

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
BOARD MEETING
AUGUST 29, 2013

A regular meeting of the Wilkes-Barre/Scranton International Airport Joint Board of Control was held Thursday, August 29, 2013 in the Terminal Building Conference Room at the Airport. The meeting was called to order at 10:33 A.M. with Mr. Timothy McGinley presiding.

PRESENT: Commissioner Corey D. O'Brien
Commissioner James Wansacz
Commissioner Patrick O'Malley
Board Member Timothy McGinley
Board Member Robert Lawton
Board Member Rick Williams

ALSO PRESENT: Barry J. Centini, Airport Director
Michael W. Conner, Assistant Airport Director
Stephen Mykulyn, Director of Engineering
Gary Borthwick, Director of Finance
Attorney Donald Frederickson, Lackawanna County Solicitor
Attorney Michael Butera, Luzerne County Solicitor
Mr. Reggie Mariani, Lackawanna County Chief Auditor

ITEM 2:
PUBLIC COMMENTS.
(Chairman)

DISCUSSION: Mr. Louis Jasikoff of the Independent Gazette, 193 Riverside Drive, Factoryville, PA addressed the Board regarding the pending award to Aviation Technologies as the new Fixed Base Operator. Mr. Jasikoff voiced his displeasure as to the lack of transparency some people feel is taking place in regard to this contract and that the system involved in evaluating the proposals and the process in deciding who is awarded the contract does not work.

ITEM 3:
APPROVAL OF MINUTES.
(Chairman)

MOTION: To approve and dispense with the reading of the July 18, 2013 Bi-County Airport Board Meeting minutes.

MOVED BY: Commissioner Corey O'Brien

SECONDED BY: Commissioner Jim Wansacz

VOTE: Unanimous

ITEM 4:
BUSINESS REPORT:
(Michael Conner – Assistant Airport Director)

BUSINESS REPORT – Cont'd...

Passenger Activity

DISCUSSION:

Mr. Conner reported on the “Airport Quick Look” charts, passenger enplanements for the month of July 2013 increased 0.4% to 19,305 from 19,226 in the month of July 2012. Mr. Conner noted that this is mainly attributable to a slight increase in charter flights.

Enplanements for July 2013 compared to enplanements for July 2011 decreased by 1,867 or 11.3%. This is mainly attributable to three flight changes when compared to July 2011; 1) the loss of 56 American Eagle flights to Chicago; 2) the loss of two daily United flights to Newark; and 3) the loss of one daily United flight to Chicago.

Enplanements for July 2013 compared to enplanements for June 2013 increased by 136 or 0.7%. This is mainly attributable to an increase in passengers to Philadelphia.

In July 2013, 21 departing flights were cancelled: 10 for air traffic/weather; 10 for mechanical and 1 for no crew. This accounts for 1,017 seats (4.3%) out of a total 24,718 departure seats. Also, 24 arriving flights were cancelled: 15 for air traffic/weather and 8 for mechanical and 1 for no crew.

General Aviation Operations.

DISCUSSION:

For July 2013, General Aviation had 1,290 operations (one take-off or one landing), which is an increase of 29% from July 2012’s 1,003 General Aviation Operations. General Aviation revenues increased \$ 4,407 or 44% to \$ 14,536.

Financial Report

Revenue/Expenses Report.

DISCUSSION:

Mr. Conner reported that for the month of July 2013, Airport Operations had a net loss totaling \$ 38,067, compared to a net loss of \$ 3,466 in July 2012, which is a difference of \$ 34,601. Year to date net income for 2013 is \$ 90,640 which is \$ 30,640 less than the comparable 2012 net income of \$ 121,280. Invoices received since the last meeting for supplies and services total \$ 623,239.41. These invoices include major construction project costs of \$ 313,008.72.

Project Invoices.

DISCUSSION:

The following Airport Capital Project Invoices and Applications for Payment have been received since the last Board Meeting and are recommended for payment (AIP Drawdown #2013/7).

