

# MINUTES

## KALAMAZOO COUNTY AERONAUTICS BOARD OF TRUSTEES MEETING

MAY 29, 2007

ITEM 1. Call to Order: The meeting was called to order at 8:05 by Chairman Gil Collver.

ITEM 2. Roll Call: Members in attendance – Gil Collver, Bill Duggan, John Jones, Kevin McGrath, and Jim Woodruff

Also Present: County Liaison Deb Buchholtz-Hiemstra, John Everts, Building Authority, Michael Vernich of Reynolds, Smith, and Hills, Inc., Lisa Bradshaw and Kelli McKinnon

Staff Present: Clifton Moshoginis, Ron Shutler, and Lynn St. Clair

Mr. Moshoginis introduced Michael Vernich of Reynolds, Smith and Hills, Inc. He will be reviewing and answering questions concerning the Terminal Area Study.

Mr. Moshoginis provided background concerning the previous effort to construct a new terminal. Mr. Vernich explained that new terminals cost between \$275 and \$300 per square foot. However, there are cost choices between terrazzo flooring and carpeting.

The Airport has adequate parking. The cost could easily exceed \$300 with the demolition and phasing renovation of the existing building. A high premium is paid for phasing. Multiple phasing and shifting increases costs in order to keep operations going. The terminal has been expanded twice. With only one baggage belt it is very difficult to expand for an additional belt. If the current baggage belt is out of service, there would have to be accommodations for passengers and that can be complicated. We normally design in a more linear fashion. The building maintenance area would have to be demolished and moved forward. In addition to an upgraded interior and infrastructure, the queuing area is not easily expandable. The core for elevators and ATO would add expense, time and inconveniences.

Section 2 demonstrates how the terminal is functioning now, and its expandability. The existing plumbing is not expandable. It requires more maintenance. This building has probably lived its life. You are not expanding by just bringing this building up to code. The 40 years have resulted in several

different mechanical systems. In response to a question concerning square footage of baggage makeup, Mr. Vernich said every airline has a certain amount of space. He mentioned that the airlines use the bag belt sequentially. Arrivals may be staggered so they can use it at a certain time. It is not uncommon to have 3 or 4 in an airport this size because of scheduling. This is very inadequate. Mr. Moshoginis explained about checking in time. Mr. Vernich also explained about staging tugs. The number of baggage belts will determine the space behind the belts for tugs.

Mr. Woodruff inquired about planning activity level, PAL1, showing the airport needs 3 baggage belts, and yet there are fewer people. Mr. Vernich said that is determined by the number of flights and the staggering of those flights. American Eagle has added flights at other airports, such as Flint. With the increase each airline is requesting their own services. When passengers are waiting on the same baggage belt it increases the airlines' schedule.

Mr. Collver asked if the Airport currently met code compliance. Mr. Vernich said the airport meets most codes, but the minute we start expanding, certain areas won't meet ADA accessibility. The restrooms are marginal and some counter spaces do not meet code. There are new codes being established. The airport and terminals are now being classified with shopping malls. There will be code issues with upgrading the existing terminal. The FAA also looks closely at public safety. Mr. Jones noted that if codes are not met an occupancy certification may not be issued. Mr. Vernich noted the \$12 million to renovate this building.

Mr. Vernich noted the forecasts, which involve some supposition looking at future levels. In the overview section, we looked at everything. He mentioned his firm's expansion involvement with Detroit Metro, Saginaw and Flint and how the gates are already filled. The Airport needs to prepare for the forecasts, and felt 313,000 is not far off. He noted how the Airport is related to O'Hare. Expansion at O'Hare may have caused some cancellations, however when it is done American Airlines will be increasing their service. Airlines are spending on aircraft purchases to increase their level of service.

Mr. Woodruff asked how we get from 207,000 to 313,000. Mr. Moshoginis said that relates to the study done by the Boyd Group. Mr. Jones said the Airport has a lot of leakage, and we function in a lot of macro economics. Mr. Vernich explained the increase is an up and down chart, not a straight line, and restated the airlines' change in spending toward growth.

Mr. Collver mentioned the Table on pg. 32. Mr. Vernich noted that it is still an upward trend. Mr. McGrath asked about comparisons. Mr. Vernich said Grand Rapids is growing, Saginaw is probably at 2%. They are dependent on Dow Chemical. They are spending \$30 million for a new terminal. He spoke of Detroit's improvements. The forecasts can't be ignored and then scramble to meet increased demands.

Mr. Vernich added that the Airport's environmental assessment has already been done and the site has been picked. Those are now cost savings.

