

**ERIE REGIONAL AIRPORT AUTHORITY  
WORK SESSION  
Thursday April 23, 2009**

Minutes of a Work Session of the Erie Regional Airport Authority duly posted and advertised. Held in the Conference Room of the International Trade Center located at 3837 West 20<sup>th</sup> Street in Millcreek Township, Erie County, Pennsylvania.

**The Work Session Opened at 11:32 AM**

**Attendees:**

Lou Porreco	Chris Rodgers	Mitch Kalkhof
Sumner Nichols	Sheilah Bruno	Vinne Halupczybski
Frank Stefano	Ian Bogle	Lori Hetrick
Janet Anderson	Mari Anne Clark	
Namon McWilliams	Michelle Magee	
Lisa Cappabianca	Kim Scharrer	
Dale Roth	Irene Seyler	
Lou Bizzarro	Bob Spaulding	
Don Wright	Georgia Heynes	
Ron Cleaver	Kim Fuller	
Jim Thompson	Ed Kissell	

**Topics of Discussion:**

**Runway Extension Status**

- Acquisition and Demolition- Chris Rodgers reported that we are closing on Lignitech today. The owners of Tri-Penn Tool have found a replacement site since the last Board Meeting. The process for an amicable taking has been started. Mr. Rodgers said he expects to have more information at next month's Board Meeting.  
The one remaining residential property in Zone II is scheduled to close on May 15<sup>th</sup>.  
Mr. Rodgers reported that 54 offers have been made to the owners of the individual mobile home units. Only 15 offers remain. Mr. Rodgers said that the last of the unit is expected to be vacated by July 30<sup>th</sup>.  
Golf Course Transfer- Mr. Rodgers enthusiastically reported that the closing to transfer the golf course is scheduled for Friday April 24<sup>th</sup> at 2:00 PM.
- Plan of Finance- Mr. Rodgers stated that a copy of the model prepared by Jacob's Consultancy was emailed to the full Board on Tuesday. Mr. Rodgers pointed out that the page with Federal Fiscal numbers has been excluded. Only calendar year numbers will be reflected in the report. This will cause less confusion. Mr. Rodgers explained that with Jacob's we are working on the capability to produce some of our other reports that we currently manually prepare. For example, Sheilah's cash forecast.

Being able to do this with this model will increase overall productivity. Mr. Rodgers said that he has a tentative schedule date of May 5<sup>th</sup> for a planning and scoping meeting with dck Worldwide for Work Order #1 under the construction management contract. The first piece under this contract is the construction of the wetland mitigation relocation site. Mr. Rodgers said that the team is looking to hold a work session to allow staff and the Board to have some quality planning time with the team on May 19<sup>th</sup>.

- SMART request- Mr. Rodgers stated that it seems very unlikely that we will be awarded any funding. Nothing has been released publicly yet, but Mr. Rodgers spoke to Senator Earll's office last week and this seems to be the case. We expect an official announcement very soon. Janet Anderson added that she believes the announcement will be within the next 2 weeks. Stimulus Project- Mr. Porreco asked for an update on rescheduling the meeting with the FAA's Eastern Region in New York City. Mr. Rodgers said that the meeting has not been rescheduled yet. He explained that he is working with Eric Madden on the issue. Mr. Madden continues to be one of our biggest advocates in Harrisburg. A webcam conference is being considered. Mr. Rodgers added that he is confident that a meeting of some sort will take place. Namon McWilliams asked what if any impact this will have on the project schedule. Was this money ever built into the plan? Mr. Rodgers explained that it was not. We can accelerate the schedule with this type of supplemental money; not receiving the funding will not impact the schedule negatively.

### **Terminal Tenants Considerations**

Mr. Rodgers reported that the gift shop and restaurant have both seemed to stabilize as our enplanements have increased slightly. Kathy at the restaurant recently discovered an internal accounting problem where she was paying too much tax. She is in the process of fixing it. Once rectified, Kathy feels that she will be in a better financial position each month.