Rehab. and Extend Hangar Road ACP 07-16

Wilkes-Barre Materials	\$	767.05
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Invoice #53084MB, dated July 14, 2013 in the amount \$ 767.05 for construction materials.

BUSINESS REPORT – Cont'd...

Admar Supply Company	\$	125.00
Invoice # 20000441, dated July 12, 2013 in the amount of \$ 125.00 for construction materials.		
Friedman Electric	\$	526.79
Invoice #S016224110-001, dated July 1, 2013 in the amount \$ 526.79 for construction materials.		
PPL	\$	660.00
Invoice #81003416-3, dated July 31, 2013 in amount \$ 660.00 for cost for outside normal hours.		
L. R. Kimball	\$	2,737.83
Invoice #520832, dated August 7, 2013 in amount \$ 2,737.83 for inspection services.		
Scartelli Construction	\$	55,854.31
Application #16, dated August 23, 2013 in amount \$ 55,854.31 for construction services.		
This project is 82.98% complete.		
<u>Construct South General Aviation Apron ACP 10-01</u>		
URS Corporation	\$	13,815.91
Invoice # 5535061, dated August 13, 2013 in the Amount \$ 13,815.91 for inspection services.		
Popple Construction	\$	204,631.88
Application #17, dated August 26, 2013 in the amount of \$ 204,631.88 for construction services.		
This project is 99.40% complete.		
<u>Taxiway B Extension ACP 11-01</u>		
L. R. Kimball	\$	22,360.99
Invoice # 520569, July 16, 2013 in the amount \$ 22,360.99 for design services.		
L. R. Kimball	\$	5,048.96
Invoice # 520848, dated August 7, 2013 in the Amount \$ 5,048.96 for design services.		
This project is 95.72% complete.		

BUSINESS REPORT – Cont'd...

Airport Property Data Gathering & Mapping
ACP 13-01

PennEastern Engineers LLC \$ 5,860.00

Invoice #12-134-03, dated August 4, 2013 in the amount \$ 5,860.00 for Engineering services.

PennEastern Engineers LLC \$ 620.00

Invoice #12-134-04, dated July 5, 2013 in the amount \$ 620.00 for Engineering services.

This project is 100.00% complete.

Airport Passenger Facility Charge (PFC) Trust Transfers

DISCUSSION:

The following PFC transfers are recommended for Airport Board approval. PFC Drawdown # 2013/7 (Check #1017).

Design & Construct New General Aviation Apron
PFC Project #08-023

URS Corporation \$ 13,815.91 CIP 19610-01
Inspection Services
ACP 10-01

Popple Construction \$ 204,631.88 CIP 19610-01
Construction Services
ACP 10-01

Class 2 Aircraft & Fire Fighting Vehicle
PFC Project #: Not assigned yet.

Rosenbauer \$ 10,000.00 CIP 196120-03
ACP 12-03

Rehabilitate and Extend Hangar Road
PFC Project #08-025

Wilkes-Barre Materials \$ 767.05 CIP 19607-16
Construction Materials
ACP 07-16

Admar \$ 125.00 CIP 19607-16
Construction Materials
ACP 07-16

Friedman Electric \$ 526.79 CIP 19607-16
Construction Materials
ACP 07-16

PPL \$ 660.00 CIP 19607-16
Cost for Outside Normal Hours
ACP 07-16

BUSINESS REPORT – Cont'd...

L. R. Kimball Construction Services ACP 07-16	\$	2,737.83	CIP 19607-16
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Scartelli Construction Construction Services ACP 07-16	\$	55,854.31	CIP 19607-16
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MOTION: Request the Airport Board approve the above transactions and payments.
MOVED BY: Commissioner Corey O'Brien
SECONDED BY: Commissioner Patrick O'Malley
VOTE: Unanimous

ITEM 5.

CONTRACTS/LEASES/AGREEMENTS:

(Michael Conner – Assistant Airport Director)

Process and Result of RFQ/RFP for Fixed Base Operator.

