

Minutes

Coastal Carolina Regional Airport Authority

April 19, 2022

Chairman Harris called the meeting to order at 2:00 p.m.

All stood and recited the Pledge of Allegiance.

The roll was taken, and the following Board members were present in person: Harris, Bender, Liner, McCabe, Morris, Murray, and Pope.

Jones attended via WebEx.

Kiser and Wood were excused.

Burns and Frazer were not in attendance.

Also present in person: Andy Shorter, Airport Director; Charles Cushman and Ray Dunn, Dunn, Pittman, Skinner, and Cushman; April Hill, Airport Security Coordinator/Board Recorder; Amy Ritchie, Terminal Manager; Ed Martin, Operations and Facilities Manager; John Massey, Talbert & Bright and George Durant, LHWH.

The public was notified of the meeting in the usual fashion along with details for calling in via the phone conference number. The meeting was held at the normal time and place (for those attending in-person).

Secretary's Report

On motion by McCabe, seconded by Liner the minutes of March 15, 2022, were approved. In favor 6, opposed 0.

Treasurer's Report

Pope reported financials through March 31, 2022. Concessions, Advertising and Ground Transportation is budgeted at \$21,825. The airport has received \$36,083 for a positive variance to the goal of \$14,258. Fuel Flow Royalties are budgeted at \$31,821. The airport has received \$27,781 for a

negative variance to the goal of \$4,040. Landing Fees are budgeted at \$22,996. The airport has collected \$11,788 with a negative revenue budget of \$11,208.

Other revenue is budgeted at \$3,000. The airport has received \$56,926 for a positive variance to the goal of \$53,926. Other revenue shows a positive variance of \$53,926. Pope commented that the revenue received is from surplus equipment that the airport was able to sell using Craven County's equipment disposal policy. Parking revenue is budgeted at \$267,150. The airport has received \$502,675 for a positive variance of \$235,525. Rental income is budgeted at \$298,876. The airport has received \$276,707 for a negative variance of \$22,169. Pope noted that the new corporate hangar is still under construction accounting for most of the difference in revenue collected. Rental car revenue is budgeted at \$187,013. The airport has received \$311,641 for a positive variance of \$124,629. TSA Security reimbursements were budgeted at \$86,625. The airport has collected \$54,090 for a negative variance to the goal of \$32,535. Shorter commented that the TSA reimbursements were over budgeted by \$25,000. He said that the line item will be adjusted to the actual contract budget for the new fiscal year. Total operating revenue is budgeted at \$919,305. The airport has received \$1,277,690 for a positive variance of \$358,385. Pope also reported that the CARES Act funding is budgeted at \$4,776,202. To date, the airport has received \$1,902,854. Shorter added that he took out the annual State Grant fund allocation to show a realistic revenue report, since it is not technically revenue. He also noted that the total revenue received so far this year is technically profit since expenditures are all being covered by the CARES Act. While total expenditures are budgeted at \$5,695,507, expenses to date are only \$2,600,908 since several high dollar planned expenses are now covered by CARES addendum grant projects.

On motion by Liner, seconded by McCabe the Treasurer's Report was approved. In favor 6, opposed 0.

Marketing Update

Durant reported that the DCA flight campaign with American officially launched two months ago and flights will commence June 4th. He said that the bulk of the funds will be spent after the flights commence but that he will pull forward some of the funds to be used during pre-booking. Shorter added that 24% of inbound and 20% of outbound seats have been booked so far for DCA. American has extended available dates through the first week in September. Durant commented that he added a geographical boundary around the greater DC area to target digital ads through a variety of behaviors from people who flew both business and leisure travel and were able to serve up messages to people with the income, the ability to travel and the experiential tendencies like "I love the outdoors", "I love the coast." Durant said that people are responding well. The click view rate is 7-8 times the national average for people who are actually looking at the flight information on American's landing page and through the airport's website. He commented that for inbound flights this is really good news. In terms of here locally, the team introduced about half the budget for promoting the outbound DC flight. Durant commented that they do maintain a good bit of the budget to promote the "Fly Anywhere" campaign locally. He said that they still want to make sure the general catchment area from EWN is aware that they can fly over Charlotte to get to other places in the Country. Durant also commented that social media has been the best performer so far and that people are responding well. He said that the team has also introduced Boston and Philadelphia for inbound traffic into EWN and the coast which have proven to be successful. Durant said that they were promoting flights to Pittsburg and Ohio, but the campaigns were not successful. He added that data shows the market is in Boston and Philadelphia. Durant advised that they plan to introduce other media next month and accelerate towards the June 4th DCA flights. The team is also working hard on a "Fly Local Loyalty" campaign. Shorter commented that Wood will be bringing his team

