

COOS COUNTY AIRPORT DISTRICT
REGULAR BOARD MEETING
Thursday April 20, 2017

Minutes of the regular monthly meeting of the Board of Commissioners of the Coos County Airport District held on Thursday April 20, 2017, at 7:30 a.m. in the District Boardroom.

CALL TO ORDER: Chair Mineau called the meeting to order.

COMMISSIONERS PRESENT:

Helen Mineau, Chair;
John Briggs, Vice-Chair;
Joe Benetti, Commissioner;
Jon Barton, Commissioner; Attended partially via phone.

ABSENT: Jon Barton, Commissioner; Mike Lehman, Commissioner; Amy Muenchrath, District Legal Counsel.

STAFF PRESENT: Theresa Cook, Executive Director; Bob Hood, Operations Manager; Rick Skinner, Project Manager; Jennifer Groth, Public Information Officer; Robert Brittsan, Executive Assistant[Cynthia Henson, District Accountant.

MEDIA AND GUESTS PRESENT: Jim Innes, CH 14; Frank Williams, Coos Bay Media Center; James Turner, Bandon Dunes; Jack Penning, Volaire Aviation Inc; Stuart Woods, McSwain & Woods Architects & Planners.

PLEDGE OF ALLEGIANCE: Led by Vice-Chair Briggs.

Section I. Review of Minutes: March 16, 2017 Board Meeting:

Upon a motion by Commissioner Benetti (second – Vice-Chair Briggs), the minutes of the March 16, 2017 regular Board meeting were approved.

Section II. Review of Invoices:

Commissioner Benetti noted that the invoices were particularly high, due to the Department of Human Services (DHS) Build to Suit project construction costs.

The Executive Director informed the Board that there were two additional invoices that needed approval. One was a reimbursement to Bandon Dunes for the Department of Transportation air subsidy grant, in the amount of \$306,561. The

other is to Brock Construction for work related to the DHS Adult and People with Disabilities (APD) remodel project, in the amount of \$635. Upon a motion by Vice-Chair Briggs (Second Commissioner Benetti) the invoices through April 19, 2017 in the amount of \$1,396,244.98 were approved.

Section III. Finance Report:

The Board reviewed the finance report and made no comment.

Section IV. Discussion Items:

The Board welcomed Jack Penning of Volaire Aviation Inc. Mr. Penning was hired as a consultant for the Coos County Airport District (CCAD), to look at our airlines operational performance, with greater focus on the Portland route and its market, and what options the CCAD has for subsidizing air service. Mr. Penning provided many graphs as supportive visual aids for his analysis presentation to the Board.

Mr. Penning went on to discuss with the Board what they could do financially to subsidize air service and what funds are considered "Airport Revenue" in the eyes of the Federal Aviation Administration (FAA). Airport revenue is defined by the FAA as any funds paid to the airport sponsor for the use of airport property by the aeronautical and non-aeronautical users of the airport, this includes funds received from tenants on airport property. The FAA allows the use of airport revenue only for a startup period, classified as two years, and only for marketing and fee waivers to increase travel and promote competition. Airport revenue used for marketing and fee waivers cannot increase the costs incurred by the carriers currently serving the CCAD. The CCAD also cannot increase their rates and charges to cover the costs of a program that would incentivize new air service. Mr. Penning stated that property taxes, assessed by a special taxing district either surrounding the airport or for the support of the airport and not derived from the use of the airport, are not considered airport revenue and therefore can be used for a revenue guarantee i.e. subsidizing. The stipulation with using tax funds is that all funds must be kept in a separate checking account, so as to not mingle with airport revenue, and the CCAD must not use the funds to lower airline rates and charges.

As a public entity running an airport, the CCAD must distribute the funds equally among airlines and cannot discriminate based on carrier, aircraft size, type or schedule. Mr. Penning stated that many other airports, mostly in those cities with a large tourist draw, use tax funds to subsidize service. The most common taxes being used are hotel taxes and sales taxes that are dedicated to air service. The Executive Director asked and was informed that some of the airports that Mr. Penning had mentioned that are currently subsidizing air service, have an even smaller population than that of Coos Bay and North Bend.

Due to the lack of discriminatory decision making that the use of property taxes leaves, it is rare for these funds to be used to subsidize air service. Mr. Penning advised that if the funds were allocated to an outside agency, with which the CCAD had no decision-making authority, then the outside agency could in fact make biased choices. Commissioner Barton asked what the durability was on a subsidized air program. Mr. Penning stated that several of the airport examples he used today had programs that have worked for many years. Commissioner Barton questioned and was informed by Mr. Penning that the routes succeeded on their own without the subsidy having to continue past the two-year start-up period and that he personally had never worked on a route with a continuing subsidy. Commissioner Benetti inquired that if the CCAD didn't want to utilize a certain carrier, if they would have to agree to offering that carrier the incentive as well. Mr. Penning explained that yes, the CCAD would be obligated to offer the funds to whoever was willing to provide the service, and could not discriminate even to the extent of schedule. The CCAD can however, sign over a portion of the funds directly to a third party, without comingling the monies at any time with airport revenue, and the third party can make biased decisions in the Boards stead. The funds cannot come into the CCAD's possession, and can at no time be recorded on the CCAD's financial records. To ensure that any unused funds by the third party are returned, an intergovernmental agreement should be signed with a provision included that stipulates any unused money is returned to the CCAD after a specific amount of time.

