximately 39 acres located in between the runways will be fully harvested.

The budget impact is that Area 1 will yield approximately \$3,000 and Area 2 will yield approximately \$66,000. CEF will be paid a 6% commission for each project.

Ms. Cheaney recommends the Commission authorize Bruce Harris Logging to complete the selective clearing of trees in Area 1. She also recommends the Commission to authorize ClearWater Environmental and Forestry to bid the clearing of the property between the runways in Area 2.

RESOLVED, that the Peninsula Airport Commission approve the Additional Timber Harvesting on Airport Property.

Commissioner Steve Mallon made the motion to approve the Additional Timber Harvesting on Airport Property and Commissioner Aubrey Fitzgerald seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., James Bourey, Aubrey Fitzgerald and Steve Mallon.

(Commissioner George Wallace arrived at 8:25 a.m.)

DIRECTOR OF MARKETING AND PUBLIC RELATIONS

Ms. Jessica Wharton, Director of Marketing and Public Relations, gave the following report:

- October passenger numbers were down by 15%. Norfolk passenger numbers were up by 10.26% for October and Richmond passenger numbers were increased by 5.2% for October.
- New Website- The new website was launched last month. It has a cleaner format and will be more user friendly for our passengers. One of the new features is a parking lot calculator which will help you determine the cost for parking before you arrive.
- PHF Frequent Flyer Newsletter-this is a new feature to the website and will go out quarterly to passengers who sign up for it. The Newsletter will provide the latest news and happenings at PHF.

DIRECTOR OF FINANCE & ADMINISTRATION

Renee Ford, Director of Finance & Administration gave the following report:

Ms. Ford reported the Airport's revenues were 5.3% above budget and 1.1% below last October 2014. Our expenditures for October 2015 totaled 13.6% below budget and 8% below October 2014.

(Commissioner LaDonna Finch and Legal Counsel, Robyn Hansen arrived at 8:30 a.m.)

CLOSED MEETING

BE IT RESOLVED, that the Commission enter into a Closed Meeting pursuant to the Virginia Freedom of Information Act; Section 2.2-3711.A. pertaining to:

Discussion, consideration or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees or employees of any public body.

Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body. Specifically, the Commission will discuss the disposition of publicly held real property.

Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community. Specifically, to discuss perspective business in the expansion of existing air service where no previous announcement has been made.

Commissioner Aubrey Fitzgerald made the motion, seconded by Commissioner Steve

Mallon to hold a closed meeting.

Voting yes were:

Herbert H. Bateman, Jr., James Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon and George Wallace.

The Commission entered into a Closed Meeting at 8:30 a.m. and reconvened in Open meeting at 9:06 a.m. Upon reconvening, it was

RESOLVED, that to the best of the Commission's knowledge, only public business matters lawfully exempt from open meeting requirements, and only such public business matters as were identified in the motion by which the Closed Meeting was convened, were heard, discussed or considered in Closed Meeting.

Voting yes were:

Herbert H. Bateman, Jr., James Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon and George Wallace.

EXECUTIVE DIRECTOR 'S REPORT

Mr. Ken Spirito, Executive Director, gave the following report:

- Towne Bank Presentations- Mr. Spirito attended both the Newport News and Williamsburg Towne Bank board meetings to give a presentation on the airport. The presentation included facts on the airport, consolidation of the airlines, the state of the airline industry, pilot shortages and the effects the industry is having on the Hampton Roads area.
- Public Forum- Mr. Spirito would like to have a Public Forum to discuss the state of the airport industry and our region. Mr. Spirito stated he would be inviting the Business Community and will selectively invite the Public as well. He would like to partner with the Peninsula Chamber of Commerce and the Williamsburg Chamber of Commerce to get the word out to the Business Community. Mike Lopez, our Consultant with Seabury Planning Group will present and discuss the state of the airport industry and our region. This event will take place on Thursday, January 21st, 2016 at 3:00 p.m. More details for this event will be sent out once they are available.
- Ronald Reagan Airport- Huntington Ingalls, Atlantic Aviation and TSA are working together to try to gain access to the Ronald Reagan Airport for private aircraft flying out of Newport News/Williamsburg International Airport. There is a TSA certification process Huntington Ingalls will need to go through to allow their private aircraft to fly into Ronald Reagan Airport. We are about 3 months away from this being put into place and we would be the only airport to have this ability on the East Coast besides Richmond.

