January 21, 2015

REGULAR MONTHLY BOARD MEETING

Chris Holman, Chair

Board Members Present: Chris Holman, John Shaski, Victor Celentino, Patricia Spitzley (4:44 pm)
Absent: Paul Hufnagel & Dick Baker
Ex-Officios Present: Robert Showers & Joseph Brehler
Management, Staff and Employees Present: Bob Selig, Lisa Carr, Anne Figueroa, Gary Bartek, Dale Feldpausch, Ron O’Neil, Nicole Noll-Williams and Bonnie Wohlfert
Members of the Public Present: Dan Otto; Bob Nelesen, Prein & Newhof; Dan Kehoe & Bob Leisering, Mead & Hunt; Gordy Bogner, QoE Consulting; Dave & Deb Groh, Vickie & Ken Vandenbelt; Andon Pogoncheck

CALL TO ORDER
1. Chris Holman, Chair, called the Regular Monthly Board Meeting of the Capital Region Airport Authority to order at 4:34 p.m. with a quorum not present.

PUBLIC COMMENT
1. None

COMMUNICATIONS
1. None

REPORTS
1. Strategic Plan for Air Cargo Logistics, Gary Bartek – postponed until February 18, 2015 board meeting.

MONTHLY REPORT
Financial Report: Dale Feldpausch
• Presented financials for period ended November 30, 2014

QUESTIONS ON STAFF REPORTS
1. None

Chris Holman welcomed new board member, Patricia Spitzley (a quorum was now present).

APPROVAL OF MINUTES
a. Victor Celentino moved the Board approve the minutes of the November 17, 2014 Regular Board meeting.
b. The motion passed unanimously.

RESOLUTIONS
#15-01 Mason Jewett Hangar Sale
a. Victor Celentino moved the Capital Region Airport Authority Board approve Resolution 15-01 authorizing the sale of the Authority’s hangar at Mason Jewett Field to Douglas Coleman for $115,000 and authorized a ground site lease using our standard lease agreement. The proposed lease would be for 20 years with two 5 year renewal options. Annual revenue to the Authority would be
approximately $6,327 for 27,510 square feet. This resolution authorized the President – CEO to sign all necessary documents on behalf of the Authority.
b. The motion passed unanimously.

#15-02 Accept State Contract for 2015 Mason Jewett Field Grant
a. Victor Celentino moved the Capital Region Airport Authority Board approve Resolution 15-02 accepting the State contract the 2015 State Block Grant expected to be received in February 2015. This State contract will provide for the State 5% and Federal 90% matching funds for the Mason Gate Operator project. This resolution authorized the President – CEO to sign all associated documents on behalf of the Authority.
b. The motion passed unanimously.

#15-03 Contract Award Mason Gate Operators
a. Victor Celentino moved the Capital Region Airport Authority Board approve Resolution 15-03 authorizing the award of a construction contract to R.M. Electric, Inc. in the amount of $90,500.00 and authorized the President – CEO to sign all documents on behalf of the Authority.
b. The motion passed unanimously.

MONTHLY REPORT
Report of the President & CEO – Robert Selig
2015 Calendar Year Management Objectives attached.

NEW BUSINESS
1. None

PUBLIC COMMENT
1. None

BOARD MEMBER COMMENTS
1. John Shasaki requested information regarding cancelled flights due to pilot shortages.
2. Patricia Spitzley commented on her experience with a flight cancelled from Detroit to Lansing.

ADJOURN
1. Victor Celentino moved the meeting be adjourned at 5:05 p.m.
2. The motion carried, and the meeting was adjourned.

Chris Holman, Chair
Bonnie Wohlfert, Secretary
A. Introduction - 2015 Challenges:

2015 could be a pivotal year for the Airport Authority in many ways. Authority staff is taking steps to ensure that we remain responsive to anticipated airport/airline industry changes. Those changes will be identified in the following text and include a discussion of objectives to be employed that will ensure that the Authority remains financially and functionally sound in the coming years.

Authority staff continues to closely monitor and prepare for airport – airline industry changes in passenger service related to the (1) reduction in use of the smaller RJ 50 seat jets from airline fleets. This combined with the (2) ongoing pilot shortage, initiated last year through the federal regulation, will potentially threaten air service levels at small regional airports like the Capital Region International Airport. Finally, the (3) continued consolidation of the airlines threatens the Authority’s ability to recruit new air service. Considering that approximately 75% of Airport Authority operating revenues is generated through passenger airlines, and services provided to airline passengers (i.e. parking, food, and car rental), our greatest objective focus in 2015 will be on the retention and expansion of airline flight schedules. This however, will be followed by active cargo / logistics development and establishing a direction to meet the continued decline in General Aviation.

B. Specific Areas of Authority Development: There are other local issues that will also affect the future operation and management of the Airport Authority that will be addressed in 2015:

1. Airlines: The signatory airline agreement with Delta, United, and UPS expires June 30, 2016. Negotiations on a new airline agreement will probably begin September 2015. The signatory airline agreement directly generates about 50% of the Authority’s operating revenues. We don’t expect to be able to obtain a simple renewal or extension as we have negotiated in the past 6 years. Indications, from airline representatives, are that the airlines are going to look at changes that would focus on reducing their contributions to the Authority.
2015 Airline Objectives:

- **Negotiations**: Prepare to enter into contract (rates & charges) negotiations with the Signatory Airlines in September 2015, through advanced strategy planning with consultants to begin in the spring/summer 2015.
- **Delta**: Continue to encourage the addition of daily service to Atlanta, while retaining connecting service levels through Minneapolis and Detroit.
- **United**: Continue to encourage the addition of flight schedules through United’s hub at Washington Dulles International Airport. Additionally, Authority staff will remain focused upon promoting improved schedule reliability through Chicago.
- **Sun Country**: Continue to encourage the retention of service to Minneapolis and Washington/Reagan National Airport.
- **Allegiant**: Recruit Allegiant to return to the Lansing market with service to Orlando, Tampa/St. Petersburg, and Phoenix. Continue to promote Lansing as a departure point for Allegiant’s international flights in the future.
- **American/US Airways**: Continue to promote the need for additional connecting hub service through Philadelphia, Charlotte, or Dallas.

