

AIRPORT AUTHORITY BOARD OF TRUSTEES
FINANCE AND BUSINESS DEVELOPMENT COMMITTEE
Minutes from the Meeting July 12, 2010

In Attendance: Randi Thompson, Madame Chair, Board of Trustees
Rick Murdock, Trustee*
Brooks Mancini, Trustee
Joe Mayer, Trustee
Jerry Hall, Trustee
Bill Eck, Trustee
Krys T. Bart, President/CEO
Rick Gorman, CFO
Dave Gotschall, Vice President of Operations & Public Safety
Marty Mueller, Director of Technology & Information Systems
Leah Williams, Manager of Accounting
Danette Bewley, Assistant Director of Airport Economic Development
Mark Cameron, Manager of Landside Operations
Skip Polak, Special Projects Manager
Tony Osendorf, Manager of Finance & Budgeting
Patrick North, Senior Internal Auditor
Fritzi Witsoe, Senior Internal Auditor
Gina Castellar, Administrative Assistant II
Clancy Delforge, Airport Intern

*Denotes Finance Committee member

Note: The official minutes of the Finance Committee meetings are maintained on magnetic tape used to record the proceedings. The following is provided as a reference to the subject matter and conclusions reached from the discussion.

Topics Discussed:

I. Review of meeting minutes from June 2010

The minutes from the meeting of the Finance and Business Development Committee June 7, 2010, were approved by the Committee.

II. Items to be presented to the Finance and Business Development Committee for review and recommendation to the Board:

#10(07)-42 A. AWARD OF CHANGE ORDER NO. 10 FOR ONE YEAR OF EXTENDED WARRANTY AND MAINTENANCE SERVICES FOR THE RENO-TAHOE AIRPORT AUTHORITY PARKING REVENUE CONTROL AND GROUND TRANSPORTATION MANGEMENT SYSTEMS WITH SCHEIDT & BACHMANN USA IN THE AMOUNT OF \$263,854.10 EXEMPT FROM COMPETITIVE BIDDING PER NEVADA REVISED STATUTE 332.115.1 (A) AND (C) FOR A TOTAL OF \$3,627,933.20

Staff provided background information relevant to the Parking Revenue Control System (PARCS) and Ground Transportation Management Systems (GTMS) that are responsible for the controlled collection of landside revenues. Both systems were installed in 2007 & 2008 by Scheidt & Bachmann USA (S&B), a domestic division of an international technology integrator founded in Frankfurt, Germany which specializes in transportation systems. S&B was the company selected amongst a total of four companies who participated in a competitive Request for Proposal (RFP) process conducted in 2005. Staff stated that both the PARCS and GTMS were supported under their original

one-year warranties. The Board of Trustees approved a second extension to the warranty and maintenance services for both systems, last fiscal year, at a cost of \$284,734.

Staff reported that the PARCS system experienced a critical failure in March 2010 which prompted staff to request from S&B a \$20,880 credit for approximately one month of the current contract amount, commensurate to the duration of the failure. Staff stated that because the system has built-in redundancy, no revenue was lost as a result of the failure. S&B agreed to issue the requested credit and will not increase the cost of extending the warranties.

Staff provided an overview of the expected life of the PARCS/GTMS hardware and software. These systems are currently four years, seven months old with an overall life expectancy of five to seven years. The system currently requires three levels of service with varying levels of training and expertise. Staff performed a recent analysis, in which the results were presented, to determine the availability of a more efficient method to replace the services provided for in the extended maintenance agreement offered through the manufacturer. Potential cost savings, industry support cost metrics, exposure to loss-of-revenue, and separation of duties were the major considerations that surfaced during the analysis.

Staff reported that the Landside Operations Department budgeted \$299,000 in purchased services to renew both the PARCS and GTMS support agreements during fiscal year 2010-11. Under this proposal, both support systems would be renewed at a cost of \$263,854.10.

Staff confirmed that the airport would have a response time of less than four hours with this maintenance agreement. Without the agreement the airport would be placed into a service priority queue with no response time guarantee. This would subject the airport to a possible response time delay of several days in some situations.

