

Minutes

Coastal Carolina Regional Airport Authority

May 17, 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: Bender, Harris, Jones, Kiser, Liner, Pope, and Wood.

Murray attended via WebEx.

McCabe and Morris 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; George Durant, LHWH and Kirk Lovell with Mead & Hunt.

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

Public Hearing-2023 Budget

On motion by Liner, seconded by Pope the Board closed the regular session and entered into public hearing. In favor 6, opposed 0.

Shorter commented that the staff has worked hard creating a proposed budget for FY23 and that the several members of the Authority lent a hand reviewing it with the staff. He said that today's presentation is a result of all the hard work between the staff, County Finance and the Authority. Shorter begin his presentation reminding the Board of the airport's vision to be "the friendly airport for the residents and visitors to Eastern North Carolina." And the mission to "provide a safe, secure, user-friendly airport; committed to delivering the

community the highest level of service, customer satisfaction, and regional economic benefit.” Shorter said that these are good markers to use as they build the budget and execute the business plan of the airport. He also added that the FY23 budget is a follow-on plan from the FY22 budget where air service and passenger recovery continue to be the top business priority for the airport. Shorter commented that while nationwide summer 2022 enplanements are on course to surpass the 2019 enplanements, the industry will have shifted due to constraints in staffing and the type of passengers that are currently traveling; that is to say, larger aircraft carrying more leisure passengers and fewer business travelers while the regional airlines struggle to fulfil schedules due to the deepening pilot shortage. Shorter commented that once again, the staff has prepared a fairly conservative revenue budget based on the constraints brought about by these challenges in the industry but that he will continue to leverage other elements of the business plan to help counterbalance the loss in parking lot revenues and airline landing fees. A new commercial corporate hangar facility will be added to the growing list of airport leasable space this year, as the airport continues to diversify the revenue stream from being so heavily dependent and reliant on the commercial service and parking lot revenue. In the new fiscal year, the airport will maintain a robust expense budget and continue its strategy to buy down future capital costs in an effort to keep current and future airport rates as low as possible. Shorter commented that the low-rate metric is a key metric to attract new air service especially for the ultra-low-cost carriers, where two of those carriers have come into the market and are looking for new destinations. Shorter also commented that the largest annual capital project will be funded through the FAA grant program therefore, it's not in the proposed budget but that the piece that is in the budget is the airport's local match of approximately \$1.2 million. The major project that will commence in FY2023 is the terminal expansion. Shorter said that there is still a good chance that the airport will receive help with funding through the BIL funding which

could change the amount needed for the local match. In conclusion, the budget has been prepared utilizing \$5.792 million in CARES Act funding programed to cover the difference between the projected revenue and the planned expenses to create a balance \$7,341,930 budget. Shorter commented that the proposed budget represents \$100,000 reduction from last year's budget and the airport has forecast approximately \$7.8 million in un-obligated Cares funding remaining at the start of FY23. Shorter mentioned the highlights of the budget to include; continuation of marketing and air service development, capital outlay for long lead items such as vehicles and tractors, \$300,000 to refurbish ARFF Rescue 2 truck, funds to re-roof hangars, HVAC repairs in leasable spaces, airfield lighting and signage, repainting the AV-8 displayed in the front of the terminal, tower repairs, uniforms specifically turn-out gear for the firefighters, and contractual services. Shorter reviewed and explained several line items for the proposed budget. Harris commented that several Authority members has met several times with the staff and have carefully reviewed a plan of action for next year's budget and years to follow. He said that the airport is big business and can be complicated as demonstrated in Shorter's presentation. Liner commented that there was never an official budget committee, other than staff, for the purpose of creating a proposed budget for FY23 as the Authority decided in a previous meeting that the staff would be competent enough to create a budget. Also in that meeting, the opportunity was offered for any Board member who wanted to attend a budget meeting that the staff were handling, that they were welcomed to do so. He said that himself, Kiser, Pope, and Harris individually decided to attend budget meetings to review and/or suggest input for the budget. Shorter commented that from the staff's perspective, it was valuable to have the input from those members who did attend. Pope concurred with Shorter's comment stating that with the collaboration between the questions asked and the knowledge brought to the table was very helpful.

On motion by Jones, seconded by Liner the Board came out of the public hearing and entered back into regular session. In favor 6, opposed 0.

Secretary's Report

On motion by Liner, seconded by Jones the minutes of April 19, 2022, were approved. In favor 6, opposed 0.