ADJOURNED

There being no further business, the meeting was adjourned at 9:28 a.m.

NEXT MEETING

The next meeting of the Peninsula Airport Commission will be held on Wednesday, December 16, 2015 at 8:00 a.m. in the Commission Room.

EXECUTIVE SUMMARY

Subject: Revenue Expense Incentive Program (REIP)

Background:

This program was introduced to the PAC a few years back and achieved full support. However, I decided to hold off on implementation due to the decision by Southwest Airlines to eliminate the AirTran service. Based on our short-term historical financial performance post AirTran departure and the somewhat predictable future of our financial performance, I think it's a good time to reintroduce this plan. The plan is designed to further challenge employees to suggest ideas that will either increase revenues or decrease expenses. I believe our employees can find ways to enhance this airport's financial position and this program should stimulate their creativity.

Discussion:

The program will start in February 2016. I will meet with the employees at-large and discuss the parameters of the program and encourage their participation.

Budget Impact:

The impact will be based on the savings or revenue increase to the PAC. The reward is roughly 10% of the value until you reach the \$10,001 mark where it is capped at a \$1,000 reward.

REIP

Revenue

Expense

Incentive

Program

Beginning in February of 2016, the REIP will allow employees to submit ideas to the Executive Director that will effectively reduce expenses or increase revenues towards our fiscal year operating budget. This program will be administered by the Executive Director, and all PAC employees are eligible with the exception of the Executive Director.

Each employee has a very important role at the Newport News/Williamsburg International Airport (PHF). Employment comes with many responsibilities and without you, our experience to the customer (internally and externally) cannot be what it is. This program is designed to stimulate your thinking by focusing on your day-to-day responsibilities as it relates to expenses and revenues.

Here is how it works:

A PAC employee submits an idea to the Executive Director that is associated with decreasing operating expenses or increasing operating revenues. That idea or those ideas will be reviewed by the Executive Director for its validity and if the idea(s) are valid, then the Executive Director will issue a reward to the PAC employee. The idea(s) will only be valid if:

- Validated by the Executive Director
- Do not include eliminating jobs or reduction in hours worked
- Do not decrease safety, security, sanitary or customer service standards

The reward to the PAC employee will be based on the level of savings or increased revenue to the operating budget. The chart below outlines the (one-time) reward categories:

Expense Decrease or Revenue Increase

\$500 - \$1,000	\$50
\$1,001 - \$1,500	\$100
\$1,501 - \$5,000	\$150
\$5,001 - \$10,000	\$500
\$10,001 – Greater	\$1,000

All rewards will be taxed as income.

The evaluation period must be determined by the Executive Director to ensure the validity of the expense decrease or revenue increase. The issuance of the reward is completely at the discretion of the Executive Director.

EXECUTIVE SUMMARY

Subject: Denbigh Aviation Academy (MOU and Financial Model)

Background:

As you know, we have been working steadily to finalize our partnership with the Newport News Public School District and to establish a workable financial model that will allow this project to move forward. Enclosed is the proposed financial model and the MOU that has been presented to the school district for consideration.

Discussion:

I will review both documents in detail at our meeting. The financial model may be hard to follow. However, I will review it line by line at our meeting. The MOU terms have been discussed already with school officials. I do not anticipate much or any issues with it. However, if there are, both Mr. Kelly and I will address them accordingly and then present the terms to the PAC for approval. The PAC is taking the lead on this, as you know. It is important for this school to be built as it will stimulate many economic development opportunities on the “south corporate” area as well as other developable parcels on and off airport. The key to this project is to rebuild an environment to enhance a successful program. Otherwise the fate of the program may be in question.

Budget Impact:

The PAC will recoup 100% of its expenses through the lease agreement with the school district.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU"), made as of the ____ day of _____, 2015 (the "Effective Date"), by and between the PENINSULA AIRPORT COMMISSION, an independent body corporate and politic of the Commonwealth of Virginia, (hereinafter "PAC"), and the NEWPORT NEWS SCHOOL BOARD, NEWPORT NEWS, VIRGINIA, (hereinafter "NNSB", or collectively "the Parties").