DISCUSSION:

Mr. Conner reported to the Board that on March 28, 2013 the Airport Board approved the solicitation request for Qualifications and proposals for a Fixed Base Operator (FBO). Requests for qualifications and proposals were advertised and solicited on April 1, 2013. Responses to the RFQ/RFP were received May 10, 2013. All responding companies were interviewed and qualitatively ranked. Aviation Technologies, Inc. was determined to be the best qualified respondent. The Airport Board approved Airport Administration to enter into final contract negotiations with Aviation Technologies on July 18, 2013.

Mr. Conner went on to report that as the new FBO, Aviation Technologies is projected to increase aviation business at the Airport and bring in more revenue in their first year of operation than in the previous year by the current FBO. Negotiations led to the proposed contract increasing annual facility rental by 13%, increasing investment and incentives, and the removal of department gross revenue caps. He stated that Airport Administration believes the negotiated contract to be the best for the Airport. As such, it is recommended the Airport Board approve the Airport Fixed Base Operator's Lease and Operating Agreement between Aviation Technologies, Inc. and the Wilkes-Barre/Scranton International Airport.

Mr. Conner explained that this agreement is for the operation of the FBO, including aircraft fueling, aircraft maintenance, flight school, and aircraft charter. It contains lease space to include approximately 24,000 s. f. in the FBO building, 4,000 s. f. at the fuel farm facility, and 13,000 s. f. of customer parking lot. The term of the lease is from September 1, 2013 through August 31, 2028, with one possible five (5) year extension at the sole discretion of the Airport. The initial annual rent for the facilities is \$ 85,000.00. Rent and fees are subject to mutually agreeable renegotiation upon request every three (3) years of the agreement. Other initial fees include the following:

- a. The sum of \$0.04/gallon flowage fee on the general aviation (GA) Jet-A fuel sold.
- b. The sum of \$0.04/gallon flowage fee on all general aviation (GA) 100 LL fuels sold.
- c. The sum of \$0.015/gallon flowage fee on all airline "into plane" fuel sold.

CONTRACTS/LEASES/AGREEMENTS – Cont'd...

- d. The sum of \$0.09/gallon flowage fee on all fuel sold by LESSEE under the Defense Fuel contract.
- e. 60% of general aviation Landing fees.
- f. 85% of charter landing fees, enplanement fees, jetway fees, and boarding step fees.
- g. 50% of ramp fees.
- h. 70% of temporary aircraft storage hanger rental fees.
- i. The following percentages of aircraft maintenance department gross revenues:

\$0 – \$100,000:	1%
\$100,001 – \$400,000:	2%
Over \$400,000:	3%
- j. The following percentages of flight school gross revenues:

\$0 – \$100,000:	0%
\$100,001 – \$300,000:	2.5%
Over \$300,000:	5%
- k. The following percentages of charter department gross revenues:

Owned or Leased and Operated Aircraft:	3%
Managed Aircraft:	2%
Brokered Aircraft:	1%
GA Aircraft Sales:	0.5%

Other incentives and important conditions included in the agreement include a fuel bonus to Airport of \$ 40,000 (a one-time cash payment), matching funds of \$1,500,000 or the construction of a “high tail” aircraft storage hangar – to be paid back over time from hangar rentals, an estimated \$ 350,000 for facility upgrades required by the RFQ/RFP, and \$ 400,000 for infrastructure upgrades as agreed to by the Airport and Aviation Technologies beginning in Year 5 through Year 15 of the lease agreement. The lease agreement also contains numerous other operational requirements.

DISCUSSION:

Mr. Centini stated that at this time he wanted to explain that Aviation Technologies provided a well-rounded proposal to the Airport. Along with details of their highly experienced aviation professionals, which the Airport thought was the best qualified firm to provide the service, they targeted the RFP with quality ideas for promoting all areas the Airport has been looking for including key areas, such as: marketing the flight school, charter department, and maintenance department. Aviation Technologies reworked the structure of the company to include a majority owned subsidiary to include the flight school and charter company, reducing liability to the parent corporation. They were the only company to offer complete control with no subleasing of operations.