back together, which includes other partners like the TDA and local Chambers, to arrange a series of stories for the local newspaper.

Shorter commented that at the air service conference, he and Wood attended, there were six airlines that they were able to talk with. He said that they were all energetic about EWN. He said that if there was not a pilot shortage right now, he feels that the airport would be very close to landing some deals with new airlines for new service to/from EWN.

Commercial Development

Pope reported that the committee met last week to discuss the following topics:

Airport Roadway and Parking Lot Improvements Project-Contract Approval: Pope reported that the airport held a bid opening for the roadway and parking lot improvement project. He said that the committee is recommending that the Board approve the bid contract as submitted by ST Wooten in the amount of \$2,170,843. Shorter commented that the contract is a standard construction contract and that it meets all requirements for contracts and what the FAA expects from an airport. The contracts have also reviewed by the attorneys. He added that the airport has received a letter from the FAA stating that with all intents and purposes they will fund the contract at the amount proposed by the bid submitted. Shorter requested approval by the Board for the Chairman to sign the contract and get it back to ST Wooten so that when the grant comes in, the airport will be ready to go.

On motion by Liner, seconded by McCabe the Board approved to proceed with the contract as submitted by ST Wooten as requested by the CDP committee. The work authorization will be included in the budget ordinance. In favor 6, opposed 0. A roll call vote was taken; 6 yes, 0 no.

Shorter advised that there is a work authorization for Talbert & Bright in the amount of \$159,557 that coincides with the project. The work authorization will cover the cost of the construction administration for the roadway and parking lot improvements. He said that he has completed the independent fee estimate with another engineering firm and that the cost comes in under what Talbert & Brights estimate came in as. Shorter requested that the Board approve the Chairman to sign the work authorization.

On motion by Liner, seconded by McCabe the Board approved the Chairman to sign the work authorization for Talbert and Bright in the amount of \$159,557. In favor 6, opposed 0. A roll call vote was taken; 6 yes, 0 no.

Terminal Expansion Project-Bid Review and Grant/Financial Strategy:
Shorter reported two bids were received for the expansion project. The bidders were TA Loving and Monteith Construction. He said that Monteith Construction came in as the lowest bidder. Neither bid met the DBE goal so as the low bidder Monteith had to submit a statement providing that a good faith effort was made to attain the DBE goal. Shorter said that he reached out to the airport's DBE consultant and had them review Monteith's good faith effort statement. After careful review it was determined that Monteith did everything they could to reach the DBE goal and that they should be awarded the contract. Shorter also brought to the Board's attention the project funding eligibility. In the past, all the airport's federal projects were always 100% eligible for grant funding because of the nature of the project. Terminals by the FAA's definition, have commercial space so it does not always make them fully eligible. After review of the terminal square footage, it has been determined that the terminal is only 91% eligible for federal grant funding. The airport will be responsible to the remaining 9%, plus the normal 10% federal match. Shorter commented that a lot of the costs can be covered through the airport's already allocated BIL funding and also its State grants. He explained the overall breakdown costs and

funding for the project. He said that he has had several calls from the FAA regarding the project and that all the questions have been positive. Shorter advised that the BIL terminal requests were due by March 28th and awards will be announced in July. He said that he feels confident that the airport will be able to execute the project without borrowing any money and without using any Passenger Facility Charges. Pope commented that this project is probably the most shovel ready project in the country and feels confident that the project should be awarded BIL terminal funds.

