

**NEW HANOVER COUNTY AIRPORT AUTHORITY  
REGULAR PUBLIC MEETING  
May 3, 2017**

**CALL TO ORDER**

The New Hanover County Airport Authority met on Wednesday, May 3, 2017, at Wilmington International Airport, 1740 Airport Boulevard, Wilmington, North Carolina. Chairman Wolfe called the meeting to order at 5:03 p.m. and led the Pledge of Allegiance, and then read the Authority's Code of Ethics statement. No conflicts of interest or potential conflicts of interest were identified at that time.

Airport Authority members present were; Thomas Wolfe, Chairman; Carter Lambeth, Vice-Chairman; Tom Barber, Jonathan Crane, Donna Girardot, and John Perritt. Also present were Julie Wilsey, Airport Director; Gary Broughton, Deputy Airport Director; Robert Campbell, Finance Director; Whitney Prease, Facilities Director; Carol LeTellier, Business Development Director; Rose Davis, Executive Assistant; and Kemp Burpeau, New Hanover County Deputy Attorney.

Dan Hickman, Secretary, was absent.

Guests present included Steve Bright, Talbert & Bright, Inc.; Diane Durance, UNCW; Bruce Rice; Clark Henry, Joseph Harris, Nick Kerner, Kevin Lackey, Rachel Lane, Staci Thomson, Bill Cherry, Ralph Fox, Tom Fetzer, Eric Canup, Ryan Evans, Robin Spinks, Floyd Price,

**APPROVAL OF MINUTES**

The Authority has reviewed the minutes of the Regular Public Meeting on April 5, 2017. Mr. Barber MOVED, SECONDED by Mrs. Girardot to approve the minutes of the April 5, 2017 Airport Authority Meeting as submitted. Upon vote, the MOTION WAS APPROVED UNANIMOUSLY. Mr. Hickman was absent.

**PUBLIC COMMENTS**

None.

**SPECIAL PRESENTATIONS**

Ms. LeTellier introduced Diane Durance, the Director of the Center of Innovation and Entrepreneurship with UNCW. Ms. Durance thanked the Authority for engaging the graduate students in such an interesting and important project and thanked Mrs. Girardot for getting the discussion going with Mark Imperial that led to this full semester course focused on the ILM Business Park. Ms. Durance recognized two other advisors involved in the project: Bruce Rice and Clark Henry and then turned the floor over to the students.

The students, Rachel Lane, Staci Thomson, Kevin Lackey, Nicholas Kerner and Joseph Harris, introduced themselves, and presented their analysis of information from various sources regarding the development of the ILM Business Park. The students met with community stakeholders like Wilmington Business Development, the Port and Commercial Real Estate Brokers. From their meetings with stakeholders their findings were that ILM should focus on smaller organizations due to the limited acreage; infrastructure must be available; there may be

friction between public and private entities; and that North Carolina's #1 export is actually civilian aircraft engines and parts. The students reviewed many local development plans like the Garner Report and the ILM Master Plan and found it interesting that there was not a strategic plan for the ILM Business Park. They pointed out that the NC Port has seen substantial growth since 2012 and that those Port customers may be looking for a local business location.

The students reviewed 26 case studies from airports across the Country to determine what worked for them in terms of developing a business park and they developed 4 common themes: hire a business park development firm; build relationships with State, Local Government and Private Sector investors; focus specifically on aircraft related businesses as prospective tenants; and develop the Business Park as demand dictates.

The students conducted a survey of the 50 closest businesses to ILM with 20 businesses completing the survey. Of those responding, 60% said that ILM has no impact on their daily operations; 75% of the businesses did not take the proximity to ILM in account when locating their business; 50% of the business identified cost as the major factor in choosing their current business site, with 25% of the those businesses stated proximity to ILM was a major contributing factor in their decision to locate; 45% of the businesses surveyed said a hotel would in fact serve their business. The students discovered that very few of the businesses had any prior knowledge about the development efforts of ILM Business Park and some of the businesses said they have leases that will end soon and expressed openness to the possibility of relocating.

The students held a focus group meeting with leaders from the community which led them to conclude the following: creating an architectural design competition for the ILM Business Park may be a good, inexpensive way to generate interest in the project; ILM Business Park development must support speed to market with the ability to build in a timely manner; some developers may be deterred by having only the option to lease; define ILM Business Park's value add; identify the target market; and, secure a champion and an anchor.

