

**ERIE REGIONAL AIRPORT AUTHORITY  
WORK SESSION  
Thursday August 27, 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 11:34 AM**

**Attendees:**

Sumner Nichols	Jennifer Gornall	Michelle Magee
Lou Bizzarro	Chris Rodgers	Irene Seyler
Frank Stefano	Sheilah Bruno	Bob Spaulding
Dale Roth	Ian Bogle	Tyrone Clark
Namon McWilliams	Mari Anne Clark	Maudie Ford
Charley Augustine	Kim Scharrer	Ed Kissel
Janet Anderson	Rick Robie	Paul Wagner

**Topics of Discussion:**

**Runway Extension Status**

Chris Rodgers reported that property acquisition activity continues in the mobile home parks. Mr. Rodgers said that almost all of the units have been vacated and boarded up with the exception of 13 abandoned units that are on the sheriff's tax sale list. All of the other units have already been acquired or there is a closing date scheduled leaving 2 tenants to be relocated. This will be accomplished by September 15<sup>th</sup>. The whole process is really winding down on property acquisition.

Mr. Rodgers reported that an auction date for the inventory and equipment at Builders' Support has been scheduled for October 6, 2009. Charley Augustine asked what happens to the mobile home units that are on the tax sale list. Tyrone Clark explained that the project team is in discussions with the County about acquiring those properties off of the tax roll. Some of the properties (6 of them) are already in judicial status which means that they have not been able to locate the owners and the property has been offered up for sale. Mr. Clark explained that we are asking the County to give us dispensation so we can purchase those properties at a nominal fee prior to the tax sale, an amount less than the amount of the back taxes. We do not want them to go to a tax sale. The tax sale is not until October and we want to start demolition prior to that.

Janet Anderson asked who the team is working with at the County. Mr. Clark said that we have been working with Attorney Knox. Bob Spaulding commented that this is the first he is hearing of this. Mr. Clark explained that the team is working through the legal proceedings first. Ms. Anderson stated that it would be a good idea to keep Mr. Spaulding informed. Mr. Clark stated that he would meet with Mr. Spaulding for a status update and to provide him with a list of property addresses.

Mr. Rodgers gave a status update on the acquired commercial properties: Optimum Coatings is already vacant; Lignitech should be vacant by the end of September; and relocation efforts are already underway for Modular Engineering and Tri Penn Tool. Tri Penn Tool has the option of buying back inventory. That option expires in November. Mr. Rodgers explained that when the transaction to acquire Tri Penn Tool took place, the amount was reduced in anticipation of inventory buy back. We are holding the funds in escrow. If the owner of Tri Penn Tool fails to buy back the inventory, we are still obligated to pay him for it.

Mr. Rodgers reported that a pre-demolition meeting was held this morning. Demolition of the remaining buildings is the next phase. After the grant that pays for the demolition contract is fully executed, demolition can begin. Mr. Rodgers said that demolition is expected to begin next week (September 2<sup>nd</sup>).

Namon McWilliams asked about FAA approval of the accelerated schedule. Mr. McWilliams referenced the Work Session minutes from July 23, 2009 (page 2, paragraph 2). Mr. Rodgers explained that his intent is to give a status update on the accelerated schedule at today's meeting. He explained that the FAA has received and reviewed the accelerated schedule. The FAA approved moving the rehab of the existing runway out into later years. The FAA doesn't approve a schedule with a letter or any type of documentation. We have submitted to the FAA for consideration a Plan of Finance (POF) and a revised schedule. Mr. Rodgers explained that the FAA has approved the revised schedule. We are still discussing more current issues specifically the Part B grant application. This has been the priority. Mr. Rodgers explained that once the Part B process which impacts all of the airports in the region winds down, we will have further discussions with the FAA regarding the associated POF that goes with the accelerated schedule. Mr. Rodgers said that everything still looks really good, but he is not prepared yet nor is the FAA prepared yet to say that this is the schedule that the project is now on.