Section 5. Mr. Vernich noted that \$25 million can get you to PAL 1. Airports of this size are funded by FAA. He added we normally look at a PAL 1 and determine what is eligible. Eligibility generates dollars. There are methods of restructuring for eligibility. Your Congressman is positive about the terminal. In further discussion of funding Mr. Moshoginis said we have outlined what can be built with discretionary money. Mr. Vernich added this is beginning a new process we are trying to determine a decision to define the funding eligibility. When a decision is made, the choice is going to have to be designed and programmed to meet PAL 2 but scaled down to PAL1. In response to a question from Ms. Buchholtz-Hiemstra, Mr. Vernich spoke of the benefit of a cost analysis. This is a tool the FAA looks at for safety, etc. Mr. Moshoginis referred to the cash flow. Mr. Vernich said Chart 6 shows what the FAA normally works with. This is not new to RS&H, their firm has experienced people, some formerly FAA employees that work specifically with finances. He added that they would lay out the levels. If the FAA doesn't agree we will scale back, so we are not wasting any time. The forecasts are reasonable and at least feasible. He restated the growth of American especially when O'Hare has completed their improvements. He felt that American would choose to purchase 12 RJs over 1-2 larger jets because of the service they could provide. Mr. Moshoginis felt confident service would increase at Kalamazoo, and there will be future demands. Mr. Jones agreed that the Airport can't afford to get behind.

Mr. Vernich added that if American said they wanted to increase, and Kalamazoo couldn't accommodate the increase, they would go somewhere else.

Mr. Collver noted page 31 and asked about the consistency of the forecasts. Mr. Moshoginis said that is the most current. Mr. Vernich said they are still predicting PAL 1 in 10 years, but hitting 386,000 by 2020 is fairly aggressive.

Mr. Collver said at one point we had 282,000 enplanements and asked why is 207,000 now difficult. Mr. Vernich noted that the 282,000 was pre-9/11, and some things are a lot different. Security operations have changed, and this building is having difficulty meeting those requirements. Mr. Moshoginis said there were problems with the bag claim area and seating in the holdroom at the 282,000 level.

Mr. Woodruff noted the efficiencies with baggage handling. Mr. Moshoginis explained inline baggage sorters, they require significant space, and they are very costly. Mr. Vernich added that new efficiencies curbside are being seen, but not normally at airports of this size.

There was further discussion of the need for more service.

Mr. Vernich said the Airport will be providing a level of service to be achieved, and felt that once O'Hare's renovation is complete, service will kick up again. Mr. Shutler noted another issue - there is no food service in the secured area. Mr. Moshoginis added that the Airport receives complaints about baggage claim from the business community.

Mr. Collver asked about the adequacy of the heating plant, the electrical service and the possibility of the buildings sharing the service. Mr. Vernich explained with the FAA Tower in this building we wouldn't normally plan to share. It needs to be able to function on its own and allow for expansion. It would also eliminate eligible items for the new terminal.

Mr. Jones asked if this building may need to be torn down for future uses. Mr. Vernich said we planned as if we were going to use it. No estimates were provided for tearing this building down. In further discussion of peak times Mr. Vernich explained how that was determined using a working budget of \$24 million and being creative will achieve the best use of the square footage and maximize eligibility.

Mr. Moshoginis spoke of the cost of materials. Mr. Vernich said steel has gone up as much as 40%. The costs are dependent on China as well as fuel costs. He added he was comfortable the escalating costs can be handled. If steel went up 75% it would be documented and the plans reevaluated. We monitor material costs on a monthly basis.

Regarding the current building Mr. Vernich said it is already sub-par for 2006 enplanements. The physical plants still have some life. Byce Co. did a good job evaluating each piece right down to the water heater.

The members took a 15 minute break.

Mr. Vernich began with the Demand/Capacity Analysis and explained the meaning of each term. Page 42 provides a synopsis of inventory with existing and corresponding square footage for PAL1 and PAL2. Mr. Jones asked about a letter grade for '06. Mr. Vernich said it would be a C to C-. He went on to review the square footage with PAL1 and 2. He added the concepts start with PAL2 laid out and scale back to PAL1 in order to plan for future expansion. He felt the worst thing was to be landlocked or use a center expansion.

There was some discussion about parking. Mr. Moshoginis said it is adequate. It may be a concern for the future, but we have used pre-paid parking in the past.

Ms. Buchholtz-Hiemstra asked about the square footage of the terminal. Mr. Moshoginis noted it is 93,000 sq. ft. Mr. Vernich noted that in the previous terminal plan the holdroom was designed at 45,000 sq. ft. which is massive for

this airport. There is budget available for 90,000 sq. ft. not including soft costs. You can actually only do about 70,000 sq. ft. including soft costs which would be about \$20 million. In response to a statement from Mr. Jones, Mr. Vernich said he recommends building for PAL1 and looking at funding. The FAA wants to see that you are building for the future; planning for PAL2. Renovating this building for that capacity would probably take three years.

Mr. Collver noted the biggest problem seems to be the departure area. Baggage handling is adequate for now. When people are returning the concessions aren't too important. He inquired about a new building for departures, and using the existing building for arrivals. Mr. Vernich said they hadn't looked at that option, and had not done a separate departure building. He expressed a concern that the airlines may have about left luggage. The airlines would be handling two separate functions. There was further consideration of a possible separate building, and the expense of renovating the existing terminal. Mr. Jones noted the energy cost savings in a new building. Mr. McGrath noted that this building would still have to be supported. Mr. Moshoginis said there is no debt for this building, it would actually be a revenue producer.