Directors Update

Enplanements: Shorter commented that March was slow over last year due to a reduced schedule for the month, but that April's schedule is back up to four flights a day. He said that the airport's closest neighbors are also down noting that the market for June will be down by 11,000 seats between EWN, OAJ and PGV. Shorter shared that EWN is recovering and that the load factors are strong.

Williams Road Re-alignment: Shorter reported that there has been a lot of talk on the legislative side. He commented that Bobby Walston (NCDOT Aviation Director) assisted him draft a FY23 legislative funding request for Rep. Tyson and that the DOT Board has already approved to move forward with the environmental assessment for the project. Shorter also advised that he spoke with Senator Tillis' staffers last week who advised that they would help look into other funding for the project.

New Hangar: Shorter advised that there was a progress meeting held this morning with AR Chesson. The project is nearing completion with a delay on the installation of a hangar door. Shorter said that the contractor has asked for a 14-day extension. A new completion date has been set for June 4th. Shorter

added that the contractor has completed the taxiway asphalt work ahead of the deadline with minimal impact on the hangar tenants in that area.

Airport Improvement Magazine: Shorter advised that the Airport Improvement Magazine would like to write an article about the new ARFF building. He said that he gave an interview on the project. The article should be published either in June or July.

Allies for Cherry Point's Tomorrow: Shorter advised that as part of their pledge the airport has received two tickets to attend the Brews and Bites event hosted by Allies for Cherry's Point Tomorrow scheduled for May 5th. He asked that if any Board member would like to attend to let him know.

NCAA Conference: Shorter advised that Ritchie has put together informational packets for those attending the NCAA conference in Winston-Salem. Ritchie commented that she has travel reimbursement forms available for each member attending as well.

FY22 Budget Amendments-Williams Rd. Environmental Assessment, Marketing Program Contingency, Capital Vehicles

FY22 Budget Amendment-Williams Road Environmental; Assessment: Shorter commented that the funds to conduct an environmental assessment for the Williams Road re-alignment project has already been set aside in the budget but that Craven County Finance would rather do a line-item transfer (LIT). The following LIT was submitted for the Boards approval:

Revenues	Amount	Expenditures	Amount
8107050-47302 Capital Outlay Other Improvements	\$500,000.00	8107050-44000 Contractual Services	\$500,000.00
Total	\$500,000.00	Total	\$500,000.00

Justification: To pay NCDOT for EWN's share of the environmental assessment for the Williams Road re-alignment.

On motion by Morris, seconded by Pope, the line-item transfer was approved with the stipulation that the Board does not authorize any expenses until the airport receives a letter from DOT outlying funding to be received from the DOT. In favor 6, opposed 0. A roll call vote was taken; 6 yes, 0 no.

FY22 Budget Amendment: Marketing Program Contingency: Shorter advised that so far Durant was able to move funds around in the current marketing budget to cover for the DCA campaign. He said that with the uncertainty of how active the airport may need to get over the next couple of months promoting that service he would like to request that the Board approve a line-item transfer (LIT) in the amount of \$50,000 to have available for additional marketing.

On motion by Liner, seconded by McCabe the Board approved the LIT, signed by the Chairman, for \$50,000 to be transferred to marketing. In favor 6, opposed 0. In favor 6, opposed 0. A roll call vote was taken: 6 yes, 0 no.

FY22 Budget Capital Vehicles: Shorter advised that funds set aside to purchase new vehicles will be put into next year's budget due to a shortage of available vehicles. He added that the airport would like to purchase two new golf carts for \$15,000 each. He said that he needs currently budgeted funds for a purchase order to be made. The vendor that the airport will be using is the same vendor that the County uses.

On motion by Liner, seconded by Pope, the Board approved the Director to purchase two new golf carts for a total expense of \$30,000. In favor 6, opposed 0. A roll call vote was taken: 6 yes, 0 no.