Trustee Thompson inquired about the feasibility to train on-site staff more thoroughly to handle the maintenance aspects outlined in the proposed agreement. Staff stressed the importance of maintaining separation of duties to a level in which the system's integrity and security is not compromised. Additionally, the system is highly technical which would require a high level of training, whereby the employee would have to travel to Germany to obtain the necessary skills. The cost to attract, train, and retain that employee would not be cost effective at this time.

Trustee Mancini inquired about the availability of other vendors besides Scheidt & Bachmann. Staff confirmed that there are a variety of possible vendors available, as identified in the Request for Proposal process that took place in 2005; however, knowledge as to who those might be at this current time would require some research.

Staff confirmed that S&B did honor the requested \$20,880 credit for approximately one month of the current contract amount, commensurate to the duration of the system failure that occurred this past March 2010.

One member of the standing Committee was present. Trustee Rick Murdock presided over the meeting, in the absence of Chair Simmons and Trustee Acheson, with Trustee Thompson serving as the other voting member in her capacity as Chair of the Board of Trustees. As such, the Committee unanimously recommended this item for Board approval on the Consent Agenda at the upcoming Board meeting.

#10(07)-44 B. AUTHORIZATION FOR THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE FINAL AGREEMENT TERMS FOR A NON-COMMERCIAL BOX HANGAR LEASE AGREEMENT WITH AMERICAN OPERATIONS, LTD

With the Fixed Base Operator (FBO) Agreements with Jetwest, LLC, and Sierra Air Center, Inc. expiring on June 30, 2010, ownership of hangars and other improvements reverted back to the Reno-Tahoe Airport Authority (Authority) ownership. With this transition, staff is in the process of negotiating and executing lease agreements with hangar tenants who have requested to remain on the Airport.

Staff reviewed Board Resolution No. 502, adopted on June 10, 2010 and the FY2010-11 rental rates for General Aviation Hangars. Resolution 502 authorizes the President/CEO or the designated representative to approve and execute hangar lease agreements where the total estimated revenue amount required over the hangar lease term, is \$100,000 or less. All hangar agreements exceeding \$100,000 must be approved by the Board of Trustees.

Staff communicated that Aviation Management Services, Inc. (AMSI), a subtenant located in Hangar 10 at the former Jet West FBO, proposed to continue its hangar lease via direct leasing from the Authority under the new entity American Operations, LTD. Staff reported that the primary stakeholder in AMSI is William N. Pennington and the proposed use of the hangar is for corporate general aviation. Mr. Pennington is the sole owner of American Operations which contracts with WNP Enterprises, Inc. to provide business and operations support to Mr. Pennington, who is the former owner of Circus Circus Enterprises, Inc. The terms were summarized as follows:

- Leased premises consist of 17,175 sq. ft. of building space consisting of office and aircraft storage and associated land
- Three year term, with two one-year options to extend at Authority's discretion
- Rent is \$4.80 psfpa or \$0.04 per sq. ft. per month for 17,175 of hangar and associated land
- Rent adjustment after the initial two-year period of the lease, land and building rent adjusted annually, and during any extension year, based upon the percentage of change in the published CPI-U Index

Staff reported that the proposed annual land and building rent is \$82,440 and proposed revenue over the term of the lease, including extension years, is \$412,200. Staff stressed that the hangars associated with this agreement reverted back to the airport on July 1, 2010, and the agreement now includes both a land lease and a hangar building lease component. Staff confirmed that liability insurance has not been an issue as it pertains to this agreement.

Trustee Thompson inquired as to the number of box hangars (out of twelve indicated by Trustee Thompson) that would require authorization for amounts in excess of \$100,000. Staff anticipates that most of the proposed box hangar agreements will exceed the \$100,000 authorization level. Staff stated that this agreement with AMSI will be the first of twelve agreements that will come before the Board and serves as the initial model for the remaining eleven. With lease agreements in the initial stages there are several aspects to consider and staff will provide timely updates to the Board of Trustees as the process moves forward.