Aviation Technologies proposed to improve community involvement and marketing by getting involved in various community organizations and activities and taking advantage of social media and combined marketing effort with the Airport. He also is pulling together an advisory committee made up of area businesses.

Aviation Technologies proposed to obtain several single and multi-engine aircraft through a specific leasing company for use in the flight school, with advanced glass

CONTRACTS/LEASES/AGREEMENTS – Cont'd...

cockpits. In addition, Aviation Technologies was the only proposer to propose maintaining the flight school operation as a subsidiary of the parent company, maintaining control of its operation.

Aviation Technologies proposed to obtain multi-engine aircraft (namely King Air 200 turbo prop, or equal) for use in the charter department and to use creative marketing strategies and existing database technologies to grow the charter department. As a current charter operator, they have the experience to make this department work.

For the maintenance department, Aviation Technologies shows promise by their willingness to acquire an existing maintenance company or create their own. However, they already have the staff to begin operations in this area. Additionally, they showed creativity by seeking to become a Garmin Authorized Service Dealer for avionics, leveraging their relationship with DAC International, one of the largest aircraft parts dealers.

Financially, they proposed a signing bonus offered by their fuel supplier of \$ 80,000.00, giving 50% to the Airport. Their projected startup investment in fueling, charter, flight school, and maintenance department, for personnel, equipment, parts, and marketing totals \$ 288,000.00. They are also going to provide local trucking companies the opportunity to deliver fuel, which could generate \$ 300,000 to \$ 400,000 to local trucking companies instead of giving that business to out of state companies.

Overall, Aviation Technologies' proposal was well thought out, showed a good amount of creativity, showed the capability and willingness to make a significant investment in the Airport and the operation, and indicates a very capable team of people to make it work. Financially they are capable of handling the investments necessary to achieve success.

Mr. Centini also noted that of the approximately 34 full and part time employees that Saker employed, Aviation Technologies is planning on hiring 21 of them and possibly 4 others in the future.

DISCUSSION:

Board Member Williams stated that he appreciated Mr. Jasikoff's comments and that he has great faith in the management and staff of the Airport and he feels that the Airport did an honest and proper analysis of the proposals received and that he supports the recommendation. He went on to say that the process by which the analysis was done should include more transparency. He thinks that the Board should disclose information that they have when they can so that the public can understand the analysis. He thinks that all documents should have a date on them, should have a source of where the document came from, whether it's a person or department, and the document should always have the name of the Wilkes-Barre/Scranton International Airport on it. He feels that it will help the Board understand what they are looking at and help them to communicate with the public.

DISCUSSION:

Commissioners O'Brien, Wansacz and O'Malley all voiced their confidence and support in the decision to award Aviation Technologies this contract and that Mr. Centini and the Airport Staff are able to handle the request for proposals process, the negotiations, and that they only have the best interest of the airport in mind when putting forth their recommendation to the Board.

CONTRACTS/LEASES/AGREEMENTS – Cont’d...

MOTION: Recommend Airport Board award FBO contract to Aviation Technologies.
MOVED BY: Commissioner Corey O'Brien
SECONDED BY: Commissioner Jim Wansacz
VOTE: Unanimous

ITEM 6.

DIRECTOR'S COMMENTS:

(Barry J. Centini, Airport Director)

Restaurant – Agreement of Sale.

MOTION: Recommend the Airport Board approve the Agreement of Sale, attached, for the purchase of the Restaurant Building and Equipment, on Airport Property, located at 28 Concorde Drive, Dupont, PA., formerly known as Midtown Restaurant and Sports Bar, subject to solicitors concurrence. Airport agrees to pay \$ 50,000.00 for the Building and Equipment and will forgive 8 months of rent in the amount of \$ 16,000.00. The closing is scheduled to occur on or before September 30, 2013.