WHEREAS, the PAC is the owner and operator of an airport with appurtenant facilities, known as Newport News/Williamsburg International Airport (the "Airport"), located in the City of Newport News, Virginia, and by lease dated October 12, 2013, leases to the NNSB 27,837 square feet of space located in the old terminal building at the Airport ("the Existing Lease"); and

WHEREAS, the Parties desire to enter into a MOU to formalize certain understandings between the Parties regarding the construction of a new building, outdoor facilities to serve as classrooms and a hanger ("the Premises") to be built by PAC and leased to NNSB.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

PAC'S Responsibilities:

1. PAC shall construct a building consisting of approximately 60,000 square feet to be leased to NNSB with terms and conditions as set forth below.

2. PAC shall construct an outdoor facility to serve as classrooms to be leased to NNSB with terms as set forth below.

3. PAC shall construct a hangar containing approximately 10,000 square feet to be leased to the NNSB with terms as set forth below.

4. PAC shall lease to the NNSB approximately 100,000 square feet of land with terms as set forth below.

NNSB'S Responsibilities:

1. NNSB shall enter into a lease with PAC for the 60,000 square-foot building under the terms of a lease as set forth below.

2. NNSB shall enter into a lease with PAC for the 100,000 square feet of land under the terms of a ground lease as set forth below.

3. NNSB shall lease enter into a lease with PAC for the 10,000 square-foot hangar under the terms of a lease as set forth below.

4. NNSB shall enter into a lease with PAC for an outdoor classroom under the terms of a lease as set forth below.

The Leases:

1. The Parties agree that they will enter into separate leases for the building, outdoor facilities, hangar, and ground lease, the terms of which shall consist of the following:

A. Building Lease:

Term: 20 years

Rent: \$4.00 per square foot or \$240,000 per year for years 1-5. Rent escalations for subsequent years shall be:

Years 1-5 \$240,000 per year

Years 6-10 \$253,000 per year

Years 11-15 \$267,000 per year

Years 16-20 \$281,000 per year

All maintenance and utilities shall be the responsibility of NNSB.

B. Ground Lease:

Term: 20 years

Rent: \$.25 per square foot or \$25,000 per year. There will be no escalations for this lease.

All maintenance and landscaping shall be the responsibility of NNSB including snow removal of parking lots, walkways and immediate area around the ramp.

C. Outdoor Facilities:

Term: 20 years

Rate: There will be no additional rental charges for the outdoor facilities.

PAC shall retain ownership of all assets.

NNSB shall provide all fixtures, furniture, and non-mechanical equipment, which, upon termination of the lease, shall become the property of PAC.

All maintenance and landscaping, and utilities shall be the responsibility of NNSB.

D. Hangar Lease:

Term: 20 years

Rate: There will be no rental charges for the hangar.

PAC shall retain ownership of all assets.

All maintenance, operation, landscaping and utilities shall be the responsibility of NNSB including snow removal around the immediate area of the hanger.

Insurance:

NNSB shall, at its costs and expense, obtain and maintain during the terms of the Leases, public liability insurance adequate to protect the PAC and NNSB against liability in connection with the use, operation or condition of the Premises upon terms acceptable to PAC.

Signs:

NNSB shall not erect, construct or place any signs or advertisements on the Premises other than as agreed upon by the PAC and NNSB.

Repairs and Maintenance:

NNSB covenants and agrees, at its sole expense, to maintain the Premises.

Improvements:

NNSB shall make no improvements or alterations to the Premises without the prior written approval of the PAC.

Service Standards:

NNSB shall comply with and shall cause its officers and employees and any other persons over whom it has control to comply with such reasonable rules and regulations governing the use of the Premises and Airport as may from time to time be adopted and promulgated by the PAC.

Agreement with the United States:

This MOU shall be subordinate to the provisions of any existing or future agreements

between the PAC and the United States, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the transfer of Federal rights or property to the PAC or its predecessor for Airport purposes, or to the expenditure of Federal funds for the development of the Airport in accordance with the provisions of the Federal Airport Act of 1946, as amended.