There was some discussion about demolishing this building, as well as questions about the relocation of current occupants such as Airport Administration, FAA ATCT. In response to a question, Mr. Moshoginis said it would probably be at least 5 years before the tower would be relocated. Mr. Vernich added that is a complicated issue. In further discussion Mr. Vernich said the tower would stand alone and not serve together with Airport Administration.

Page 53 outlines Summary of Additional Terminal Areas needed for PAL1 and 2, as well as the reasons for the change in square footage. Section 5 is cost item and strategy. Alternative A is \$12 million which is a partial renovation of the existing terminal with no expansion; just bringing the existing building up to code.

Alternative B for \$16 million is for much the same as alternative A, except it would allow for an upgrade to the passenger loading bridges. One can be reused. There is no expansion with this scenario. Alternative C, \$20 million, would include a minor expansion of 7,000 sq. ft. You would still have the same phasing headaches. Alternative D \$24 million would allow for constructing a new terminal with about 70,000 sq. ft. This would be a two story building. It would layout a PAL2 and look at a future relocation of the ARFF building. Mr. Jones said this alternative does provide the size we need. He asked if we need to look at an alternative E and F as Mr. Collver had mentioned. Mr. Vernich said it would not be difficult to look at a PAL1 for a departure terminal, he would also produce information for a larger square footage cost. Mr. Collver said the rental cars and baggage claim are in the appropriate locations. We should at least look at this possibility. There was some consideration of the community and asking them about their needs. Mr. Moshoginis said that was done in the past with task forces. They put together what they thought was a functional building and were

disappointed when the plans were suspended. Ms. Buchholtz-Hiemstra said she was not familiar with the people involved, and they may not be the individuals you need. Mr. Moshoginis explained some of the background of the community task force. There was some consideration of the previous plan from 2003. Mr. McGrath asked about funding. Mr. Vernich explained that RS&H normally go straight to the FAA, if there is an eligibility problem then you have to go to bonds or PFCs. The majority of this should be eligible. Mr. Moshoginis explained the bond portion and entitlement funds. There is the potential for discretionary funding. He added if we don't use the discretionary money it will go to another airport probably Saginaw. The decision goes in steps. The design is one step. PFCs can help pay for the design. Then the design goes to bid and a decision will be made if you want to proceed. It is important to take advantage of the available funds and earmarked funds rather than lose them. Mr. Jones stated we don't want to lose opportunities. We need to get the information and data and get this done. Mr. Moshoginis said the Board can decide, and if more funds become available you can expand when you are into the process. We have a lot of flexibility over time.

Mr. Vernich referred to Table 6-1 on page 60 which is the normal eligibility for the terminal project. Mr. Moshoginis mentioned the Dept. of Homeland Security eligible dollars.

Mr. Jones felt this was a great report. He added it was important to keep other Board members informed of what has been covered so the process isn't slowed or we meet and repeat. Mr. Moshoginis offered to meet with any who had questions. Ms. Buchholtz-Hiemstra added that they need to know what's next. Mr. Collver spoke of members putting trust and confidence in the Board members. They can check with Cliff or a conference call. Mr. Moshoginis said for the sake of expediting; the cost benefits, concepts A – F, cash flow are next in order to indicate what we're looking at. There are 4 cost scenarios. RS&H needs that to produce documents for the next step. There was some discussion concerning cash flow and the FAA. Mr. Moshoginis said we would be evaluating funding from the FAA, bonds and possibly private funding. There are opportunities for sponsorships, and additional types of funding that can be put in place such as a CFC, user fee. Grand Rapids is using that with the rental cars for their new parking ramp.

Mr. McGrath felt the Board needed to be comfortable with the forecasts, and that would dictate what funding is chosen. It should be based on well-founded, accurate forecasts, otherwise, we need to improve this building. Mr. Jones said he felt comfortable with the forecasts. Mr. Moshoginis agreed and felt the numbers were realistic. Mr. Woodruff asked about the Boyd Report. Mr. Moshoginis said he would provide him with a copy. Mr. Vernich noted the census numbers showed population growth of 50,000 people in this area. Mr. McGrath asked about the terminal location. There was some discussion about restriction lines.

In response to a question concerning cash flow, Mr. Vernich said his company has models for that and they rely on former FAA employees who have a very good understanding of that process. There is not much guess work involved. If we did the same exercise with this building, there wouldn't be many eligible changes. Ms. Buchholtz-Hiemstra said that is what the County Board found out with the jail project. Mr. Vernich said when you inconvenience passengers it is a very different perception. He explained that this document will carry you to the benefit cost analysis. Mr. Jones said much of what we need is here, this body needs to make a determination. Mr. Vernich said he can't give the FAA five cost benefits for them to choose from. Mr. Woodruff asked how long it would take to get Alternatives E&F. Mr. Vernich said about a week. Mr. Moshoginis suggested the Board discuss this at the June 13 meeting to get a consensus. Mr. Vernich said after that there will be task holders meetings, and the process becomes more involved. This is the start of a new project, and the process becomes more comfortable as it become more familiar.

The meeting adjourned at 11:05 a.m.