Mr. Penning stated that marketing incentives were another good way for the CCAD to get more flights per day through PenAir to Portland. By levying funds to market a certain airline, if they are willing to add another flight on the schedule. The Executive Director elaborated on the idea of using a marketing incentive to entice PenAir into allocating another plane here for two flights a day. The Executive Director mentioned a meeting with the Oregon Department of Aviation and that they had grants available for marketing purposes. The idea is to pool the CCAD's and grant funds together to create a large marketing package as an incentive to offer to PenAir. Mr. Penning stated that he was willing to facilitate a meeting with PenAir on the CCAD's behalf. Mr. Penning agreed to draft a proposal for this idea and will present it at the next regular Board meeting.

Mr. Penning spoke with the Board about the different options he had assessed to subsidize air service of the Portland route and the estimated yearly costs. The discussion included both for a single flight and two flights per day, and the differences in costs depending on the airline. The Executive Director inquired if there was a limit on the number of years they could enter into a revenue guarantee with an airline for. The limit is two years and is only applied to an airport

commission entering into an agreement, a third-party wouldn't have such stipulations. Commissioner Benetti commented that the schedule for flights should be set up to accommodate the locals with two flights daily, and that if it was set up correctly it would benefit the users of Bandon Dunes as well. Mr. Penning agreed, and discussed different viable schedule options with the Board.

Mr. Penning also noted that the State of Oregon has its own Transportation program called ConnectOregon, that has been used for revenue guarantees to airlines in the past, and could be another outlet the CCAD could look into. While this state pool has gotten smaller over the years, there is still a significant amount of funding available through this program. Mr. Penning mentioned that he had applied at one time, and had been awarded a large sum to subsidize air service to Portland from the Newport/Astoria region.

The Board agreed that Mr. Penning's experience and knowledge in the airline industry was an invaluable asset and decided to retain his services for future use. Mr. Penning thanked the Board for their time.

The Executive Director discussed with the Board a marketing proposal the CCAD received from a company called Embark, to promote PenAir. The Executive Director explained that the proposal did not meet the needs of the CCAD at this particular time, and that the Board should wait on something more focused towards promoting this airport.

Stuart Woods of McSwain & Woods Architects & Planners addressed the Board with his site analysis of several locations on airport property, and the possible uses for those sites. Basing the ideas off of the locations sizes and accessibility, some of the options included a drive-up coffee shop, professional offices, a retail outlet, and a possible 75-unit motel. The Executive Director explained that with the recently opened DHS APD facility, there is much more traffic in this area. This will only increase when the DHS Build to Suit project is complete. This could be a good opportunity for the CCAD to develop some of the unused airport property. Commissioner Benetti inquired if there were any businesses currently interested in developing one of these properties. The Executive Director stated currently there wasn't, but that she would like to have Mr. Woods compile a preliminary package to release publicly to see if anyone was interested in leasing and developing. The Executive Director asked that the Board start deciding what they would like the preliminary package specifications to include, so they can easily define what fits. The Board directed Mr. Woods to put a proposal together to be presented at the next regular board meeting.

A video was shown of the Operations Manager receiving a Meritorious Public Service award from the Commander of the U.S. Coast Guard 13th District, for his heroic actions as a volunteer member of the Bandon Fire Department Dive Rescue Team. On August 25, 2016, the Operations Manager dove into frigid waters and searched through the debris of an over turned boat hull to find a 6-year-old child still trapped underneath. The Operations Manager pulled the boy through the crashing waves, delivered CPR, and stayed with the boy until the U.S Coast Guard rescue team arrived. The Board congratulated the Operations Manager on his award, and he thanked them for their continued support for his volunteer activities.

The Operations Manager addressed the Board to update them on the status of operations at the airport and its properties. The Operations Manager explained that the Business Enterprise Center (BEC) remediation was almost complete, with the exception of the new carpet. The CCAD is currently waiting on quotes for replacement carpet.

The Oregon State Police building recently took wind and rain damage on the west side, to both stories. The CCAD hired the company ServePro to make the repairs, and they have installed plastic screens to allow the troopers to occupy the building while they work. The CCAD has their insurance company involved, and is currently waiting on clarification of coverage.