As a result of the entire analysis, the students came up with 2 key opportunities for ILM to take advantage of: Collaborate with community organizations and stakeholders; and creating a positive business image outside of the current functional image of a regional airport.

The students identified three pathways ILM may take: Focus on aviation related uses; focus on non-aviation uses; focus on passive uses.

Finally, hiring a professional consulting firm that develops Business Parks at airports might be a strategic win for ILM, along with promoting ILM's identity as a destination gateway, and taking advantage of the strengths in our local area with the beaches and the history.

Chairman Wolfe stated that their presentation exceeded his expectations and thanked UNCW for taking the initiative and providing the leadership to be able to put on this presentation.

Dr. Crane stated that he felt they hit on some important points: hiring a firm; aircraft related businesses where possible; and to let demand dictate the growth.

Mrs. Girardot stated her takeaways were to concentrate on the Port customers as potential

recruitment; and she was surprised that there was no long range strategic plan for the Business Park. Mrs. Girardot congratulated the students on an excellent job and thanked them and their advisors.

Chairman Wolfe recommended that the Marketing Committee take a look at this full report and see where ILM should go from here.

Mrs. Wilsey introduced Mr. Tom Fetzer, a representative from the lobbyist firm hired to help secure legislation for aviation funding, who provided a report to the Authority.

Mr. Fetzer praised ILM stating it is the most enjoyable travel experience you will have on the western hemisphere of this planet and thanked the Authority and Staff for providing that experience.

Mr. Fetzer shared that he and Mr. Ches McDowell started working with Raleigh Durham Airport Authority approximately 2 years ago regarding pressing capital challenges in the light of declining Federal allocations, not the least of which was RDU's need to build an 11,500 foot RWY to pursue direct flights to China. For 2 years Fetzer and McDowell have been taking legislators out in the middle of the RWY, where flights were suspended long enough to show them the ASR that is diminishing and the ability of the current 10,000 foot RWY to accept aircraft and other basic indoctrinations into airline needs and then beginning this year, Fetzer and McDowell started representing the other 8 commercial airports in North Carolina as they became aware of needs beyond the Raleigh Durham Airport Authority.

With the help of Senator Rabon, the Senate Rules Chair, the lobbyists have asked for budget provision in this budget for \$50M for the 9 commercial airports annually to help fund airport needs. The allocation of that money would be based on the economic impact study of airports conducted by DOT, roughly it would mean to ILM about \$2M annually.

Mr. Fetzer stated that he couldn't say what the budget was going to show but the lobbyists have received assurances that a significant portion of the \$50M ask will be included in the Senate budget and we are hoping to get the full \$50M in the years thereafter.

Mrs. Girardot stated that she and Mrs. Wilsey started talking to Senator Rabon about this about 2 years ago as well. Mrs. Girardot asked if Senate Bill 351 would have any impact on our line item provision in the budget and Mr. Fetzer stated that he did not think so.

Mr. Fetzer stated that the lobbyists have done a really good job of convincing legislators that there is no economic impact engine greater than an airport and the revenue that airports deliver in direct taxes to the State and Local, as well as economic impact and return for investment is something even Tom Wolfe would think was a good deal. The lobbyists have done a good job of convincing the legislators that airports are incredibly efficient economic engines for the communities and for the State they serve and they are worthy of continued State investment to be sure that they stay thriving and growing and serving the public and providing tremendous economic impact.

Mr. Fetzer stated that the reports indicate that there will be a half billion dollar budget surplus this year and he thinks it will be considerably north of that by the spring but nevertheless the Senate budget is tight because they passed a billion dollar tax rate reduction taking the commercial rate down to 2.5%, now having the lowest corporate income tax of any state that actually charges one, and reducing further the personal income tax rate. Many don't think the House is going to go along with a tax cut of that magnitude. What that means is there will probably be more money in the budget at the end of the day than there will be in the Senate budget but nevertheless, I do think we are going to see some funding in the Senate budget and may have an opportunity for more if, indeed, the House doesn't go along with the tax cut and it frees up more revenue to be invested.