2. **International – Charter Passenger**: International charter flights to Mexico and the Caribbean remain very popular. However, the lack of available aircraft to support international charter flights through AppleVacations has shrunk the international charter business the past 2 years (5 flights to 3 flights per week). Staff is working closely with AppleVacations and other charter airlines to identify solutions. AppleVacations has already begun negotiations with airlines for aircraft to support the 2015-2016 season.

3. **Cargo / Logistics**: In 2014, the International Airport began being visited by large cargo aircraft including 767s, and MD11s by UPS, and 747 cargo charter flights. Long term, accommodating regular visits by these large cargo aircraft will require us to focus on some expanded pavements; increased vehicle access to the Port Lansing Logistics Centre; and maybe acquiring air cargo handling equipment. In turn, this is requiring staff to revisit the Authority’s Airport Improvement Program (AIP) on file with the FAA.

Several cargo and logistics initiatives are underway that are designed to stimulate freight movements through Port Lansing in 2015:

- **TOC Logistics** is activating their Foreign Trade Zone, and establishing a Container Freight Station (CFS) in the Port Lansing Global Logistics Centre. A CFS is a US Customs & Border Protection designation that permits the operator to consolidate freight for international shipments, and conversely receive international freight containers and distribute the contents.
- **AvFlight Lansing** is expanding their services on the Airport into cargo handling (loading – unloading aircraft), along with processing freight for shipment. AvFlight also plans to operate under a Container Freight Station designation from the Port Lansing Global Logistics Centre.
• AvFlight is also exploring the possibility of becoming a designated “air cargo drop location” for passenger airlines.
• Discussions are underway with two other logistics companies who have expressed interest in locating their distribution operations to the Port Lansing Global Logistics Centre.
• Gary Bartek, Director of Cargo & Global Logistics Development, has completed a Request for Proposals to recruit a “Master Developer” of vacant airport property. The RFP is being distributed in January 2015.

4. **General Aviation**: The General Aviation (GA) industry has been in decline for 10 years generally the result of an aging pilot population and the high cost of aircraft ownership. At the International Airport we have seen a renewal of interest in large corporate aviation programs (i.e. Dart Container, Jackson National Life) and that has been a positive experience in recent years. Related to the industry decline, the small recreational aircraft side of the GA industry continues to be dismal. Several hangar owners at the International Airport have expressed concerns of not being able to meet their hangar mortgages or paying the ground site rent to the Authority because of the large number of vacancies in their T-Hangar facilities.

At the same time, the FAA is increasing its vigilance on land use at airports, making sure that airport land, and the hangars constructed on leased land, are used for aviation only (in other words: Hangar owners can’t turn their facilities into a general U-Store It facility) in accordance with FAA regulation. Thus, Airports and hangar owners are presently faced with few viable options. Some hangar owners indicated that they may turn their hangars back to the banks. But, the banks will then look to the Airport Authority for answers which we don’t have at this point. Authority staff has shared our concerns with this dilemma with FAA officials.

Mason Jewett Field (GA airport owned by the Authority) continues its marginal operation both in activity levels and in revenue development. Traditional revenue sources of ground rent, aviation fuel profits, and farming lease revenues have been insufficient to cover the fully allocated operating costs of this airport for a number of years. Authority efforts to transfer the operation of this airport to the City of Mason have so far been unsuccessful. Authority efforts to identify a solution to the operational situation at Mason will continue to be explored in 2015.

5. **Land Development – Next Michigan Development Corporation**: The Airport Authority has approximately 582 acres of vacant undeveloped land that is not on the tax rolls. The development of this land represents a sizable revenue source for the Authority in the future, as well as a significant tax revenue opportunity for the City of Lansing and DeWitt Township, which share these types of revenues through the Part 425 agreement. The Next Michigan Development Corporation as established by state statute offers a number of tax relief incentives for new companies locating at the Airport that qualify. Authority staff will be encouraging the Development Corporation and its founding
members DeWitt Township and the City of Lansing, through LEAP, to join us in promoting an aggressive development agenda for 2015.

6. **Facility Occupancy Update:** The attached floor plan of the Port Lansing Global Logistics Centre identifies the current lease actives with this facility. There are other interested parties as well. Our objective is to have the space in the Logistics Centre completely committed by year end 2015.

   Additionally, the Airport Authority still owns the building at 3798 Capital City Blvd. and the west airport corporate hangar is for sale. So far little interest has been generated in purchasing these facilities.

7. **Budget Management:** Authority budgets have been closely managed every year. Expense budgets have been streamlined in recent years and are now at the minimum possible to meet airport operating requirements.

   Revenue budgets have been somewhat stable over the past three years, but the approaching airline negotiations, potential changes in flight schedules, the pilot shortage, and airline fleet changes will make revenue budget management even more of a critical function in the next fiscal year.

   All things considered, Authority staff still believes that there is the opportunity for real progress in Airport development for 2015 as we continue to address the objectives noted above.

   **Robert F. Selig, AAE**
   **President - CEO**