Shorter reported that with the CARES funding the airport had \$3.9 million that was unassigned. The airport was able to use those funds for the bathroom remodel, part of the hangar project, and the upcoming roadway and parking lot improvements. After those three projects are complete there will be \$169,587 remaining out of the \$3.9 million. The FAA has advised that if the airport does not encumber the funds, then the airport may not receive the \$10 million in discretionary funds for the terminal project. Shorter advised that the road behind the hangar project needs to be re-surfaced and that he would like to use the funds for the roadway. He requested a change order to the hangar project in the amount of \$83,448.50. Shorter also requested adding the remaining \$86,138.50 to widen the roadway leading to the flight school. The FAA already plans to add that remaining amount to the roadway and parking lot improvement addendum grant to fully encumber the \$169,587.

On motion by Liner, seconded by McCabe, the Board approved the Chairman to sign both the change order to the hangar contract by \$83,448.50 and approved a change order for the ST Wooten contract for \$86,138.50. In favor 6, opposed 0. A roll call vote was taken: 6 yes, 0 no.

Open Discussion

Liner briefed the Board on a meeting that the CDP committee had with D2-GS. He said that the owner is looking to consolidate or enter into a long-term lease with the buildings they lease. Since he can't buy the property and he can't buy the buildings, then he can't borrow any money on those facilities but if he had a long-term lease he could then go to the bank and show that he has ownership in them, and the bank can loan him money. Liner asked the attorneys on their thoughts on the long-term lease project with D2-GS. He said that there is still some consideration of getting into the same situation that the airport is currently in with current leases. He said that he is in support of giving what the lessee needs to go to the bank and borrow money to make his business viable. Liner asked if there were other options to not tie in all buildings under one lease and maybe sub-lease them under one major lease to where

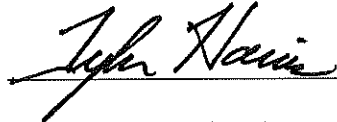
the major lease would have a 15-year contract, but the individual buildings may terminate. He commented that he doesn't want the airport to get tied down to where if something goes wrong with one of the buildings then all the other buildings become unavailable to the airport and the airport not be able to otherwise lease them. Morris commented that the airport needs to add a stipulation in the current lease where you can get out of the lease. He said that the prior lease doesn't allow you to get out of it. He added that if a problem does arise then the airport needs to have the ability to take the facilities back. Dunn commented that there is something called the sundown provision that the lease would end at a certain time but that the problem is tying all these things together. Dunn recommended that the Board would probably need to consult with the owner's bank and then not vary from the requirements of the FAA and give future Boards protection down the road. He said that its possible but that there are a lot of moving parts. Liner commented that the Board wants to help D2-GS but that they don't want to be in a situation that they are in now with another lease. Harris commented that it is the Boards desire to be proactive in helping the business. Liner commented that all he is asking from the attorneys is to find a way to help them move it but that the airport needs a way to get out of it even if the company reduces their function in one facility, then regardless of what the lease says that one building comes back to the airport and then they would renegotiate for that building. Pope commented that his concern is that should the company's business model change, perhaps reduce to 50% but they still have the lease on those buildings and takes advantage of that by sub-leasing and allowing some other lessee to lease the building giving the airport no control. Cushman commented that the airport has some experience with this type of request with the FedEx tenants. He said that Express properties had a long-term lease and repeatedly asked for extensions specifically for the borrowing ability against it. Cushman added that the Express Property lease is a distinguishable situation from the D2-GS lease but that it has caused some

headaches and friction having to go back and re-working the lease. Harris asked Shorter for the status of the authorized rental rates review study. Shorter commented that he will have the CDP Chairman review the study then present it to the CDP committee next month for review.

Executive Session

There was no need for an executive Session.

On motion by McCabe, seconded by Liner the Board adjourned at 3:29 PM. In favor 6, opposed 0.


Secretary ~~Kellie Kiser~~
Chairman Tyler Harris