Mrs. Girardot, stated that the provision for the line item in the budget starts on the Senate side, and asked if there is any type of companion legislation or line item on the House side and Mr. Fetzer responded, No, this is the year that the Senate leads with the budget and there was such strong support in the Senate they felt like this was the best place to initiate this, however, House Transportation Chair, John Torbet, has visited RDU and he is sold on airports. The good news is that we think we have pretty significant momentum for legislative support in both chambers for this annual state investment in the commercial airports.

Mr. Lambeth asked if there would be any limitations on the use of that money and Mr. Fetzer responded that he thought it would be largely unrestricted with the intention to provide it to Authorities and staff knowing that they will best know how to spend it.

Mrs. Girardot asked what the timeline was to start drafting the line item provision and Mr. Fetzer said the budget was being constructed by the Senate now and there should be a Senate budget possibly as early as Monday, May 8<sup>th</sup>. Once it appears, within 3 days they will pass it and it will go to the House and the House will wrangle over it for a good 3 weeks or so and they are usually bumping into the June 30 deadline to get it passed but maybe you'll have something to celebrate July 4<sup>th</sup>.

Mr. Wolfe asked if Mr. Fetzer had any idea how the \$2M might be divided and what ILM might be getting and Mr. Fetzer said, if we end up with \$50M which is what was asked for, that would be \$2M out of \$50M and again, it is based on the economic impact analysis that DOT did of airports. RDU would get a big chunk of that and then it goes down through the other NC airports: Greensboro, Jacksonville, Fayetteville, Asheville, Greenville, Concord, New Bern, and Wilmington. And then the state has been appropriating \$6M a year to commercial airports. That \$6M now is going to get allocated between the 62 aviation airports around the state, so everybody will benefit. There is always an opportunity that this can grow and airports are important.

## **FACILITIES**

Mr. Prease recommended the Authority approval to authorize the Chairman NTE \$38,000 to bring a pond on the 84 Lumber leasehold into compliance with State Stormwater Regulations, in the event that 84 Lumber is unable to complete this work before the state deadline of May 19th. Per their lease, ILM can complete the work and actually bill the lessee for the expenses. After some discussion, Mrs. Girardot MOVED, SECONDED by Mr. Perritt to approve the Facilities items as recommended above. The MOTION WAS APPROVED UNANIMOUSLY. Mr.

Hickman was absent.

Mr. Prease reported that the Avis Rental Car Maintenance Facility project was initially bid on April 18<sup>th</sup>. There was only 1 bid at that opening, and 3 bids are required. The project was rebid on April 25<sup>th</sup>. The bids were opened but they were extremely high. The Engineers' estimate for the project was \$1.9M. The bids were \$2,949,000 and \$2,842,000. After staff reviewed the bids and spoke to the Engineer, staff is going to recommend rejecting the bids at this time and possibly rebid the project at a later date.

Mrs. Girardot asked if the discrepancy between the Engineer's estimate and the bids received is due to the fact that the contractors are very busy and Mr. Prease agreed.

Mr. Wolfe asked if this had been discussed with Avis, and Mr. Prease stated that staff spoke with Avis regarding the project and future plans. Mr. Wolfe asked if they had any problem staying where they are now on a month-to-month basis. Ms. LeTellier reminded the Authority that staff has a signed letter by all parties indicating that the current lease will continue month-to-month until the new facility is available and that could be renewed in January 2018, if the new facility has not been completed.

Mr. Prease reported on the completion of the obstacle (tree) clearing project located on the Williams property near the approach to RWY 24.

### **FINANCE REPORT**

Mr. Campbell reviewed ILM's March 2017 cash summary, monthly financial summary and March financials.

Mr. Campbell recommended the approval of the FY2018 Budget of \$26,028,848 (\$7,762,050 Operating; \$18,266,798 Capital) for public review. Mr. Lambeth MOVED, SECONDED by Mrs. Girardot to approve the FY2018 Budget for public review as recommended above. The MOTION WAS APPROVED UNANIMOUSLY. Mr. Hickman was absent.

Mr. Campbell recommended the approval of the audit contract with RS&M at the same terms and conditions as previous contracts with the exception of the fee which is \$42,000. After some discussion, Mr. Lambeth MOVED, SECONDED by Mr. Barber to approve the RS&M contract on a general standard basis NTE \$42,000 as recommended above. The MOTION WAS APPROVED UNANIMOUSLY. Mr. Hickman was absent.