Mr. Rodgers said that the POF was distributed earlier this week. He noted that as of July 31, 2009 a total of \$18 million has been expended (21.6% of the total project). Mr. Rodgers explained that as follow up to previous County comments, 2 columns have been added to the POF on page #5: "Current Estimate" column and a "Difference" column. This brings in actual numbers. Ms. Anderson said that as previously reported by Mr. Rodgers that land acquisition is just about complete. Mr. Rodgers explained that there are still relocation costs as well as some other costs. Ms. Anderson stated that the POF indicates that we are at 63% for professional services for land acquisition. Are we actually at 100%? We are at 63% spent, but are we at 100% complete? Mr. Clark said that we are not. Ms. Anderson asked how much more do we have? Mr. Rodgers explained that this report is as of July 31, 2009 and there are still remaining land acquisition services with C&S, OR Colon, the Knox Law Firm, Royal Homes and MGC Erie and the costs associated with the upcoming auction. Mr. Rodgers said that we could refer back to Kim Scharrer's grants master list after the meeting to look at the percentage complete numbers. Ms. Anderson added that she can see that we are under-spent, but she would like an idea of how under-spent we are going to be. She asked what is left to do under land acquisition. Mr. Clark explained that we are under-spending for professional

services, but we are not so sure about the hard costs in terms of acquisitions. Mr. Clark further explained that we are not comfortable committing yet because we have issues like we just reported, Tri Penn Tool and the option to purchase the inventory. If we have to buy the inventory, it could cost \$1 million and put us at budget. If Tri Penn Tool chooses to buy the inventory, then we could save something like 90% of that \$1 million.

Mr. Nichols commented that if we buy Tri Penn Tools inventory it could cost us \$1 million, but if we retain the inventory and have to sell it we might only get \$100,000. That is a huge difference. Mr. Clark said that the fair market value is \$1 million or so. Mr. Rodgers said that the inventory would go to auction. Dale Roth said that we can estimate \$0.50 on the dollar at auction. Frank Stefano asked what is there to keep the owners of Tri Penn Tool from coming to auction and buying the inventory themselves. Mr. Clark said that the owners could do that. There is no clause in the sale agreement stating that they can't. Mr. Clark said that the idea is that Tri Penn Tool has the right to take the inventory with them. Mr. Nichols commented that we probably should have spent more on legal services on this one. Attorney Gornall clarified that this is not something we could have negotiated. It is a right under the guidelines of the Federal Relocation Act.

Ms. Anderson said that she is not looking for an exact number here. She is trying to get a sense of the timeframe. If all of the acquisitions are to be completed by the end of September or early October as anticipated then by our October meeting we should have a real number in that column. Mr. Rodgers explained again that there are trailing cost issues. He further explained that the report is a 30 day window. Now at the end of August, we still have additional costs. We don't know what will happen with the inventory at Tri Penn Tool and we have the relocation costs of 2 of the other businesses. From a financial perspective, we are still quite a ways from knowing what the final numbers are. Mr. Rodgers explained that there is still a significant amount of behind the scenes paper work and other services left to do. Sheilah Bruno added that there is still up to 18 months after the close of a sale for trailing costs.

Mr. Nichols asked Mr. Roth to update the Board on the issue of the letter of credit. Mr. Roth reported that the team has had numerous conversations with Millcreek. With Attorney Tim Sennet's assistance, we learned that Millcreek did provide a waiver to Millcreek School District on the storm water system only. Mr. Roth said that he has contacted Brain McGrath on the matter. Mr. Roth would like the Board to take action today and authorize Mr. Rodgers to send a letter to Millcreek requesting a waiver on the security deposit. Mr. Nichols said that the problem with a letter of credit is that it would require \$15 million and our bank only has a legal limit of about \$8 million. We want to try to avoid problems down the road and work through potential problems now. Mr. Nichols asked if zoning was going to be an issue. Mr. Roth said that zoning is not an issue. Mr. Rodgers said that he received a memo from Bruce Clark (as part of his follow up to our meetings with Rick Morris and Millcreek) pertaining to a review of what aspects of the project remain and what amount of security would be needed. The memo states the remaining construction value that needs security. The amount is \$4,617,000. This amount may need a letter of credit. The remaining items don't get turned over to Millcreek until after construction is complete. Mr. Rodgers will forward the memo to the Board following today's meeting.

