

AIRPORT AUTHORITY BOARD OF TRUSTEES
FINANCE AND BUSINESS DEVELOPMENT COMMITTEE
Minutes from the Meeting of January 15, 2010

In Attendance: Mary Simmons, Madame Chair, Finance & Business Development Committee*
Rick Murdock, Trustee*
William Eck, Trustee*
Joe Mayer, Chair, Board of Trustees
Jerry Hall, Trustee
Lynn Atcheson, Trustee
Krys T. Bart, President/CEO
Marilyn Mora, Executive Vice-President/COO
Rick Gorman, CFO
Joyce Humphrey, Purchasing & Materials Management Manager
Mark Witsoe, Manager of Properties Administration
Carrie Byron, Properties Administrator II
Leah Williams, Manager of Accounting
Tony Osendorf, Manager of Finance & Budgeting
Fritzi Witsoe, Acting Sr. Internal Auditor

*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 November 2009

The minutes from the prior meeting of the Finance and Business Development Committee, November 9, 2009 were approved by the Committee (December 2009 meeting was cancelled).

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

#10(01)-03 A. AWARD OF PROFESSIONAL SERVICES AGREEMENT TO AKERMAN SENTERFITT FOR FEDERAL GOVERNMENT RELATIONS SERVICES FOR A MONTHLY RETAINER OF \$5,000

Staff reported on the recent changes within the federal agencies in Washington D.C. (Federal Aviation Administration and the Department of Homeland Security – Transportation Security Administration) with the most direct impact on the Reno-Tahoe Airport Authority (RTAA) and the issues impacting the Reno-Tahoe International Airport. In light of the recent election in Washington, D.C. and significant changes in leadership, staff has been researching the availability of an experienced broad based governmental relations firm to address issues specific to the RTAA on a daily basis. As a result of this research and an extensive due diligence effort, including contacting several airports, staff presented their proposal for a Professional Services Agreement with Akerman Senterfitt, Attorneys at Law, for representation in Washington, D.C., for the term of February 1, 2010 through January 31, 2011.

Staff stated that Akerman Senterfitt firm is well know in Washington and currently provides similar services to airports such as Los Angeles World Airports and Oakland International Airport. The partners and associates within this legal firm maintain expertise in all levels of government both domestic and international and are proficient in practices specific to aviation.

Staff reported that the current agreement in place with Marcus Faust, since January 2004, has an approved retainer of approximately \$4,200 per month plus expenses. The proposed retainer requested from Akerman Senterfitt is \$5,000 per month plus expenses. Termination of the agreement could be by either party and at any time with a thirty (30) day notice. Staff concluded this discussion by stating that Akerman Senterfitt has extensive aviation experience and background, significant internal resources and support disciplines, and the political relationships necessary for the RTAA to continue to operate and navigate ever changing TSA mandates, FAA regulations, Congressional Legislation, and funding issues.

Staff confirmed that Congressmen Jon Porter, retired, will be the primary lead for this firm, along with Scott Brenner who has been with the FAA and is familiar with staff at varying levels.

Chairman Mayer commented on the diversity of the staff and their breadth of expertise within their firm as well as within the aviation industry; as realized through the research and review process.

The Committee unanimously recommended this item for Board approval on the Consent Agenda 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. Staff Report on Rental Car Bid Process

Staff provided an overview of the FY2010-11 Rent-A-Car (RAC) Request for Bid (RFB) process just underway. The current rental car concession and operational leases will expire on June 30, 2010. Staff researched the possibility of having negotiated extensions with the rental car companies currently operating under agreement with the airport and were given a legal opinion that the Authority's enabling legislation required a competitive bid process. Staff completed extensive preparatory work in advance of formulating the 2010 RFB Process. The Authority also entered into a Professional Services Agreement with Jim Branda of Ricondo & Associates (Ricondo) to receive counsel and guidance throughout the process. Mr. Branda has extensive experience and expertise in the rental car industry and maintains a close working relationship with a significant number of professionals who do properties and concession agreements within the rental car industry.

Staff stated that the Quick-Turn-Around (QTA) Facility, located north of the parking garage, will revert back to the Authority on July 1, 2010. As a result, a Phase 1 environmental site assessment was conducted to identify any concerns or issues prior to the Authority taking back the facility. The QTA building rent will be a new source of revenue starting in FY2010-11.

