

MINUTES

KALAMAZOO COUNTY AERONAUTICS BOARD OF TRUSTEES MEETING

NOVEMBER 14, 2007
9:00 am

ITEM 1 Call to Order: Chairman Gil Collver called the meeting to order at 9:05 a.m.

ITEM 2. Roll Call: Members in attendance – Gil Collver, Dan Hope, John Jones (at 9:15) and Jim Woodruff.

Also Present: County Liaison Deb Buchholtz-Heimstra, Airport Service Consultant Marie Frank, and the Parking Management Firm Regional Manager Kristen Statler.

Staff Present: Clifton Moshoginis, Ron Shutler, Karen Wolff, Jay Waalkes, Linda Bunting, Kate Johnson, Lisa Bradshaw and Thom Canny.

It was noted that there was not a quorum by Chairman Collver initially in this meeting due to member attendance.

ITEM 3. Approval of Minutes: Chairman Collver stated that due to not having a quorum, discussion could take place but no approval could take place. Mr. Jones joined the meeting at 9:15 a.m. thus forming a quorum.

ITEM 4. Citizen Comments: No comments were presented.

ITEM 5. Third Quarter Financial Report – Lisa Bradshaw presented the report to the board, explaining that the report was split between operating and total revenues. Currently, operating revenue is around 80% with the goal being around 75% in nine months. Total operating expenses are at 74.6%, which is right on target. The higher line items such as the capital expenses, depreciation and debt service are real close to what was budgeted overall. Working capital is at \$4.4 million and it is estimated that by the end of the year it will be at \$3.6 million, which is real close to budget. A couple of changes occurred due to AIP projects being paid upfront, such as the Taxiway Bravo project. She stated that some AIP reimbursements are expected either this year or next year, which will bring that working capital back up. Mr. Hope asked about the \$1.1 million carryover from last year. Ms. Bradshaw stated that the carryover is a budgeting

item so that the revenues and expenses can be balanced. Ms. Buchholtz-Heimstra brought up reimbursements from projects and how it affects the budget and when there should be concern. Mr. Moshoginis stated that when looking at working capital at a shade over \$3.6 million, that number is going to change due to a grant that has already been executed. The airport reimburses itself for the site work that was done. It is a timing mechanism. He is estimating \$1.7 million will go back into the working capital but was unsure if that would happen in 2007 or 2008.

John Jones joined the meeting at 9:15 a.m., thereby establishing a quorum. On a motion made by Mr. Woodruff, seconded by Mr. Jones, the October 10 regular meeting minutes were approved. On a motion made by Mr. Woodruff and seconded by Mr. Jones, the minutes of the executive session meeting on October 10 were approved.

ITEM 6. Air Service Recruitment Report – Marie Frank started her report by saying that she attended the Airline Business Magazine Network Conference. She prepared four detailed presentations regarding the airport's market and included route-specific sections for each airline. She met with two existing airlines and two new airlines. In June she attended the Airport Council International Marketing and Communications Conference and the Airlines Jump Start. Airports met with her for 15 minutes each. At Jump Start she met with one existing and two new airlines. A route performa was prepared for two of those airlines. Early in January, she completed a request for a proposal for a new airline service. She stated that the new Continental business and connecting service that is being added to the Kalamazoo airport in June will add a total daily seat capacity of 222. She gave a very detailed presentation to one airline at their corporate office. She stated that this airline is definitely a contender for new non-stop routes in Kalamazoo. She revised the current AZO airline incentive program and is being reviewed by administration, after review it will be brought to the Board for approval. She stated that a 13 member Air Service, Retention and Expansion Committee was formed and members include Western Michigan University, Southwest Michigan First, Kellogg's, Stryker, Pfizer, Perrigo, MPI Research, Bronson Health Care Group, Battle Creek's and Kalamazoo's Chamber's of Commerce, and both cities' Convention and Visitor's Bureaus. They have had two meeting thus far and she has been able to get a detailed survey completed by this group in terms of their company business travel. There is serious consideration for another airline for another non-stop service taking place currently as well. Mr. Collver inquired if the Aeronautics Board is represented on this committee. Mr. Moshoginis stated that if they want to have a member put in place, the Aeronautics Board could do that. Mr. Hope asked why the new airline is being kept confidential. Ms. Frank and Mr. Moshoginis both stated that due to competition and the fact that they are in the initial stages, it is best to keep the name of the airlines confidential. Mr. Canny brought up that airlines are also predatory amongst themselves. Ms. Frank stated that Kalamazoo is unique in that it doesn't have major heavy traffic compared to larger airports and that that market is being appropriately targeted. She stated that she has heard of airlines pulling out due to lack of confidentiality. Mr. Woodruff mentioned the market share report having many negatives and asked what her opinion if this will be the case next year. Ms. Frank said that the negative figures are based on fuel and ticket price increases. She stated that Kalamazoo is lucky that 80% of

its customers are business travelers. She feels that Cleveland will be a significant boost. Ms. Frank and Mr. Moshoginis stated that it looks positive for 2008. Ms. Frank stated that Continental has one of the lowest cancellation rates. Ms. Buchholtz-Heimstra suggested that the Aeronautics Chair or Vice-Chair might want to attend the committee meetings. Mr. Collver asked Ms. Frank to inform the board when the meetings are taking place so that a member can be represented at this meeting.