The Operations Manager updated the Board on the status of the 27 Heating, Ventilation and Air Conditioning (HVAC) units at the Bureau of Land Management's (BLM) building. All 27 units are in excess of 20 years old, and have reached the limit of their usefulness. The Operations Manager stated that there is currently a 9-year replacement plan, purchasing 3 new HVAC units per year, starting with the units in the greatest disrepair. The Executive Director asked and was informed that the CCAD would not need to replace the units if they were not currently broken, but that 3 were in critical condition and needed to be replaced soon. The estimate to replace those 3 is roughly \$25,000. Comfort Flow Heating has scheduled 3 minor and 1 major maintenance per year to keep the units functioning properly. Commissioner Briggs asked and was informed by the Operations Manager that a minor maintenance was around \$1,800 and a major was around \$3,000.

The Operations Manager discussed the demolition of the final 2 WWII concrete ammunition bunkers that reside on airport property. The Executive Director explained that these bunkers are a safety concern for the local foot traffic in the area and recommended that the Board agree to their removal. The CCAD received 3 quotes to remove these bunkers offsite, with the lowest being \$14,200.

The Project Manager updated the Board on the status of the DHS APD facility and the DHS Build to Suit project. The DHS APD project is complete other than the few punch list items left, including the flagpole installation, minor cabinet work, and some window framing that needed to be repaired, along with some recently added change orders. At the DHS Build to Suit project things are moving along smoothly. The building site has been over excavated approximately 1 foot to satisfy the Geotechnical Engineer and is now ready for the foundation. The parking lot has been rocked and developed, and a local contractor was hired to build the rebar cages for the footings. A drainage swale with 1-1/2 inch rock around 5 feet deep was used on site as a sort of catch basin to filter the storm water from the construction site, so no waste was leaked into the surrounding environment. The schedule is around a week off, but the Project Manager stated that he believed the schedule should realign itself within the next 2 weeks.

The Executive Director gave her report. The Executive Director briefly mentioned that the 2017/18 fiscal year budget had been approved by the budget committee on April 10, 2017. The budget would be presented to the Board at the next regular Board meeting for approval.

The Executive Director updated the Board on the status of the BEC sewage back up issue. The back-up was due to a North Bend sewer pipe breaking on the airport's property, and flooding into the BEC. Since the flooding, the CCAD has brought in an Environmental Cleanup crew for testing at the facility to ensure that it was safe for tenants to re-enter the building. CCAD maintenance staff has also been working at the BEC to finish up the repairs.

The Executive Director communicated the need for a hospitality computer work station for travelers to use to rebook tickets on PenAir and other airlines. The Operations staff will be utilized to help any travelers that need assistance with this. Until recently the SkyWest staff has been able to help these patrons in the terminal with rebooking issue for other airlines. The Executive Director stated that since the users would need to input sensitive personal information, the CCAD would need to pay for security software that would automatically erase the information. Commissioner Benetti questioned and was told that yes, the CCAD would have to buy the computer and then pay a \$50.00 a month fee for the security software. The Board agreed that this amenity would be a good use of funds and a good investment to better serve our customers.

The Executive Director explained to the Board that there was interest from a local business owner to lease space in the terminal to open a café. The proposal was for \$100.00 a month and the café would be open seasonally. The offer also included a sublease in the same space for a coffee shop. Commissioner Benetti

stated that he would expect a full year lease contract to be signed, with clearly stated hours that they needed to be open when the flights came in, nothing seasonal, and that any sublease revenue would be owed to the CCAD. The Executive Director stated that she was apprehensive to have 2 different businesses operating in the same facility, and that they would have to consult legal counsel on the legalities of that situation. The Board agreed that the businesses should be separated and stated that if the interested party was willing to sign a 1 year lease drafted by the CCAD's attorney, the Board would be willing to accommodate this.

Section V. Action Item:

Commissioner Benetti (second Vice-Chair Briggs) moved to approve resolution 2017-04-01 authorizing an intra-fund transfer within the BEC fund, in the amount of \$15,000. Motion Passed.

Vice-Chair Briggs (second Commissioner Benetti) moved to approve the demolition of the old concrete bunkers by Benny Hempstead Excavating in the amount of \$14,200-being the Lowest Qualified Bidder. Motion Passed.

Section VI. Commissioner Comments:

Vice-Chair Briggs commented that the 2017/18 fiscal year budget was organized extremely well. Commissioner Benetti agreed and thanked the CCAD staff that was involved in the process.

Public Comments:

Frank Williams, President of the board of Coos Media Center, discussed the status of the BEC remediation, from a tenant's perspective, with the Board. Mr. Williams was concerned with the lengthy timeline of the cleanup, and asked to discuss this matter further with the Executive Director at another time. Mr. Williams thanked the Board members and the airport staff for their cooperation with the tenants at the BEC during this process.

Adjourned at 9:39 a.m.