

**NEW HANOVER COUNTY AIRPORT AUTHORITY  
AND  
NEW HANOVER COUNTY BOARD OF COMMISSIONERS  
JOINT MEETING MINUTES  
April 26, 2016**

**CALL TO ORDER**

The New Hanover County Airport Authority met in joint session with the New Hanover County Board of Commissioners on Tuesday, April 26, 2016, in the Executive Conference Room at Wilmington International Airport, 1740 Airport Boulevard, Wilmington, North Carolina.

Authority members present were Dr. Jonathan Crane, Chairman; Thomas Wolfe, Vice-Chairman; Carter Lambeth, Secretary; Thomas C. Barber II, Donna Girardot, Dan Hickman, and John Perritt. ILM staff present included Julie Wilsey, Airport Director; Gary Broughton, Deputy Airport Director; Robert Campbell, Finance Director; Whitney Prease, Facilities Director; Carol LeTellier, Business Development Director; and Rose Davis, Executive Assistant.

County Commissioners present were Beth Dawson, Chairman; Jonathan Barfield, Jr., Vice Chairman; Skip Watkins, Woody White, and Rob Zapple. County staff present included Chris Coudriet, County Manager; Tim Burgess, Assistant County Manager; Avril Pinder, Deputy County Manager; Ruth Smith, Chief Communications Officer; Wanda Copley, County Attorney; and Teresa Elmore, Clerk to the Board.

Chairman Dawson and Chairman Crane called their respective boards to order at 8:00 a.m. stating this joint meeting is for the purpose of hearing the Annual Report of Wilmington International Airport.

**WELCOME**

Chairman Dawson thanked the Authority and proceeded to introduce the County Commissioners and County staff members who were present. Chairman Crane welcomed the County Commissioners and County staff members to this joint meeting before turning the meeting over to Julie Wilsey, Airport Director, and Gary Broughton, Deputy Airport Director, to present the Annual Report to the County Commissioners.

**ANNUAL REPORT**

Mrs. Wilsey thanked the Commissioners for coming to ILM for the annual report and stated that an abbreviated version of today's report would be presented at the Commissioners May 16<sup>th</sup> meeting. Mrs. Wilsey reminded the Commissioners that while the staff is giving the report, the Airport Authority members are integral to the success of the airport because they set the priorities of the staff and when the Commissioners appoint quality board members like they have, it helps the staff achieve success.

Mrs. Wilsey advised that there would be a presentation following the annual report regarding the AT&T Fiber Optic Certification of the Business Park.

## **New Hanover County Airport Authority**

**April 26, 2016**

**Page 2**

Mr. Broughton reported on the 2015 aviation statistics stating that revenue passenger numbers were up 2.4% last year compared to a national average of 2%. Mr. Broughton also reported that ILM's operations were up 3.8%, which is due largely to the fuel prices coming down and the number of pilots flying. Mr. Broughton stated that ILM currently has 100 based aircraft pointing out that in general, one aircraft (based on size of the plane) is equal in tax value to approximately 100 homes.

Mr. Broughton, using a slide for illustration, showed the 390 world-wide connections with ILM's 2 partners: American and Delta; with 211 of those destinations being unique to the airline servicing that route. Mr. Broughton shared that ILM continues to get compliments for its outstanding service as well as its Southern hospitality and the hometown feel that is portrayed at ILM. Mr. Broughton further advised that the third LaGuardia flight will be coming back in June and the seasonal Washington, DC service returns in May; with an additional 1300 seats per day.

Mrs. Wilsey, reporting on the financial highlights of FY15, indicated that ILM has always been strong and prides itself on being self-sufficient in its operating budget, generating all of the revenue on site that it takes to run this operation, year in-year out. Last year's operating revenue was approximately \$8.5M, which was a 4.5% increase over FY14, with 83% coming from operations in the terminal building, between the rental cars, parking and the terminal, including concessions and airlines; with 8.5% of the revenue coming from General Aviation and 5.8% coming from the Business Park. ILM also received an unqualified audit opinion on all reports for FY15.

Mrs. Wilsey reviewed ILM's cash inflows and outflows showing total spent. Mrs. Wilsey stated that ILM spends about \$15M a year. Of the cash inflows, 49.5% comes from ILM's operating revenue; approximately \$5.9M was received last year for projects from Federal Grants; Passenger Facility Charge brought in about \$1.5M; the Contract Facility Charge was about \$884,000 and State Grants were \$291,000. Regarding cash outflows, ILM's operating expenses were 40.2% with Capital Assets being 59.8% reinvested back into the facility.