Treasurer's Report

Pope reported financials through April 30, 2022. Concessions, Advertising and Ground Transportation was budgeted at \$24,250 with a positive variance to the goal of \$13,516. Fuel Flow Royalties were budgeted at \$35,357 with a negative variance to the goal of \$7,115. Landing Fees were budgeted at \$25,551 with a negative variance of \$12,404. Other revenue was budgeted at \$3,333 with a positive variance to the goal of \$54,161. Parking revenue was budgeted at \$296,833 with a positive variance of \$253,381. Rental income was budgeted at \$332,084 with a positive variance of \$7,055. Rental car revenue is budgeted at \$207,792 and has a positive variance of \$122,182. TSA Security reimbursements are budgeted at \$96,250 with a negative variance to the goal of \$27,095. CARES Act reimbursement was budgeted at \$5,306,891. To date, the airport has received \$2,067,689 for a remaining balance of \$3,239,202. Total expenses are budgeted at \$7,594,009. Actual to date total expenses are \$3,064,824.

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

Marketing Update

Wood reported that the committee met in April and that it was the best meeting to date. He said that the announcement of the DC flight was a catalyst. He said that three airport partners have stepped up, starting with the TDA. Wood explained that the TDA has started to utilize some of their resources

to take advantage of the opportunity to work closely with George Durant to coordinate activities. He said that while at events in DC, the TDA has had the opportunity to promote the new DCA flight. Wood also reported that at the committee meeting, Melissa Riegle went into detail explaining some of the things they were working on. After the meeting Wood, Durant, and Shannon McGuire, who works for the Craven County 100 Alliance and the Craven County Riverfront Convention Center, had a sidebar meeting to discuss the convention center looking at partnering with the airport to provide some stock footage for weddings. Wood commented that the committee will start promoting those types of activities into the DC market. Wood also commented that they had many ideas when it came to the combination of the Craven 100 Alliance and the airport and that they are hoping to have an industry council meeting at the airport in June that will include partners that are real estate partners. He said that they will talk about the opportunities of using the DC flight, and others, to market for job opportunities that are in the area as well. Wood explained, imagine if you were to come here to vacation over the summer, the team would connect you with three or four major employers in the area and give you an opportunity to have interviews while you're visiting. Wood said that from there, that gave them a number of different ideas of how they could get involved so they thought the best thing they could do is to bring industry at the airport to vet some of the ideas and they could get some of their own ideas. Wood commented that all three partners will be aligning their efforts to nest underneath what the airport has been doing. He said that he feels like the DC flight was a catalyst to allow people to see exactly how that would work. He commented that some of the ideas will work and some of them won't but that he thinks it's a great effort between the different organizations. Durant commented that it was appropriate that the Board just reviewed the proposed FY23 budget because there are things you don't see in the budget such as all the contributions that our partners put into our marketing and advertising that

the airport does not pay for. He said that they are amplifying what the airport is doing with PR, with direct sales and with personnel. He said that with all that Jeff has been doing to bring people to the table like the C1A, the convention center and the TDA and other people in the area is evidenced by their meeting. Durant also commented that it was very evident to him in their meeting today that nothing that the committee has accomplished has been in a vacuum, rather, everything they are doing is reacting to data that Lovell at Mead and Hunt has generated. He said that if they say there is interest in Boston then they advertise in Boston. He added that where Mead and Hunt say there's an opportunity to partner with the American out of DC then that's where they will go. Durant said that all their efforts have been based on solid data driven decisions as well as good partnerships between Mead and Hunt and the airport that allows them to make decisions without guessing. He said that things are working as the DC area is starting to generate some awareness of eastern North Carolina in terms of being the destination they want to travel to. Lovell commented that it's been fantastic how Shorter has brought everyone together so quickly to put this strategy together for air service development and looking at how we are going to grow the market. He said that the question was, do they continue focusing on the traditional approach, looking at what the local markets wants, or do they focus on the 300 million people that are outside of market? Lovell said that they will be taking a multi-pronged approach and going both directions adding that the most valuable part will be pulling the partners together and to get everyone working on the same team going in the same direction. Lovell said that they are moving quickly and providing data, meeting with airlines, and talking with airline partners to provide them data to help them make business decisions. He noted that the airline industry is definitely challenging and that it's not easy in competing with over 400 commercial airports in the United States.