ITEM 7. For Consideration - Airport Agenda Items:

A. Terminal Skycap Agreement - Mr. Shutler stated that this is a renewal contract for luggage porters at the airport. It covers the leased space and addresses employee conduct among other items. Mr. Jones moved to support the renewal, seconded by Mr. Woodruff and the contract was approved.

B. Rates & Charges Resolution – Mr. Moshoginis handed out the rates and charges resolution for 2008, stating that the changes were driven through the budget process subcommittee, based on their assumption of the revenue side. He added that the board reviews the rates and charges annually and he recommended that the board approve. A discussion followed regarding not offering free parking and increasing the cost of parking. It was determined that free parking is a positive portion of the airport's customer service and it helps the sheriff's department at the airport with less people parking on the curb line. On a motion made by Mr. Jones to approve the rates and charges resolution, seconded by Mr. Woodruff, the motion was approved.

Aeronautics Board Agenda Items:

A. Election of Officers – Mr. Jones suggested that it may be a good idea to keep the current officers in their positions due to the fact that they have been in the position for a year and the airport activity and projects are progressing, thus possibly making it more difficult to change officers at this point. Mr. Collver stated he is willing to stay in position but wanted to make others aware that he feels anyone else on the board would be capable of handling the positions as well. Mr. Woodruff stated he was in agreement with however the other members voted. Mr. Jones moved to re-elect the current officers, the motion was seconded by Mr. Hope and the motion was approved.

B. 2008 Regular Aeronautics Board Meeting Schedule - Mr. Collver stated there has been some concern regarding having a quorum at all of the meetings. He received communication from Mr. Tomko stating that Wednesday's conflict with his schedule and he apologized but stated that if the meetings were scheduled for Wednesdays for 2008, he most likely would have to regrettably resign. Mr. Collver had not heard from Mr. Tomko what day might work better for him as of this date. Mr. Hope brought up a consideration would be that he has set up his travel schedule for next year accordingly for the Wednesday slot. However, he stated a one-day difference would not affect his travel too much.

Mr. Collver informed everyone that board member Kevin McGrath is starting a new position in January and will be moving out of the area. Therefore he will be resigning

from the board. Mr. Collver spoke to Mr. Duggan and he said the middle of the week works better for him as well. Mr. Moshoginis brought up that his only concern with the current schedule is that it falls on the same day and time as the Building Authority meetings. Considering the terminal project coming up, it may be beneficial for Mr. Moshoginis to attend these meetings. The possibility of having Thursday morning meetings was brought up and it was decided to re-visit this issue at the December meeting pending communication from other board members.

ITEM 8 Unfinished Business – There was no unfinished business presented.

ITEM 9. New Business – There was no new business presented.

ITEM 10. Airport Director's Report – Mr. Moshoginis handed out documents to everyone regarding market share information as well as origin and destination average airfare over a period of time, which was requested by the board as well as information on how yield is determined. The market share for October shows that the airport was down 7% in 2007 compared to October 2006. Overall for the year Kalamazoo is down 7% compared to 2006. An increase in enplanements in December is being projected. The airport is up 1% in departures. The key factor is that seats are down 11% as compared to the previous period in 2006. Fuel is an issue as indicated by the articles he handed out. Load factor is up. But there are a couple of flights that are not doing so well, which brings the overall load factor down. Another issue he stated is that through October there has been 310 cancellations in 2007, which has affected the airport. He also stated that this summer was the worst on-time performance in history. This is the reason for the cancellations.

Mr. Moshoginis handed out articles pertinent to the Kalamazoo Airport/Western Michigan area including an opinion in the Grand Rapids Press on consolidating airports and a Grand Rapids Press article regarding airports attracting low fare airlines. He also handed out an article in MiBiz magazine regarding too many airports in the area. Mr. Moshoginis stated that the bottom line is, should Grand Rapids or any other larger airports in the area, be the airport for air service the airlines have not consolidated their flights now. He said nothing is stopping that from happening now. He said that the airlines would not do that due to the fact that geographically they are too close to Detroit and Chicago. Airports are revenue generators and consolidating in this area is not financially feasible.

Mr. Moshoginis introduced the Airport Administration office's new intern from Western Michigan University, Kate Johnson to the board members.

ITEM 11. Member's Time – Mr. Hope inquired as to the status of the Adopt-A-Watt (solar panel energy project) program. Mr. Moshoginis stated that they are still trying to get a sponsor. He has had several phone calls from other airports asking about it.

Mr. Collver inquired as to the status of the Adam's Outdoor Advertising contract. Mr. Shutler said he is still waiting for Adam's to move forward but anticipates that the contract will go as planned. Mr. Collver suggested giving them an absolute deadline.

Mr. Collver read a letter from Kevin McGrath regarding his resignation from the Aeronautics Board effective January 2008.

Mr. Collver stated that he attended a presentation in Battle Creek last week at a charter company called Pentastar who is looking for two to three other companies who want to buy two to three planes for open, on-demand charter service. They are trying to obtain a business in this area. The Battle Creek airport director has association with their company. Mr. Collver spoke to the CEO about starting dialog with the Kalamazoo airport and he feels the Retention Committee would be a good source of contact for Pentastar. Mr. Collver stated he also felt that this service would go well in this area. Mr. Moshoginis agreed that the service would supplement the airlines and it is important that the committee knows that this is not a conflict of interest.

ITEM 12. Adjournment – On a motion made by Mr. Collver, seconded by Mr. Jones, the meeting adjourned at 11:00 a.m.