One member of the standing Committee was present. Trustee Rick Murdock presided over the meeting, in the absence of Chair Simmons and Trustee Atcheson, with Trustee Thompson serving as the other voting member in her capacity as Chair of the Board of Trustees. As such, the Committee unanimously recommended this item for Board approval at the upcoming Board meeting.

III. Items presented to the Finance and Business Development Committee for Approval:

A. No Items

IV. Items presented to the Finance and Business Development Committee for Discussion:

A. Public Parking Policy – Park Free Privileges Update

Staff provided the *Park Free Privileges* roster for Committee review. A couple of items were recognized for updates since the last annual review of the roster. Staff will research the suggested items for revision and update the roster. Trustee Mancini inquired about the process used when removing someone from the roster. Staff will follow-up to provide an answer to Trustee Mancini at the upcoming Board meeting.

V. Items presented to the Finance and Business Development Committee for Information:

A. Review of Operating Results through May 2010

Staff reported that the airport is 2.2% under budget in operating revenues and 9.9% under budget in operating expenses through May. Total landed weights for the eleven-month period ending on May 31, 2010 are 0.4% above budget. Landing fees were budgeted for signatory airlines at \$3.52 per 1,000 lbs and reduced to \$3.15 effective November 1, 2009. Based on actual activity through May, the landing fee rate should be \$3.00 per 1,000 lbs. resulting in an over collection of \$695,150, if adjusted to actual. The budgeted cost per enplaned passenger is \$7.76, and based on actual activity through May 2010, the cost per enplaned passenger is \$6.45. Airline rents are under budget by 6.0% based on activity through May 2010. The budgeted average rental rate is \$49.83 psfpa, and based on the actual requirement, the average rental rate should be \$46.84 psfpa, which is an over collection of \$275,067, if adjusted to actual. Non-airline revenues are 1.5% under budget.

Staff noted that non-operating revenues were 62% under budget primarily attributed to lower interest rates and accounting recognition of bond investment premiums that were expensed in the current year that should have been taken in the prior year.

B. Review of Budget Transfers (if any)

No items.

C. Review of Contracts and Professional Service Agreements through May 2010

Staff reviewed the Administrative Award of Contracts pursuant to Resolution #462. Chair Thompson asked about the deductive change order of \$48,865 associated with the Authority providing conduit, cable routing and innerduct work associated with the new FAA tower. The President/CEO outlined the Authority's commitment to provide basic infrastructure to the site and this is consistent with other land development efforts.

D. Review of Lease Agreements for General Aviation Tenants to Date

Staff reported on the status of general aviation lease agreements. Out of approximately seventy (70) T-hangars available an estimated 50% are under lease. The lease agreements are for a two-year term. Staff confirmed that the majority of the tenants have been satisfied with the process that has taken place.

Trustee Mancini inquired about the total number of hangars at Jet West. Staff stated that there were approximately forty (40); however, not all of the hangars should be considered as part of the hangars available for lease. The vacant hangars are currently being evaluated and may be un-useable. When calculating data on the total number at the former Jet West site, it is important to realize that occupancy was less than 50% at that facility when the Authority obtained ownership of the facility. At this time the Authority is offering tenancy only to those who were already tenants at the time in which the Authority assumed that facility. Staff confirmed that they are working on twenty (20) proposed leases at that facility and will follow-up to update the current status of the number of hangars available at Jet West, as it changes on a regular basis, for review at the upcoming Board meeting.

E. Review of Legal Expenses through June 2010

Staff reported payments made toward legal costs that were expended through the month of June 2010. The Authority anticipates receiving the few remaining invoices within this month to close out the fiscal year 2009-10. Staff anticipates that the General Counsel budget will remain under budget for the FY2009-10.

F. Review of Board Budget to date June 2010

Staff reported that the Board of Trustee's have expended 76% of their budget with 100% of the budget year expired. Staff noted that there are still a few outstanding expenditures that will require posting, however, it's anticipated that the Board Budget will remain under budget for fiscal year 2009-10.

VI. Public Comment

There were no comments.

VII. Adjournment

The meeting began at 1:32PM and was adjourned at 2:25PM.

MS:RG/fw