The appraisal of the restaurant building, which measures 8,196 s. f., and contents was completed by an independent appraisal company, which determined the market value to be \$ 262,500.00 (\$ 215,000.00 building and \$ 47,500.00 equipment). The replacement value was determined to be approximately \$ 910,000.00.

MOVED BY: Commissioner Corey O'Brien
SECONDED BY: Commissioner Patrick O'Malley
VOTE: Unanimous

New South General Aviation Apron Project.

MOTION: Recommend the Airport Board approve Change Order #5 (attached) to Popple Construction Inc. contract, increasing contract amount \$ 134,273.84 from \$ 6,058,018.53 to \$ 6,192,262.35, subject to FAA, PennDOT and solicitors concurrence. This final close out change order contains 42 items and reconciles all contract items for work completed as well as contract changes required due to field conditions and an extended construction schedule. The first 31 items listed are quantity adjustment items which reflect a deduction of \$ 78,801.07 from the contract; the remaining 11 items reflect a \$ 213,074.90 increase to the contract for additional diesel fuel and asphalt oil increases, additional grading, removal of existing subgrade in road area and replacement with engineered fill, and installation of 30" pipe in lieu of proposed ditch to avoid unmarked utilities. The increase less deduction total increases the contract \$ 134,273.84.

MOVED BY: Commissioner Corey O'Brien
SECONDED BY: Board Member Rick Williams
VOTE: Unanimous

Miscellaneous.

DISCUSSION: Mr. Centini informed the Board that Allegiant Airlines – Dodge High Fares Campaign included TV, radio and print elements, and 30 dodgeball tournaments in cities throughout Allegiant's network. Allegiant partnered with the National Dodgeball League and the Wilkes-Barre/Scranton International Airport to host a "Dodge High Fares" dodgeball tournament last Saturday August 24, 2013 at Riverfront Sports Complex in Scranton. Proceeds from the Dodgeball Tournament benefited Lackawanna County and Wyoming Valley Chapters of the American Red Cross.

DIRECTOR'S COMMENTS – Cont'd...

Mr. Ed Prentiss, Commissioner of the National Dodgeball League, was present for the tournament, as well as over a dozen volunteers from the American Red Cross and the Wilkes-Barre/Scranton International Airport.

Cumulus Radio, which includes Magic 93, 97 BHT, 97.9X, Nash 93.7 and Oldies 590 was a media sponsor for the event.

The event raised over \$300 for the American Red Cross.

Since Allegiant first arrived at the Wilkes-Barre/Scranton International Airport a year ago with nonstop service to Orlando-Sanford International Airport, the number of travelers to Orlando has increased while average fares have dropped. When comparing the four quarters leading up to Allegiants' first flight and most recent four quarters of data provided by the Department of Transportation, the number of total passengers traveling from The Wilkes-Barre/Scranton International Airport to Orlando increased 37% and the average air fare dropped by more than 12%.

ADDENDUM TO DIRECTOR'S COMMENTS:

FAA Grant Agreement:

MOTION:

Recommend the Airport Board approve the acceptance of the FAA Grant Agreement #3-42-0105-0058-2013, attached, for the Rehabilitation of the Terminal Apron and Install Runway 10/28 Vertical/Visual Guidance System (PAPI), subject to solicitors concurrence. Grant amount \$ 752,111.00 which represents 90% of total cost.

MOVED BY:

Commissioner Corey O'Brien

SECONDED BY:

Commissioner Patrick O'Malley

VOTE:

Unanimous

ITEM 7.

OTHER MATTERS:

(Chairman/Vice Chairman)

None

ITEM 8.

ADJOURNMENT:

(Chairman/Vice Chairman)

MOTION:

To adjourn the meeting.

MOVED BY:

Board Member Robert Lawton

SECONDED BY:

Commissioner Corey O'Brien

VOTE:

Unanimous

The meeting was adjourned at 11:25 A.M.