Mr. Campbell reported that the consulting firm, Parson Brinckerhoff LLP had a site visit and gathered some preliminary data comparing ILM to 13 other small or non-hub airports for informational purposes. A final report is expected in late June or early July.

### **GENERAL AVIATION**

Mr. Broughton reported that the AirPower History Tour will be at ILM from June 16-18, 2017 and the North Ramp may look like a WWII base during that time. The Tour will have their B-29 (FIFI) and a T-6 on site. ILM is partnering with Air Wilmington to help where needed and Mr. Cherry is providing his T-28, along with the A-26, and ~~Mr.~~ Dr. Goodman from Air Park has offered his T-6 to park on the ramp. (*corrected June 7, 2017*) The Tour will arrive on June 15<sup>th</sup>

for a media only event and will be operating this event with their employees and volunteers with a \$10 gate fee. They will be offering rides on the B-29. There will be walk-up rides on the T-6 for \$395. All proceeds from the event go to their non-profit organization. Staff will talk to other airports the Tour has visited to see if we can glean any recommendations from things they wish they had done differently.

### **GOVERNMENT & PGA Golf**

Mrs. Girardot reported on her recent visit to the General Assembly with Mrs. Wilsey stating that they were very successful in meeting with all but one person they had scheduled which was quite an accomplishment since it was crossover week. Mrs. Girardot and Mrs. Wilsey will be returning to Raleigh to meet with Senator Brown and members of the Senate leadership next week.

Mrs. Girardot shared copies of the letter from the NC Chamber and that she is delighted that it endorses NC airports' request for funding and she hopes that the local Chamber will do the same thing.

Mrs. Girardot updated the Authority on the Unified Development Ordinance (UDO) stating that the Planning Board completed the Comprehensive Plan last June and in February, they completed the Special Use Permit (SUP) and the Planning Board is now moving into the final leg with the technical aspects of the UDO. The Planning Board had a joint meeting with the County Commissioners April 27 to hear from the consultants and April 28<sup>th</sup>, Mrs. Girardot had a meeting with the Technical Committee for the UDO process. The consultants recommended specific standards for the Planning Board, County Commissioners and all to be able to work from. Mrs. Girardot shared assorted public comments from the public presentation.

Mrs. Girardot further shared that the technical review committee will review sections, make changes or additions, then it will go to the public and the stakeholder groups, which will include the Chamber, BASE, Coastal Federation, etc., and then it will come back to the technical review committee for any diverging viewpoints or anything that was left out or picked up during presentations. Mrs. Girardot said she would keep the Authority and staff informed and send copies for staff review during this process. Mrs. Girardot stated the consultants want to switch from zoning based on uses to zoning based on structures which moves along to their mixed use concentration for the UDOs. This means the table of Permitted Uses may morph one more time.

Mr. Wolfe asked if there was any discussion about the City and County having compatible zoning and regulations and Mrs. Girardot responded that there was reminding everyone that 10+ years ago the City and County sat down to do a combined UDO and spent 5 years drafting that document and immediately after being adopted, the first couple of projects that came in, it started unraveling. They are concentrating now on definitions and procedures with the City and things that can actually work. There is coordination with the City but it is more refined and limited.

Mr. Wolfe recognized the time and efforts that Mrs. Girardot has put into this process and what it has done for the airport. Mrs. Girardot acknowledged that the last Special Use Permit prohibited any aviation related industries on the airport.

Mr. Broughton updated the Authority on the ongoing PGA event, stating that the airlines have

been on time for the most part; Air Wilmington's ramp is full of private aircraft; the Wells Fargo Transportation Coordinator reported that there have been 125 players that came through the terminal commercially and another 25 players came in at Air Wilmington, many of those had their own aircraft as well. Mr. Broughton reported that everyone is here and the next rush will be as they start to leave. Delta is going to add 5 additional large aircraft to their operation starting Monday, May 8<sup>th</sup>.

### **HUMAN RESOURCES**

Mrs. Wilsey updated the Authority on the current job vacancies at ILM: Operations Supervisor; Operations Dispatcher (offer made); and, Maintenance Technician I (offer made). The new Maintenance Technician II, Brent Gayhart, started on April 11<sup>th</sup>.