### **Financial Report**

Sheilah Bruno reported a surplus for the month of March of \$31,343. Year to date after debt service we show a deficit of \$7,195. Last year to this point year to date we had a deficit of \$103,000. Ms. Bruno said that compared to budget year to date we are unfavorable \$22,761. Parking concessions are down which is causing most of the reduction in revenue. Mr. Porreco commented that we are really benefiting from our administrative cost controls. Ms. Bruno confirmed.

Vinnie Halupczybski of Malin Bergquist presented a draft copy of the 2008 audit to the Board. Mr. Halupczybski stated that once the Board reviews and approves the draft audit, the audit report will be bound and issued. The audit itself is complete and the opinion is clean.

Mr. Halupczybski briefly explained the purpose of the MD and A. Mr. Porreco asked if there are any significant findings. Mr. Halupczybski said that there were no material weaknesses or deficiencies found. Two minor management comments: 1.) Pertaining to the review and approval of journal entries, CFO Sheilah Bruno reviews and approves all entries made by the Authority accounting staff. On occasion, Ms. Bruno must make journal entries. Once a month the Executive Director should review and approve those entries made by the CFO. 2.) Mr. Halupczybski stated that in light of the current economic and financial environment, it is recommended that Authority consider reviewing the assumption used in determining the benefit obligations of the Authority's pension plan. Mr. Rodgers stated that Ms. Bruno has recently done this. Mr. Porreco commented that he doesn't think there is anyone today who provides a pension plan who doesn't need to review that pension plan. Mr. Halupczybski agreed.

Namon McWilliams asked a question regarding Paragraph 5 on page 17: Mr. Halupczybski explained that the Authority currently has no written formal policy on investments. The Authority has always followed the Municipal Authorities Act and nothing beyond that.

Mr. McWilliams asked a question about risk management on page 24. Mr. Halupczybski explained that the Authority manages risk with purchasing commercial insurance. In regards to unemployment compensation, the Authority is in a PA risk pool where you pay a premium into the pool based on your number of employees. Mr. Halupczybski explained that it is somewhat self-insured because you are funding it along with other municipal authorities sharing the risk as opposed to paying in to the State Unemployment Compensation Fund. The Municipal pool is less than the State pool.

Mr. Halupczybski reviewed the graphs and charts in the audit specifically calling attention to the Authority's reduction in administration costs and administrative cost savings, landside verses airfield costs, reduction in interest expense, increase in capital expenditures, and how the economy affected the airport's operating revenue. Mr. Halupczybski said that overall under these economic circumstances, the airport really did have a good year. Mr. Halupczybski thanked Sheilah, Chris, Kim, and Irene for their assistance with the audit this year. He commented that the Authority has a very good financial team in place. He told the Board that if upon further review, if they had any questions; he and his team are available to meet one on one or by phone or email to discuss.

### **Exercising Call Option on Bonds**

Sumner Nichols reported that our bonds at State Street Bank were sold to US Bank. Mr. Nichols said that he has not heard back from anyone at the bank since our initial contact. Mr. Nichols said that he has also spoken to an investment banker, Nick Falzone. He has not been very responsive. Mr. Nichols said that he is waiting to hear back from Mr. Falzone on the worth of the bonds. We have about 7 years left on the bonds and we pay about \$250,000 a year on them. Mr. Nichols recommended that we talk to Bill Deluca at Erie Bank again. After our first inquiry to Erie Bank, Mr. Deluca offered 70% of prime with a floor of 3. Our economy is so uncertain right now. Mr. Nichols said that he would

like to see Erie Bank put a ceiling of something like 7% on this. Mr. DeLuca is resisting this. Mr. Nichols suggested borrowing the money using the parking lot lease as collateral. This will allow us the flexibility to retire these bonds ahead of schedule. Mr. Nichols said that he wants to talk to Mr. DeLuca again about putting a ceiling on the rate. Another issue is legal limit. Mr. Nichols explained that right now Erie Bank is out to us for 5.5 million. They use a legal limit of 7 million. Erie Bank may be able to participate for some of it and then get another lender involved. Mr. Nichols said that he feels we should pursue this. We would pick up 3% on this. Mr. Porreco said that this is an excellent opportunity. Mr. Porreco suggested that Mr. Nichols and Ms. Bruno sit down and have lunch with Mr. DeLuca soon. Mr. Nichols said that he would like to put this issue up for vote at the next meeting.