The rental car companies will determine, through their minimum annual guarantee (MAG) bid, the location of their specific counter position in baggage claim and the ready return location; both of which provide a competitive advantage to the highest bidder. Staff conducted a phone call with the industry and the industry collectively requested to remain in the same (“grandfathered”) service facilities and to maintain their lane in the QTA if they are a successful bidder designated to have these facilities on airport. The ability to grandfather these facilities will allow them to avoid costly environmental studies just to swap spaces as a result of the bid process. This request has been incorporated into the 2010 RFB documents. The Authority is also not placing a requirement to build on the entity that occupies the Dollar Rental Car facility, as originally written in the 2005 RFB.

Staff summarized the Request for Bid Schedule and stated that all industry participants have been counseled to direct their comments and questions directly to the Purchasing & Materials Management Manager. This controlled communication will allow the Authority to maintain a fair and consistent process and minimizes the opportunity for a firm to object or appeal the award that is presented to the Board of Trustees. Staff requested that all members of RTAA staff and/or anyone that is approached regarding this process please refer all questions or comments to Joyce Humphrey for resolution.

Staff concluded the presentation with a review of the changes made to the RTAA RAC Leases, summary of industry consolidation, and the methodology used to determine the lease rates within the proposed FY2010-11 RFB agreements. Ricondo provided RTAA with the insight that the rental car industry has gone through a number of dynamic events with their own businesses, downturn in travel, and with the auto manufacturers. Jim Branda has provided staff with reassurance that the industry has already gone through most of the issues that are relevant to moving forward in the current economy. The companies have right-sized their fleet sizes, pricing is appropriate for this type of market, and revenues generated in the Reno-Tahoe market should be sufficient to operate without pressure to cut cost drastically.

Chairman Mayer inquired about receipt of the environmental studies report relevant to the QTA facility. Staff confirmed receipt of the report indicating that the only outstanding issue is the tenants pending paperwork to the county relevant to the fuel system.

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

A. Review of Operating Results through November 2009

Staff reported that the airport is 0.6% over budget in operating revenues and 5.8% under budget in operating expenses through November. Total landed weights for the five-month period ending November 30, 2009 are 1.6% under budget or 17,725,000 pounds. 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 November, the landing fee rate should be \$3.03 per 1,000 lbs. resulting in an over collection of \$455,866 if adjusted to actual. The budgeted cost per enplaned passenger is \$7.76, and based on actual activity through November 2009, the cost per enplaned passenger is \$6.41. Airline rents are under budget by 5.0% based on activity through November 2009. The budgeted average rental rate is \$49.83 psfpa, and based on the actual requirement, the average rental rate should be \$47.36 psfpa, which is an over collection of \$103,396 if adjusted to actual. Non-airline revenues are 2.6% over budget.

Staff responded to inquiries about the seasonality of revenue and expenses as compared to the straight-line method of budget reporting. Trustee Simmons expressed concern that the variability of passenger traffic with peak traffic in the summer (July-August) and ski seasons (March) may result in actual results as compared to a straight-line budget not

presenting a realistic picture of the Authority's operating results as compared to budget. In response, staff indicated that while there is significant variation in traffic between months, the Authority's activity for the period of July to December and January to June have historically been very close to a 50-50 ratio. Therefore, the operating revenue as compared to budget for the first six months of FY 2009-10 represents a sound basis to evaluate the results.

B. Review of Budget Transfers (if any)

There were no transfers

C. Review of Contracts and Professional Service Agreements through December 2009

Staff reviewed the Administrative Award of Contracts pursuant to Resolution #462. Staff confirmed that Renown added a 290 unit apartment complex.

E. Review of Legal Expenses through December 2009

Staff reported payments made toward legal costs that were expended through the month of December 2009. The Authority has expended 27% of the legal budget with 50% of the budget year expired.

F. Review of Board Budget to date December 2009

Staff reported that the Board of Trustees' have expended 39% of their budget with 50% of the budget year expired. There is a slight overage in the budget within the categories of Purchased Services, Personnel Services, and Material & Supplies; while under budget in Administrative Expenses.

VI. Public Comment

There were no comments.

VII. Adjournment

The meeting began at 1:30PM and was adjourned at 2:10PM.

MS:RG/fw