Updating the Commissioners on ILM's debt status, Mrs. Wilsey stated that for a non-hub airport, ILM's debt is extremely low at less than \$5.5M due in part because ILM is frugal with its money and saves reserves for pay-as-you-go projects. ILM has an outstanding reputation with the FAA for Federal Grants to fund capital improvements to maintain the infrastructure on the airport and the County allows ILM to bond with them at a very low rate.

Mrs. Wilsey shared that NCDOT Aviation released the Economic Impact Study for all airports in NC at the NCAA Conference which shows that NC is in great shape with its 72 airports reporting that those airports have an economic impact on the state of \$31B per year; they support over 123,000 jobs throughout the state in both aviation and the aerospace industry. Mrs. Wilsey further shared that the report also provided individual reports for each airport in the system, showing that ILM's new economic impact is \$1.6B on this community and it supports almost 5,000 jobs, with a payroll impact of \$83M. Most important to the County Commissioners are the tax impacts which are over \$11M with the ad valorem taxes on based aircraft at ILM being \$616,000 per year.

Mr. Broughton updated the Commissioners on FY15 Facility Development indicating that over \$13M was spent on projects to include the North Ramp Rehabilitation; improvements to the lighting area; the RWY 24 Wildlife Ditch Project; upgrades to the facilities on the South Ramp; upgrading perimeter security fencing to 8'; upgrades to the CCTV system and cameras; and enhanced airfield markings. ILM continues to invest in your New Hanover County assets.

### **2015 ITEMS OF IMPORTANCE**

Mrs. Wilsey closed the official annual report to the Commissioners which included statistics, financial assessments and the development of the airport but continued with additional items of importance from 2015 beginning with the most important resource – the people of ILM. Mrs. Wilsey pointed out the changes and additions to ILM staff starting with Gary Broughton's promotion to Deputy Director, and his overseeing the operational aspects of the airport; Whitney Prease, who is now focused on Facilities, Grants and Project Management; Bob Campbell, who joined ILM in October as our new Finance Director; and, as of February, the new addition of Carol LeTellier, who is the Business Development Director. In addition to the staff, there are also 45 other employees who work very hard to run this operation 24 hours a day, 7 days a week, 365 days a year and we appreciate what they do.

Regarding current air service, ILM has two of the four possible airlines, who have an extensive domestic network which helps our business community and staff continues to focus on air service retention and development. Staff had 2 headquarters visits last year to Delta and American Airlines and attended 3 of the air service conferences, speaking to current carriers and future carriers. Both American Airlines and Delta have added seats which indicate additional confidence in ILM's market and because we are a strong market for them, we are good for their profits. The level of service ILM has in this community is also due to the loyal customers who realize that it is important to support the local airport and they appreciate the convenience that ILM provides to them.

Mr. Broughton, reporting on general aviation, stated that over the years there have been 3 Fixed Based Operations fail on the South side of the field seemingly due to the location, with the latest failure last May. While general aviation has been in decline for several years, ILM doesn't want to lose our general aviation pilots and wants to grow general aviation, so ILM took over those hangars and still has 25 tenants on the South side of the field temporarily. With the support of the Authority and the Commissioners approval, ILM revised its Minimum Standards to ease requirements that were a barrier to new operations coming into ILM. ILM now has a Special Aviation Service Operator on the South side of the field and they offer a competitive alternative to pilots with smaller aircraft for maintenance. Because ILM accepts Federal funds to improve the conditions of general aviation and comply with our Master Plan, ILM will be relocating these aircraft from the South side, hopefully in the spring of 2017; to what is apparently the more desirable area on the North Ramp.

Mr. Broughton, using a slide to illustrate, shared the North Ramp GA Redevelopment Plan, stating that phase 1 is now complete. There is an agreement with Live Oak Bank for a new hangar and ILM will construct an \$800,000 taxi lane using a 90/10 grant from the state with ILM's portion being about \$80,000. ILM is also currently in negotiations with other individuals to construct hangars on the other side of that taxi lane and ILM's plan is to put out an RFP in

## **New Hanover County Airport Authority**

**April 26, 2016**

**Page 4**

2017 for a second FBO for this area. With the upgrade of the ramp, staff is looking forward to the Wells Fargo Championship next year and the additional airplanes that will be parking on the ramp for that week. Mr. Broughton shared before and after pictures of the ramp paving and drainage improvements.

Mr. Broughton stated that ILM is pleased with Air Wilmington's construction of their new \$3M, 21,000 sq. ft. hangar which will hold approximately 3 Gulfstream IVs and the potential property tax revenue that will generate.

Mr. Broughton, using a slide to illustrate the area, reported on the \$5.8M Runway 24 project to improve wildlife hazards, which included the installation of about 3,000 linear feet of new concrete pipe and performed about 70 acres of grading in that area. Mr. Broughton also shared before and after pictures of this project showing drainage improvements.