Mr. Rodgers reported that we submitted our Part B grant application on July 27, 2009. The FAA is in the process of putting the offer together. The amount of the inventory for Tri Penn Tool is not in the application we submitted. We only included the cost of the land and building. We decided that we would put the cost of the Tri Penn inventory in a future grant if necessary. The FAA decided that they would rather have everything related to Tri Penn Tool in one grant. The team had to go back and pull some pieces of our original application out and change some items around to get the inventory cost in the grant. The grant offer that we will receive from the FAA still obligates the entire amount of money that was available to us. It is just slightly changed around a bit. Mr. Rodgers explained that there is no impact to schedule or budget. What isn't in this application can and will be included in a future application.

Mr. Rodgers reported that the team has held several meetings since the last Board Meeting. The team held a meeting with the FAA on July 28, 2009 to discuss NAVAIDS. On July 30, 2009, the team held a teleconference call with the FAA to discuss 30% design completion. The Bureau of Aviation (BOA) participated also. After a 2 hour call, the FAA and the BOA both seemed satisfied with the 30% completion. The team met with Millcreek Township on August 13, 2009 to discuss the Powell Avenue relocation effort. As a result of that meeting, the issues of the traffic light at Oxer Road and a cul de sac on the north side of Marshall Drive at West 12<sup>th</sup> Street were resolved. There was the possibility that the idea of a cul de sac would require significant property acquisition to accomplish what Millcreek wanted. Mr. Rodgers explained that after much discussion, there will be no more property acquisition necessary just an easement or two and a right away swap. We budgeted about \$200,000 for all this and the actual cost is estimated at about \$225,000. This really worked out really well. For about \$25,000 everyone is happy. A tri party agreement meeting on the superfund site was held yesterday. The airport, Millcreek, DEP, and the EPA discussed how the runway extension will impact the superfund site. The Knox Law Firm hosted the meeting here at the ITC. It was a very productive meeting. On September 3, 2009 a coordination meeting is scheduled with PennDOT to discuss the widening of Asbury Road and the work on the railroad bridges. Mr. Rodgers reported that he just learned yesterday that C&S is just about at 50% design completion and is on target for 70% completion goal in October.

### **Terminal Tenant Considerations**

Mr. Rodgers reported that with increased summer traffic at ERI, the restaurant and the gift shop both continue to hold steady. Neither is reporting big numbers, but they are doing okay.

### **Financial Report**

Since she was on vacation during last month's Board Meeting, Sheilah Bruno presented both the June and July financials to the Board. Ms. Bruno reported a net surplus after debt service of \$57,328 for the month of June. Year to date for 2009, we have a net surplus of \$125,484. We had a year to date deficit after debt service of \$79,920 in 2008. Mr. Bruno reported that we are favorable when compared to budget \$10,510 year to date. For the month of July, Ms. Bruno reported a net surplus after debt service of \$36,330. Year to date for 2009, we have a net surplus after debt service of \$161,835. The year to

date deficit after debt service in 2008 was \$55,944. Ms. Bruno reported that when compared to budget year to date, we are favorable \$34,341. She explained that revenues are down, but expenses are down more. We are pretty much on budget. Namon McWilliams asked Ms. Bruno how she thinks we will end up at the end of the year. Ms. Bruno expects that we will end the year on budget unless something unpredictable comes up between now and the end of the year.

### **County Liaison Report**

Charley Augustine reported that ERAA and the County finance people had a really good meeting a few weeks ago. The County presented the Airport with a 12 point letter of issues/concerns. Mr. Augustine said that our staff addressed the concerns in the letter and the County seems satisfied. There is another meeting, a WebEx, scheduled for September 4, 2009.