Notices:

Any written notice, approvals, consents, or other communications permitted or required pursuant to the terms of this MOU shall be in writing and delivered in person or sent via certified mail, return receipt requested, postage prepaid to the parties. Notices sent by certified mail, return receipt requested shall be deemed effective upon receipt, with any notices sent via electronic mail only acceptable upon acknowledgment of the receiving party. Notices shall be sent as follows:

NNSB: Newport News School Board, c/o Superintendent, 12465 Warwick Boulevard, Newport News, Virginia 23606.

PAC: Notices to PAC shall be addressed to it and delivered at the office of the Executive Director c/o Ken Spirito 900 Bland Blvd., Ste. G, Newport News, VA 23602

Subordination:

This MOU shall be subordinate to the provisions of any existing or future agreements, laws, rules or regulations between PAC and the United States, or the Commonwealth of Virginia, or the City of Newport News, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of

federal, state or municipal funds for the development or operation of the Airport. NNSB will comply with all applicable FAA regulations and Transportation Security Administration ("TSA") with respect to its operations and the relationship of its facilities with the active runways, taxiways and the Air Operations Area.

Term and Duration of MOU:

This MOU, if not previously extended by both parties, shall automatically terminate on [TBD].

IN WITNESS WHEREOF, the Parties hereto have executed this agreement on the day and year first written above.

ACCEPTED AND AGREED TO:

PENINSULA AIRPORT COMMISSION

By: _____
 Its Chairman

NEWPORT NEWS SCHOOL BOARD

By: _____
 Its Chairman

PENINSULA AIRPORT COMMISSION
NEWPORT NEWS / WILLIAMSBURG INTERNATIONAL AIRPORT
MONTHLY ACTIVITY REPORT

Nov-15

TOTAL PAX

(enpl. + depl.)	Nov-15	Nov-14	% CHG	MKT SHR 2015	MKT SHR 2014
Delta	15,106	12,787	18.1%	41.6%	34.3%
American	20,978	20,461	2.5%	57.8%	54.9%
Frontier	0	3,731	-100.0%	0.0%	10.0%
Charter	210	280	-100.0%	0.6%	0.8%
TOTAL	36,294	37,259	-2.6%	100.0%	100.0%

YOY PAX	12/14-11/15	12/13-11/14	% CHG	MKT SHR 2015	MKT SHR 2014
Delta	158,200	162,895	-2.9%	37.5%	30.2%
American	258,515	258,202	0.1%	61.3%	47.8%
Frontier	4,441	44,976	-90.1%	1.1%	8.3%
Allegiant	0	20,087	-100.0%	0.0%	3.7%
PEOPLExpress	0	51,754	100.0%	0.0%	9.6%
Charter	582	2,141	-72.8%	0.1%	0.4%
TOTAL	421,738	540,055	-21.9%	100.0%	100.0%

YTD PAX	2015 YTD	2014 YTD	% CHG	MKT SHR 2015	MKT SHR 2014
Delta	145,733	147,771	-1.4%	38.5%	29.5%
American	236,268	234,406	0.8%	61.1%	47.8%
Frontier	813	41,407	-98.0%	10.8%	0.2%
Allegiant	0	16,929	100.0%	4.4%	0.0%
PEOPLExpress	0	51,754	0.0%	13.5%	0.0%
Charter	582	2,046	-71.6%	0.5%	0.1%
TOTAL	383,396	494,313	-22.4%	100.0%	100.0%

FLIGHT OPS	12 Months		12 Months		YOY % CHANGE
	Nov-15	Nov-14	To-Date 2015	To-Date 2014	
GA	3,612	3,647	60,397	51,828	16.5%
Air Carrier	955	1,090	13,316	13,355	-0.3%
Itinerant Mil	733	702	11,176	9,634	16.0%
Local Mil	750	1,249	18,710	11,801	58.5%
TOTAL	6,050	6,688	103,599	86,618	19.6%

MONTHLY SCHEDULED

SEAT CAPACITY	Nov-15	Nov-14	% CHG
TOTAL	42,813	44,877	-4.6%

YTD SCHEDULED

SEAT CAPACITY	2015 YTD	2014 YTD	%CHG
TOTAL	462,103	530,137	-12.8%