He said that it's a shrinking industry noting that just today United Airlines announced that they will be reducing capacity by another percent this year. He said that they went from 13% to 14% fewer seats in the market. Lovell commented that it's even more important that the airport keep going stronger and harder. He said that the opportunity with air service is the catalyst for economic development for event planning, anything you do always comes back to what type of air service you provide. Shorter commented that the committee will be meeting with community business leaders this week to discuss airline service, the pilot shortage, and the health of the industry. Specifically, he will be explaining how the airport is actively pursuing air service, announcing the DCA flights, government incentives and the SCASDP grant efforts. Shorter said that they met with the New Bern TDA Hospitality group this morning who were engaged and asked a lot of questions. The committee will also do a presentation at two events tomorrow at the New Bern Riverfront Convention Center in the Berne Room at 10:00 AM and 2:00 PM. They will be in Havelock on Thursday at 10:00 AM then finish up in Carteret at 3:00 PM on Thursday.

Commercial Development

Pope reported that the committee met on May 11th and discussed the following topics:

Airport Roadway and Parking Lot Improvements Project-Notice to Proceed Recommendation: Pope commented that as previously announced, ST Wooten came in as the lower bidder for the roadway and parking lot improvement project. He said that the committee would like to recommend that the airport give the notice to proceed for this project on June 1st. Pope explained that ST Wooten is ready to start preparing for the work to be completed and has a bid commitment that will expire in early July. Shorter added that the airport received a letter from the FAA stating that the airport was clear to issue a notice to proceed. He said that the airport has not officially

received the grant funding but that the FAA knows the money is there and that it's just a timing matter that they are working through. Shorter said that the airport should not start receiving invoices on this project until probably late July or sometime in August. He commented that the airport is going out on a little bit of risk but that there is money in the fund balance if the airport must initially fund the project and then pay itself back with the grant money. He said that the Board previously authorized the Chairman to sign the contract for the project but that the committee would like the Board's approval to move forward with a notice to proceed. The Board concurred with the committee's request to move forward with the notice to proceed.

Terminal Expansion Project-Notice of Intent to Proceed Recommendation: Pope reported that the airport is still awaiting the FAA grant decision. He said that there are two parallel tracks: the normal AIP funding route and then the Bipartisan Infrastructure Law (BIL). He commented that the airport will not know about the status of the BIL award until probably July. The low bidder for the expansion project was Monteith Construction. Pope said that Monteith is getting a little nervous with the time frame of the awards. He said that the CDP committee is requesting that the Board approve a notice of intent to award. Pope explained that a notice of intent to award is nothing formal but would give Monteith reassurance that the airport is committed to award them the project. Shorter said that the notice is not binding but would allow them to start lining up their subcontractors just short of entering a contract. Massey commented that a notice of intent to award is based on the contingency of the airport receiving the grant from the FAA. Shorter added that the airport did the same thing with the contractor for the ARFF building. Cushman clarified that the notice states that the airport will let the contractor know when the grant award is announced and from there that's when the airport will do the contract documents. He said that it's just a reassurance that they were the low bidder, the airport intends to proceed with them, and when the money is available then

the project is ready to proceed. Cushman advised that the notice of intent to award will be signed by Shorter, transmitted to Monteith for them to sign acknowledging that have received it and then Monteith will send it back to the airport.

Airport Market Rent Analysis Report-Recommended Approval of Rates: Pope referred to an Airport Market Rent Analysis report that was provided to each Board member prior to the meeting. He advised that the document provided was a short synopsis of a full report from Airport Business Solutions. He said that the committee brought in a commercial market real estate consultant whose platform is focused on airports. The consultant compared the airport to 13 other airports that were comparable to EWN. Pope said that nine of the airports were of the same size of EWN. The consultants were able to create the provided rates and fee charges for aeronautical and non-aeronautical leases. Pope advised that the committee has had the opportunity to review the data and have had good input from the Board and other sources. The CDP committee requested that the Board accept and approve the rates as presented and that they will become effective on July 1st.

On motion by Liner, seconded by Wood the Board approved the adoption and schedule of the rates and charges. In favor 6, opposed 0.

Directors Update

Air Service: Shorter reported that currently, the monthly load factor is at 93% which shows that people are flying.

Williams Road Update: The airport has signed an agreement with NCDOT to contribute \$500,000 to start the environmental assessment for the re-alignment project. The NCDOT estimates the cost of the assessment to be \$850,000.