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

Mr. Nichols explained that he and Sheilah Bruno have really been focusing on refinancing these bonds the past month. The “cloak and dagger” that was going on a month ago with the loan application and the possibility of refinancing the money we drew down a few weeks ago with the Pennsylvania Infrastructure Bank (PIB). Mr. Nichols said that even though he wasn’t the schemer on this one, he had to deal with the issue. He reported that he spoke to Bill Deluca at Erie Bank and explained that we might be able to borrow this money at 1.5% and we are paying 4 point something right now. Mr. Nichols said that Mr. Deluca obviously understood that we would have to go with the lower rate if we could. Mr. Nichols explained that we have some sort of penalty if we prepaid this. It is associated with moving the accounts which of course we won’t do. Mr. Nichols said that he is having great fun with Mr. Deluca since we have \$5 or \$6 million in the bank. We are really working it and we have to because for security on the loan they want a junior position to what they have now. At this point, that is fine because who knows what will happen with the other deal. Mr. Nichols said that we are pretty sure that the loan will come through, but we don’t know for sure and this is the simplest way to proceed. We wanted to make sure that they would back off on their security if we go to the Infrastructure Bank and just fall back on what the bonds have which is primarily the parking lease. Mr. Nichols explained that Mr. Deluca squawked about this for a while and we have a letter that isn’t perfect, but we are pretty much where we are now on that. We sent out a notice to the bond holders saying that we are refunding as of October 1, 2009 and we would be paying off the bonds then. Mr. Nichols said that this is not a mandatory call; we could cancel it if we have to. Mr. Nichols said that obviously the most important thing here is the PIB loan and we don’t want Erie Bank situation to cause a headache here. We don’t know yet when the closing is going to be on the PIB loan. We have this as far as we are going to get it and it looks like everything is going to work. Mr. Nichols explained that once we get these bonds paid off we are beholden to Erie Bank and we can be much more flexible in our operations. We won’t have the bond covenants to deal with.

### **Bills Payable**

Mr. McWilliams asked what our deadline for paying bills is; do we have a 30 day turn around? Ms. Bruno explained that we pay bills once a month with Board approval. Ms. Bruno explained that she lists on her cash forecasts bills to be paid prior to the Board Meeting (these types of bills include instances where we receive a discount for early payment or for utilities that are due before a Board Meeting). Mr. McWilliams asked if we meet the deadlines for paying our bills on time. Ms. Bruno answered that we always do.

Mr. Stefano pointed out that the Penelec bill for the ITC is down to \$276. Where is the electric bill for the terminal building? Irene Seyler explained that the terminal bill was estimated so we are waiting for a re-bill.

Ms. Anderson asked when the new generator will be up and running so we can stop paying the rental fee. Mr. Rodgers explained that the equipment has been ordered. We expect the equipment in September. Once the equipment is received we will schedule the install.

Mr. Nichols commented that our bill paying practices are very impressive. Mr. Rodgers agreed. He added that we do not appear on anyone else's aged payables list. A fact he attributes to the airport's very efficient finance team.

### **Activities Report**

Mr. Rodgers pointed out that several of the items listed on our tracking list are addressed today in some of the resolutions being presented for Board consideration today. One item not on the planning list is the yet to be scheduled meeting with the BOA to discuss the airport's future 12 year planning needs. This is something that happens every fall. Mr. Rodgers said that budget preparations are also starting. Staff expects to have a draft for Board review at the October Board Meeting. Mr. Rodgers said that staff expects to have the final budget before the Board at the November Board Meeting so we aren't waiting until the last minute to get the 2010 General Operating Budget approved by the Board.

Mr. Rodgers reported that the maintenance generator is expected to be installed and running sometime in September so we can return the rented generator in September also.

Mr. Rodgers reported that it is our intent to go out for bid for the HVAC project and have something in front of the Board at the October Board Meeting.