### **Bills Payable**

Ms. Bruno pointed out the payment to Bank of New York for bond payment. This will complete our Series A bonds.

Mr. Porreco commented that the Authority spent \$600 to sponsor a table at the Chamber's Celebration of Excellence dinner. Mr. Porreco expressed disappointment that only 2 of the 7 seats were used even though we had commitments from Board members and senior staff to fill the table. This was not merely sponsoring a table at the dinner; it was our opportunity to show our support for the Chamber.

Mr. Porreco asked about the \$212 spent to Quinlan for a PA Criminal Justice Set. Mr. Porreco asked if this is something that the Public Safety Department needs for security or is this criminal justice information that we can get from the Knox Law Firm. Chief Ian Bogle explained that they are actual handbooks for PA Crimes and Vehicle Codes for 2009.

Frank Stefano asked if we locked the rate in with National Fuel for this year. What rate did we lock in at? Mr. Rodgers explained that he is not sure of the rate, but right after we finalized our budget, the opportunity to lock the rate at a lower number became available. Mr. Rodgers said that he and Ms. Bruno will look into it and let the Board know what the rate is.

Regarding the bill from Winston Plumbing, Mr. Stefano commented that \$2,000 to inspect our steam traps seems very high. Chief Bogle explained that the bill was for the main boiler for the terminal building. The boiler has the original pipes and valves. A total of seven valves had to be replaced. Mr. Stefano said that the fee is just for the inspection not replacement of seven valves. Mr. Stefano said that he has done this many times and \$2,000 is still very high. Mr. Rodgers stated that moving forward; the administrative is looking very closely at our plumbing expenses. We are exploring options.

Mr. Stefano asked about the Penelec bill. Our main meter is at \$11,000 again. Ms. Bruno said that this is the carry over from the estimate that was discussed at last month's meeting.

### **Master Tracking List/Activities Report**

Mr. Rodgers pointed out that a previous estimate for Jetway upgrade of a control panel of the middle Jetway was around \$50,000. Due to the high cost, this project is listed on the master tracking spreadsheet as in the planning stages. We are looking into identifying

funding for the project. The unit actually failed a few weeks back. The actual repair costs came in at less than \$5,000. We realized a significant cost savings with the repair. Mr. Rodgers reported that while dealing with this issue, we have discovered that the tires on that Jetway are worn down past the wear limits and pose a safety issue. The tires will need to be replaced. We are looking at a \$6,000 or \$7,000 expense. Still even with the tire replacement, this is a significant amount lower than originally estimated for the panel upgrade.

Mr. Rodgers commended Sheilah, Kim, and Irene for their efforts during the audit. He also commended the auditors from Malin Bergquist who were at the airport performing the audit. Our staff and the staff from Malin Bergquist have a really great working rapport. They are an extension of our staff.

Mr. Rodgers said that efforts are underway to spec the bid for the replacement generator in the maintenance building. The costs associated with the rental for the unit that is over there now has been turned over to our insurance. They are investigating that now as well as the transformer fire issue. Mr. Rodgers said that he hopes to have a settlement on the transformer fire soon. He pointed out that the rental fee for the back up unit is about half the cost monthly of what we originally expected.

### **Air Service Update**

Mr. Rodgers reported that even though March was the best month of the year, we are still seeing the effects of the slow economy. Our year to date traffic is down 10.7% when compared to last year. Things to consider besides the state of the economy: last year was a leap year and Easter was in March last year. Mr. Rodgers said that our April numbers will benefit because Easter was late this year (April 12<sup>th</sup>).

Mr. Rodgers reported that US Air is bringing back regional jet service for 2 of their 3 daily flights to Philadelphia. This increases the seat capacity for these flights. Our landing fee revenue should increase also as a result of the return of jet service.

Mr. Rodgers shared that he visited the new headquarters for CommutAir (our Continental affiliate) in Cleveland on April 3<sup>rd</sup>. Mr. Rodgers said that he got to see the behind the scenes operations. ERI is the only location that CommutAir has a station manager and staff on site. Mr. Rodgers added that CommutAir officials are very pleased with performance here at ERI. In March, CommutAir surpassed US Air in market share.