Corporate Hangars: Shorter reported that the new hangar doors arrived yesterday and that he anticipates having the tenants move in by July. A ribbon cutting is also planned with D2-Government Solutions at their next graduating class from the junior ROTC.

Runway Painting: The runway painting project is almost complete.

Part 139 inspection: The FAA's annual inspection is scheduled for June 2nd and 3rd. Shorter advised that the team is finishing up a few things to be ready for the inspection.

Clermont Property: The airport has received the environmental assessments for the Clermont property with no comments received from the public. The assessment has been sent back to the ADO for the Finding of No Significant Impact (FONSI). Shorter advised that the airport will be tearing down the two structures on the property by the end of this week or next week.

ARFF Training with Cherry Point: Shorter commented that Martin recently had the opportunity to help two neighboring airports with their tri-annual emergency exercise. While at the training, Martin was able to acquire contact information for Cherry Point and has scheduled live training burns with Cherry Point for the ARFF staff at EWN. Shorter said that they were happy to accommodate the training since the Harriers are coming into the airport and that it would be more realistic and better training for the staff.

NCAA Conference: Shorter commented that this year's airport conference went well. Next year's conference will be in Pinehurst.

Project Ordinance Amendments-AIP 46 (ARFF Closeout) and AIP 49 (Approved Changer Order)

Shorter advised that he would like to table the project ordinance for AIP46 at this time.

Shorter recalled that the Authority approved a change order to AIP49 for the corporate hangar construction in the amount of \$83,448.50 for additional road work and paving behind the hangar. He said that the change order has been approved by the FAA. A revised project ordinance to AIP 49 was submitted for approval.

On motion by Liner, seconded by Pope the Board approved the project ordinance for AIP49. In favor 6, opposed 0. A roll call vote was taken: 6 yes, 0 no.

Open Discussion

Bender commented that he remembers when General Blot was on the Authority, seven or eight years ago, warning the Board that the airport needs to be aware of pilot shortages and to be ready. He said that was before anybody knew anything about COVID, or anything else, and so it looks like we've met the enemy.

Bender also commented, that on a personal level, he is intrigued that the airport is trying to reintroduce this area to Washington, DC. He said that he remembers when Piedmont offered six flights every day from Atlanta to Washington, DC. adding that it wasn't a question of can I get to Washington but rather a question of when you want to go. He said that the flight left Atlanta and may have made several stops along the way to DC. No matter how many stops there were, Bender commented that you still got to DC in two hours. He said that the idea of reintroducing this flight to DC, particularly since Delta is currently not offering the Atlanta flights, is crucial in offering a way for people to get to Washington, DC. Shorter commented that the flight to DC has a current booking rate at 30% but June is up to a 50% load factor. He added that he thinks that the airport is beyond the point of embarrassment by asking for the flight and it not working but that the airport still needs to aggressively push marketing. Pope asked what the airlines expectations for the booking rate were.

Shorter responded that Kirk Lovell asked the planners that are very data driven, and they compared this to normal regional traffic in Charlotte and that the airport was 18 points below that. Shorter noted that the data was not based on comparable one day a week flights to other leisure markets. He said that Lovell thinks that in the end, they will true it up against similar markets and then give us our final score at the end of the season. Harris commented that he recalls that Shorter met with a low-cost carrier and that the same carrier will be offering service out of ILM soon. Shorter confirmed that Avelo will soon be offering service from Wilmington to Orlando, Wilmington to Baltimore and Wilmington to New Haven CT. He said that they met with Avelo at a conference about six weeks ago and that if they've already pulled the trigger in Wilmington, he is taking that as good news in relation to the meeting they had.

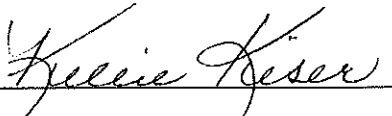
Executive Session

On motion by Liner seconded by Jones, the Board went into executive session at 3:28 PM in accordance with 143-318.11 (a) (6) to consider the performance of an individual public officer or employee. In favor 6, opposed 0.

On motion by Jones, seconded by Liner the Board came out of executive session at 4:04 PM. In favor 6, opposed 0.

On motion by Liner, seconded by Wood the Board approved a 4.8% merit pay increase in the Airport Director's compensation for FY23. In favor 6, opposed 0.

On motion by Liner, seconded by Kiser the Board adjourned at 4:06 PM. In favor 6, opposed 0.


Secretary Kellie Kiser