Mr. Rodgers explained that the 4160 Splices work is being presented to the Board today in a resolution. Mr. Stefano said that he spoke to Rick Robie recently about thermographics. It is his recommendation that the Board authorize Mr. Rodgers to have our electric thermographically surveyed as preventative maintenance. This is standard operating procedure for most companies. Mr. Stefano said that he is having his entire plant done for a little over \$1,000. He expects the cost for the airport would be a bit more due to the distance between wires and the 4160 splices. Mr. Stefano said that there is a

local company that does thermographics as well as a company in Cleveland. Mr. Rodgers said that Rick Robie will obtain 3 telephone bids and proceed from there. He thanked Mr. Stefano for the recommendation.

Mr. Rodgers said that Urban Engineers came out recently and took a look at the Oil Separator. Based on Urban's site work and review, this is going to require some additional budget to pay for the project. Mr. Rodgers said that he has not yet identified any expanded funding sources. Mr. Rodgers hopes to have something to report to the Board on this matter at next month's Board Meeting.

Mr. McWilliams asked for follow up on the Hangar 20 issue. Did legal counsel review the lease yet? What did counsel determine? Mr. Rodgers explained that counsel did review the lease and as suspected it is the obligation of the tenant to comply with all FAA rules and regulations. To clarify, Mr. Rodgers said that it is the financial responsibility of the Hangar 20 individuals to do what is necessary to be in compliance regarding the turf taxiway issue that resulted from this year's FAA Part 139 annual inspection. Mr. Rodgers said he expects to schedule a meeting with representatives of Hangar 20 in the very near future to discuss.

#### **Air Service Update**

Mr. Rodgers reported that July was the best month that ERI has had in 23 months, since August 2007. Enplanements were 8.9% better than July 2008. Mr. Rodgers said that ERI's 8.9% increase for the month compares to a 5.8% decline for Pittsburgh and a decline of 12.3% for Cleveland. The year to date traffic decline is now off just -6.9%. Pittsburgh's year to date decline is -10.3% and Cleveland's is -16.4%. Continental and Norwest/Delta both reported increases in boardings; an increase of 23.1% for Continental and 17.6% for Northwest/Delta. Northwest/Delta continues to lead all carriers with 49.2% of the market share and a 90% load factor.

Mr. Rodgers reported that the current high load factor trend will subside after Labor Day; however, the current very low fares will lessen the usual fall drop in traffic. Off-peak capacity reductions this fall will have a negative impact, although 4<sup>th</sup> quarter 2008 traffic was off significantly due to the economic crisis which began in September 2008, thereby providing us better comparables this fall.

#### **Asbury West**

Mr. Rodgers reported that Urban continues to work on our Noise Reuse Plan. We expect to submit the plan on schedule (end of October). Future development plans are on hold until we have the results of our Noise Reuse Plan.

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

Mr. Nichols reported that just before last month's meeting he sent Republic Parking an email. He said that he received a response from Republic but has not had a lot of time to really review it because the bond refinancing issue/Erie Bank letter took priority this month. In briefly reviewing Republic's response, Mr. Nichols said that they seem willing to pay \$660 per month as of September 1, 2009 until they are able to install a meter, but squawking at any attempt to collect prior to that. With the credit card charges are talking

about an even bigger amount. In the email response, Republic referenced Resolution 1997-20. Mr. Nichols asked Michelle Magee to dig out this resolution and email to him for review. Mr. Nichols said that he would reflect on the matter and prepare a response to Republic.

Mr. Stefano asked what type of meter. He said that he would like to know what type of meter. The type of meter can make a difference. There can be quite a few fees associated with the bill. If we only charge by the kilowatt, we won't be able to recoup a lot of these fees.

Mr. McWilliams asked when the Republic Parking lease expires and why would it be a disadvantage to run the parking lot ourselves. Mr. Rodgers explained that it is a 20 year lease that does not expire until June 30, 2019. Mr. Rodgers further explained that the cost to run a parking lot centers around the cost of the personnel and staffing. We would have to hire a staff to work in the booth as well as someone to manage them and all of the associated administrative costs. Mr. Stefano suggested we look at installing an automated system like in most European cities and several large cities around the country (TICO-Ticket In Card Out). Mr. Nichols said that he plans to look into this. Mr. Roth suggested that Mr. Nichols talk to Ray Massing.