### **Asbury West**

Mr. Rodgers said that Urban Engineers continues work on our Noise Reuse Plan. We have a submittal date of October 31<sup>st</sup>. Development of this area is contingent on the plan/report findings.

### **Parking Lease Agreement-Republic Parking**

Mr. Nichols reported that Michelle Magee has been working diligently on auditing the long term tickets from July 1<sup>st</sup> of 2008. As a result of Ms. Magee's efforts, we have discovered one ticket that there is no record of. Mr. Nichols said that he just received some more detailed information via email from Republic Parking last evening. Mr.

Nichols put a call in to Republic Parking pertaining to the latest information received and is still waiting for a call back.

Mr. Nichols suggested we really push for the sub-metering. He said that he likes the idea of put the meter in the Republic booth so the tenant can monitor and track their usage. The other option is to put the meter in the Airfield/Ops Building. Mr. Nichols said that he would like to get this done as soon as possible. He estimates that we are losing \$300 to \$400 a month. Based on the estimate that Mr. Nichols obtained, it would cost about \$3,000 to install the meter. Mr. Porreco asked if there was language in the lease committing to the \$100 a month for their electric usage. Mr. Nichols said that it is clear that Republic is responsible for the light and heat in their booths as well as the operation of the gates. The parking lot lighting is the responsibility of the Authority. There is nothing identifying what the Authority can charge for electric. Mr. Nichols said that it was supposed to have been metered, but never was. He suggests upping the monthly charge for electric to \$500 per month from \$100. Mr. Porreco asked that if in the absence of a meter, can the Authority make the decision of what amount to charge monthly for electric? Mr. Porreco suggested setting an arbitrary amount for the monthly electric charge of \$600 or \$700. If Republic thinks that is too high, then let them come back to us. They may offer to pay for the meter or we can at least look at possibly splitting the cost of the meter. Mr. Porreco said that Republic Parking is not going to leave over this and even if they did it would be a windfall for the Authority. We could run the parking lot ourselves if we wanted to and make a lot more money. All of the equipment is ours. If Republic leaves, the equipment stays.

Mr. Stefano stated that he is very concerned that vehicles have the ability to leave the lot after hours, especially with some of the large ticket amounts for vehicles that park for weeks. If someone parks for weeks and doesn't want to pay the parking bill, he or she can just sneak out of the lot after hours when the booth is unmanned by a lot agent. Mr. Rodgers explained that Republic has a pretty good system in place to combat that from happening. License plate numbers from all vehicles left in the lot are recorded nightly. Mr. Rodgers said that when the economy picks up and funding sources can be identified; it might be a good idea to put in an additional lane for the lot as well as a "ticket in/credit card out" machine. Mr. Porreco said that all improvements to the lot are the responsibility of the tenant (Republic). If Republic leaves, all equipment becomes the property of the Authority. Lisa Cappabianca asked how long the current lease with Republic is for. Mr. Rodgers said that the lease is a 20 year lease and will be up in 2019.

### **Wall of Fame**

The Board received a presentation from Georgia Heynes and Kim Fuller. They asked the Board to consider allowing them to honor Major Magee C. Fuller. Major Fuller was Ms. Heynes' uncle and Mr. Fuller's father. He was a decorated Major in the United States Army Air Force and a World War II Prisoner of War. Ms. Heynes said that she understands that the Authority is already honoring 2 individuals in May for 2009. She asked the Board to make a good faith exception in this case. She explained that her mother is in her 90s and is not in the best of health. Ms. Heynes added that it would mean the world to her mother to have Major Fuller (who is her brother) honored on our Wall of Fame. Mr. Porreco asked Mr. Rodgers to put together a "list of achievements"

comparison for Major Fuller and the other honorees and forward it via email to the Board. Mr. Porreco thanked Ms. Heynes and Mr. Fuller for their presentation.

**Resolutions**

Resolution 2009-17- Approval of Updates to the Authority's Procurement Card Program

Resolution 2009-18- Authorize Executive Director and Chief Financial Officer to Act as Trustees for 457 and Pension Plans

**Work Session Adjourned: 1:58 PM**

*The ERAA Board met in an Executive Session immediately following the close of the Work Session.*

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Lou Bizzarro, Secretary