### **MARKETING**

Ms. LeTellier reported on the free press that ILM has received recently with the unveiling of the Wells Fargo mural and the ribbon cutting for Scratch on 23<sup>rd</sup>. Ms. LeTellier shared that ILM has included some ILM branded items in Air Wilmington's and the Chamber of Commerce giveaway bags for the PGA event.

### **PLANNING & DEVELOPMENT/TERMINAL EXPANSION**

Ms. LeTellier recommended the approval of a lease for 1724 Gardner Drive, Suite 120 and 130, Wilmington, NC 28405 for 5 years with a 5 year extension option with a Real Estate Sales and Leasing Office. Rent payments to begin August 1, 2017. After some discussion, Mr. Barber MOVED, SECONDED by Mr. Lambeth to approve the lease as recommended above. The MOTION WAS APPROVED UNANIMOUSLY. Mr. Hickman was absent.

### **OPERATIONS REPORT**

Mr. Broughton updated the Authority on passengers, capacity, fuel costs and fuel flowage.

### **DIRECTOR'S REPORT**

Mrs. Wilsey shared a photograph of the North Ramp as it was the morning of May 3<sup>rd</sup> showing 7 aircraft at that time noting that the project was completed with the FAA and expedited with state funds.

Mrs. Wilsey, in reference to an article with a misleading headline in the Triangle Business Journal regarding airfares, followed up with additional information. Mrs. Wilsey reported that the article information was based on only 5 NC airports. They compared Charlotte, Raleigh, Piedmont Triad, Asheville and Wilmington so ILM was the smallest of the 5 airports that they talked about. Mrs. Wilsey shared slides from a recent presentation given in March to show our fares and how we trend across the Country. ILM's average fares are higher than the US fares – mainly due to the fact that we are a business market without any low fare carriers. Mrs. Wilsey pointed out that ILM has 2 network carriers and a strong market which bodes well when talking with the airlines in air service development.

Next, using a slide showing ILM's O & D markets and average one-way fares, Mrs. Wilsey pointed out that ILM's average fare is \$204, based on fares and tickets flown – not what you see when you are pricing a ticket online. ILM is a profitable market.

Mrs. Wilsey pointed out with a slide on ILM's leakage study, that ILM retains 62% of the customers in our market, which is very strong and shows that most people will use ILM over the other competitors with RDU being our #1 competitor with 26% diversion. RDU is our #1 competitor mostly because they have low fare carriers and they also have a lot more non-stop flights, particularly international and transcontinental routes.

Mrs. Wilsey reported, using a slide comparing ILM's fares over our Top 20 markets in 2016 to MYR, RDU and CLT, ILM is usually within \$100 with the average being \$114 difference from the cheapest. Mrs. Wilsey pointed out in the Triangle article they quoted RDU as the cheapest and ILM as the most expensive but if you looked at the average fares, it was less than about \$90 difference.

Mrs. Wilsey reminded the Authority that she will be attending Jumpstart June 6-7 and has 6 meetings set (American, Delta, Southwest, United, Allegiant and Cape Air).

Mrs. Girardot reported to the Authority that Mrs. Wilsey gave an update to the Downtown Rotary Club on May 2<sup>nd</sup> on ILM and that she did an excellent job. Mrs. Wilsey shared that she hears frequently from people at her speaking engagements is that they would not fly from any other airport; that this is the only airport that they use, regardless of whether they are going non-stop to LGA or if they are going overseas.

Mrs. Wilsey reviewed the calendars for May and June. Mrs. Wilsey advised the Authority of the Coastal Entrepreneur Breakfast on May 24<sup>th</sup>, where ILM's own tenant, Battlehouse, has received an award and may be named the Coastal Entrepreneur of the Year that will be announced at the breakfast and that ILM is sending staff in support of that award.

Mrs. Wilsey reminded the Authority of the Annual Report to the County Commissioners on May 31<sup>st</sup> starting at 7:30 with breakfast and the meeting at 8 am. The official report for public record will be June 19<sup>th</sup> at the County Commissioners meeting at 4 pm.

**UNFINISHED BUSINESS**

None.

**NEW BUSINESS**

None.

**ADJOURNMENT**

There being no further business to come before the Board, Chairman Wolfe adjourned the meeting at 6:21 p.m.

Prepared by:

Rose M. Davis

Respectfully Submitted:

\_\_\_\_\_  
Dan Hickman, Secretary

Date of Approval: June 7, 2017