### **Wall of Fame**

Michelle Magee reported that she is currently working with Mr. Scolio to gather more information on Jack Siegel per Mr. Porreco's instruction at the last Board Meeting. Mr. Nichols added that he is working with Attorney Will Schaaf's son to gather more information on Atty. Schaaf's military career.

### **Resolutions**

Resolution 2009-31 Approval of Work Order #11-Program Management

This resolution was withdrawn at the beginning of the Work Session due to the last minute changes to the grant offer. Resolution 2009-32 now becomes 2009-31. The remaining resolutions being presented today will all be renumbered accordingly.

Resolution 2009-31- Acceptance of PIB Loan for Generator

Resolution 2009-32- Authorize Executive Director to Execute Necessary Documents for Contract for 4160 Splices Work

Mr. Rodgers explained that the funding source for this work is the 75/25 State Grant for Terminal Improvements. We will be covering 25% until PFCs can be applied.

Resolution 2009-33- Authorize Executive Director to Enter into Agreement with Eltech for Access Control Updates

Mr. Rodgers explained that it seems that we can use the same grant for this work; the full 75% should be covered by unutilized grant funds. We do not have to go out for bid because of the COSTARS program. The local 25% will be a future PFC project just as the 4160 splices.

Resolution 2009-34- Acceptance of Erie Bank Bond Refunding Commitment Letter  
Mr. Rodgers stated for the record that this letter is in no way connected to the Runway Construction Account. Ms. Anderson asked if this has been discussed with the County. Mr. Rodgers said that he has had numerous conversations with Bob Spaulding, but nothing beyond Mr. Spaulding. Mr. Rodgers said that the resolution being presented to the Board today authorizes the Executive Director to take steps to proceed. At that point, Sheilah Bruno will communicate this information officially to the County. Mr. Rodgers and Ms. Bruno both explained that this information was not received until late yesterday.

Resolution 2009-35- Acceptance of Change Order #2- Lehman Property Demo  
Mr. Rodgers explained that the resolution presented today accomplishes the demolition of the Lehman Building and the last remaining block structure at Orchard Park as well as the removal of asbestos and the tanks. Mr. Stefano asked if any remediation would be necessary. Mr. Rodgers explained that remediation is not necessary. Weber Murphy Fox is the CM on this.

Resolution 2009-36- Acceptance of Grant Offer  
The amount of the grant is \$6,322,532.

#### **Other**

Mr. Roth suggested that the Board pass a resolution today authorizing Mr. Rodgers to enter into an agreement with Urban Engineers that hires Urban to review the design drawings for the runway project/Powell Avenue design when they are 50% complete and again when they are 70-75% complete. Mr. Roth said that he already discussed this with George Willis of Urban. The not to exceed amount should be \$10,000 (\$5,000 maximum for each review-50% and 70%). Mr. Roth said that he knows we have a contract with dck, but he feels it would be more appropriate for Urban to do the review at this phase. It would be very beneficial to have an engineering set of eyes take a look at this and Urban knows airline regulations and FAA regulations. The Board agreed.

Mr. Rodgers stated that Urban is already our on-call engineer. He explained that in order for Urban's costs to be absorbed in to the contract, we would not spend the money on the dck contract. We would simply reduce dck's scope and budget and do the equivalent with Urban. Mr. Rodgers explained that in order for a new contractor to be brought in an Independent Fee Estimate (IFE) would have to be completed. This would be at a nominal fee.

The Board asked Attorney Gornall to prepare a resolution that authorizes the Executive Director to execute necessary documents to hire Urban Engineers to provide a review of the runway extension plan drawings at 50% completion and at 70% completion at a total cost not to exceed \$10,000.00. This will be Resolution 2009-37.

**Work Session Adjourned: 12:58 PM**

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Lou Bizzarro, Secretary