Mrs. Wilsey reported that ILM continues to focus on the Business Park to help ILM continue to be self-sufficient and to help our air carriers reduce their costs. There were 2 new tenants last year: Battle House and SeaHawk Aviation; and Live Oak Bank is close to signing a lease for their new hangar. ILM has all the infrastructure to accommodate businesses and we have a new 10,000 SF building ready for lease; ILM is perfectly suited and geographically located to help business recruitment with a good meeting of rail, runway and roadway; and the Business Park is now certified Fiber Ready by AT&T, which will be announced at a press conference following this meeting.

Mrs. Wilsey pointed out that the Commissioners were provided with a copy of the North Carolina Airports Economic Impact Study in their materials today and recommended that they read this, emphasizing ILM's contribution, in addition to the other 71 airports in the state.

Mrs. Wilsey, on behalf of the ILM team, thanked the Commissioners for their time this morning and opened the floor for questions. At Mrs. Girardot's request, Mrs. Wilsey updated the Commissioners on the Foreign Trade Zone status indicating that it is in the final stages and should be certified relatively soon.

Mr. Watkins asked what the impact of the change from regional jets will be and Mrs. Wilsey pointed out that the same crew can man either a 60 or 90 seat regional jet so the airlines are moving to the larger jets because they are easier to maintain. At an airport of our size, with good traffic, we will be able to make that transition from 50 to 60 to 90 seats while some of the smaller airports may see a reduction because they will have to be able to move at least 60 or 90 passengers per turn. ILM is getting the additional seats which leads to the ability to service more customers.

Mr. Barfield shared that he receives feedback about fares and rates and asked how staff negotiates with the airlines to have a more competitive rate with Myrtle Beach or Raleigh. Mrs. Wilsey responded that staff doesn't necessarily get to negotiate the rates. The airlines control the rates and actually have a computer generated revenue model that sets the prices. Staff does talk to the airlines in the meetings and asks them to compare ILM to like communities. If you look across the board, ILM's fares are competitive with most of the airports around us like

**New Hanover County Airport Authority**

**April 26, 2016**

**Page 5**

Fayetteville and Jacksonville. Mrs. Wilsey further stated that ILM is usually competitive to Raleigh within about \$100 depending on where you are going and if you are flying a low-fare carrier. If you are flying a network carrier, ILM is right in the ball park. ILM has a challenge competing with Myrtle Beach because they have many low-fare carriers and some would call them ultra low fare-carriers. ILM's travelers, particularly the business travelers, want a network, so we like to say we are competitive if you compare Delta and American to the like carriers in those other communities.

Mr. Broughton added that the other airports have these low cost carriers like Southwest and JetBlue that we don't have so the airlines are actually forced to keep their fares down in these other cities which makes them less profitable. The airlines will tell you, they will take the Wilmington profit over the low cost carriers that force their hand in these other airports and then with 80 and 90% load factors, the airlines are very pleased with ILM. Staff continues to remind the airlines that we don't want customers driving to our competitor airports but it is hard to argue with the fact that their revenues are higher.

Mr. Perritt added that because ILM is a profitable airport we get better service than a lot of airports this size would, which is very important to our business traveler.

Mr. Barber commented that there is a graph that measures revenue per available seat mile showing distance and revenue per mile and in this graph you can see where ILM's fares are relative to all the other carriers and to the extent that we are way out of line with that trend, we can talk with the airlines about getting the pricing better so load factors will improve. There are some statistical tools that we have but, when it is all said and done, the airlines set the fares.

Mr. Coudriet asked if there was a low fare carrier that could work in ILM's market and Mrs. Wilsey responded that the low fare carrier that would work best at ILM is Allegiant, who was at ILM before, but they would only fly 2 days a week and they would go to a place like Orlando/Sanford.

Mrs. Wilsey reminded the Commissioners that ILM does still have its Small Community Air Service Development Grant available which is over \$1.2M for service to Chicago and/or Dallas and it has been offered to United and to American. Even though we think it is a lot of money, it is actually a tie breaker. Staff and the consultant are working hard between now and the next conference in June to develop additional statistics about the technology base in this community because that is currently where the airlines are adding service.

Mr. Barber pointed out that there may be some strategic opportunity that needs to be investigated with the airport and the tourism board to make sure our efforts are better coordinated moving forward for the rest of the year.

Mr. Zapple asked for an update on the activity at the Customs building and Mrs. Wilsey responded that the Customs facility is gearing up for the PGA event. Customs traffic is slightly lower than normal and is in a downward trend because of changes that Customs made regarding an overflight exemption status. More aircraft are flying with that status and they don't have to stop when they enter US airspace. Those that do land in Wilmington appreciate the convenience

**New Hanover County Airport Authority**

**April 26, 2016**

**Page 6**

and the ability to get fuel quickly and the quality of the facility and they will come back if they don't have overflight status.

Mrs. Girardot commented that another way the Customs Facility has been serving the public recently is with the Global Entry mobile team events being held at ILM's Customs building with another event scheduled for this summer.

Mr. Barfield asked what the net impact of marketing with the new commercials has been on the organization and Mrs. Wilsey stated that we certainly know that we have brand awareness in the community with the ILM logo. Mrs. Wilsey thinks the marketing is making a difference but we want to work on metrics to quantify the marketing money that we spend in the community.

Mr. Barber commented on social media and the followers that it creates. Mrs. Wilsey stated that our Facebook and social media campaign is probably one of the strongest of all the airports in the state, in fact, Mrs. Buffkin, our Marketing Representative, gave a presentation at the NCAA Conference about how to do a Facebook campaign. Mrs. Wilsey commented on Mrs. Buffkin's experience with Facebook and that if anyone needed to start a corporate Facebook page, she could refer them to Mrs. Buffkin for assistance. Mrs. Wilsey pointed out recent Facebook posts that created a lot of traffic were an Earth Day post and the UNCW Basketball team going off to the tournament, which received 632,000 views.

Mr. Zapple asked about the partnership with the Sheriff's Department for their driving course on an old runway, and Mr. Broughton responded that it is still being used regularly by New Hanover County and Brunswick County for their driving course. ILM doesn't charge them for this use and they are badged so that they can stay unescorted. Mr. Broughton stated that ILM keeps an eye on the condition of the pavement. In our partnership, the Sheriff's Departments have actually done some work on it on their own. Mr. Broughton stated he believes both sides are happy with the partnership.

Mr. Zapple asked when the DC seasonal flights would begin and Mrs. Wilsey responded they would start May 7<sup>th</sup> and will be Saturday and Sunday. Mrs. Wilsey further responded that we believe it will continue through the summer and into early fall.

Mrs. Wilsey recognized Steve Bright, ILM's engineer of record pointing out their support of Mr. Prease and ILM with the projects and grants.

Chairman Crane complimented staff and Talbert & Bright on their support of General Aviation and all the progress that is being made on the North Ramp. Chairman Crane further commented on air service development; the pilot shortage; and the SeaHawk Aviation repair facility.

Mr. Zapple asked for an update on past discussions regarding a flight school and Dr. Crane and Mr. Barber responded that the Authority is still pursuing that and stated that there are other opportunities such as robotics, drones, A&P mechanic training and seat fabrication that can be done in the industrial part of the airport property.

**New Hanover County Airport Authority**

**April 26, 2016**

**Page 7**

Mr. Watkins asked if there was a possibility that the FAA would recognize the issue with the pilot shortage and readdress the requirement for the number of hours for pilots. Dr. Crane responded he wasn't sure if the FAA would address it or not but stated in his opinion, 1500 hours is probably a correct number of hours to require for a pilot. Mr. Lambeth commented that Congress is currently trying to reduce the hour requirements for GA pilots and possibly the medical requirements too. Mrs. Girardot reported hearing at recent events in DC that there doesn't seem to be too much interest in changing the requirements for the hours for commercial pilots.

Mr. Wolfe pointed out that the Commissioners need to be aware that the surrounding Counties- Brunswick, Columbus, Pender – have airports that are subsidized by the Counties and that he was shocked when he went through the budgets of these airports and saw how much they are subsidized and pointed out that New Hanover County is not subsidizing anyone at ILM. Mr. Lambeth pointed out that ILM is a business, as well as a place to fly airplanes; a major business in this community.

Chairman Dawson pointed out that ILM is a huge asset to the citizens of New Hanover County and the businesses that are here and hopefully will look to expand here and the County appreciates the Authority's stewardship of its assets.

Mrs. Girardot pointed out that people need to realize that the airport is really an economic development tool.

Mr. Coudriet asked if the Flex Space building was taxable and what type of tenants were being pursued and Mrs. Wilsey responded that ILM built the building so it is not taxable but the businesses that move into it will have to pay taxes on their contents. Staff is currently looking for a restaurant or coffee shop to help the tenants of the campus, especially the 220 employees of the VA, with a 30 minute lunch period. Office and retail are also being looked at to go in there and be complementary to the facility. Ms. LeTellier has followed every lead and we are confident we are going to get some tenants in that building.

Chairman Dawson called for any further questions and stated the Commissioners would look forward to the formal report at the May 16 public meeting.

**ADJOURNMENT**

There being no further business to come before the joint session, Chairman Dawson and Chairman Crane adjourned the joint meeting at 8:50 am.

Prepared by:

Rose M. Davis

Respectfully Submitted

---

Carter T. Lambeth, Secretary

Approved: June 8, 2016