



ALBANY COUNTY AIRPORT AUTHORITY
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finance committee
ACAA
APPROVED
2/21/08

**Minutes of the Finance Committee Meeting
 of the Albany County Airport Authority
 December 3, 2007**

Pursuant to notice duly given and posted, the Finance Committee meeting of the Albany County Airport Authority was called to order on Monday, December 3, 2007 @ 4:40 PM in the 3rd Floor Conference Room located in the Main Terminal at the Albany International Airport by Finance Committee Chair Daniel M. Sleasman with the following present:

MEMBERS PRESENT

Daniel M. Sleasman, Chair Finance Committee
 Elliott Saw
 David E. Langdon, Chair, ACAA

MEMBERS ABSENT

None

STAFF

John A. O'Donnell
 J. Dwight Hadley
 Peter F. Stuto

Margaret Herrmann
 Ginger Olthoff
 Doug Myers

ATTENDEES

Guy Nagahama, DEPFA First Albany Securities
 Susan Schmelzer, DEPFA First Albany Securities

Finance Committee Chair Sleasman noted that there was a quorum.

1. Approval of Minutes: March 5, 2007

Mr. Sleasman moved to approve the minutes of the October 25, 2007 meeting. The motion was adopted unanimously.

DAVID E. LANGDON, CHAIR

RICHARD J. SHERWOOD, VICE CHAIR

HENRY E. DENNIS, JR.

DANIEL M. SLEASMAN

JOHN A. GRAZIANO, JR.

ELLIOTT A. SHAW

DORSEY M. WHITEHEAD

JOHN A. O'DONNELL, CHIEF EXECUTIVE OFFICER

2. Airport Operating Budget for the Year 2008

Mr. Hadley distributed and reviewed an Operating Budget Summary outlining changes made to the Preliminary Budget which was reviewed on October 25, 2007. Mr. Hadley stated that all of the changes made to the budget since that time are miniscule in terms of the overall budget. The budget reflects no changes to the airline Rates and Charges from 2007 but has reduced the cost per enplanement from \$7.88 to \$7.05. Mr. Hadley also stated that the budget does include the changes that will result from the Series 1997 bond refunding.

Mr. Sleasman stated he was pleased with the decrease in the cost per enplanement, as the Authority has had a goal to reduce the cost per enplanement down to the \$7.00 mark.

Mr. Hadley stated that the budget was extremely tight and would require diligence on the part of AvPorts, Million Air and the Authority to control costs throughout the year, particularly in light of the fact that revenues were not expected to increase during the year. He also cautioned that there were several factors that could effect the budget, i.e., possible future airline mergers, possible airline flight losses due to higher fuel costs, expansion of the international market, use of airline profits for new aircraft rather than expansion of service, and the impact of Stewart Airport to the south and Plattsburgh Airport to the north.

Mr. Langdon stated that it appeared that the Airport was currently being impacted by the growth at Stewart.

Mr. Sleasman inquired as to the status of airline bankruptcies. Mr. Hadley stated that all of the airlines who filed bankruptcy were through the process and a few have paid of their debts, while a few airlines have paid and continue to pay with airline shares. Mr. Hadley stated that the value of the stock received is much lower than the actual airline receivables.

Mr. Shaw referred to page 14 of the budget which showed a variation from budget in overtime for 2007 yet the amount in the line item for overtime in the 2008 budget has been cut in half. Mr. Hadley stated that AvPorts has developed a program to hopefully reduce overtime for 2008.

Mr. O'Donnell stated that he has met with the managers from AvPorts and Million Air to discuss reductions in overtime. Authority staff will be closely monitoring and implementing controls on overtime during the year for both AvPorts and Million Air.

Mr. Shaw inquired as to what was driving the 23% increase in health care costs. Mr. Hadley stated that this was a normal, across the board increase; however, Million Air did recently complete union negotiations whereby Million Air employees will switch over to the union health insurance program which is more costly.

Mr. Shaw moved to recommend adoption of the final Operating Budget for 2008, as presented to the full Board at the December 5, 2007 meeting.

3. **Approval of the Tenth Supplemental Resolution and Authorize Authority Staff to Proceed with a Public Competitive Sale of Variable Rate Airport Revenue Bonds, Series 2007, in an amount not to exceed \$100,000,000 to Finance the Refunding of the Series 1997 Bonds and to Execute the 2005 Swaption; The Resolution Replaces the Tenth Supplemental Resolution Adopted November 5, 2007; Approval of a Resolution Authorizing the Chief Financial Officer to Take Actions Necessary to Extend the Start Date of a Certain Swap Agreement and to Extend the Forward Insurance Commitment Related Thereto**

Mr. Hadley distributed a revised agenda item requesting approval of the following: Approval of the Tenth Supplemental Resolution and Authorize Authority Staff to Proceed with a Public Competitive Sale of Variable Rate Airport Revenue Bonds, Series 2007, in an amount not to exceed \$100,000,000 to Finance the Refunding of the Series 1997 Bonds and to Execute the 2005 Swaption; Approval of The Resolution Replacing the Tenth Supplemental Resolution Adopted November 5, 2007; Approval of a Resolution Authorizing the Chief Financial Officer to Take Actions Necessary to Extend the Start Date of a Certain Swap Agreement and to Extend the Forward Insurance Commitment Related Thereto.

Mr. Hadley stated that the Finance Committee and Authority Board previously approved proceeding with termination of the Swaption at an approximate pay-off value of \$6.6 to \$7 million and the issuance of fixed rate bonds. However, as of November 30, 2007, the termination value has increased to over \$9 million.

Mr. Sleasman inquired as to what had changed in the market. Mr. Nagahama distributed and reviewed a memorandum from DEPPFA First Albany Securities LLC reporting on the current market conditions as follows:

“The credit ratings downgrade of several structured financial products that contain sub-prime residential mortgages, primarily collateralized debt obligations and other asset backed securities, has led to substantial declines in the market value of these securities. Over the summer, especially in August, the concern about the credit quality in the sub-prime mortgage sector caused liquidity to dry up across all credit markets. While these credit concerns abated somewhat in September and October, financial institutions took substantial write-downs related to sub-prime and other credit related losses in the recent round of quarterly financial reporting. In addition, there is growing expectations of additional substantial write-downs in the current quarter. The ongoing credit concerns related to the sub-prime sector has led to investor flight to quality over the last few weeks. As a result, the Treasury and swap markets have substantially out-performed the market for conventional tax-exempt bonds. In addition, there is developing concern that some of this sub-prime spillover may begin to negatively impact triple-A bond insurers.

These bond insurers, who have insured over 60% of all long-term tax-exempt new issuance in recent years, also provide credit enhancement for certain sub-prime securities and themselves may own large positions in sub-prime collateralized debt obligations.

We are seeing widening credit spreads of long-term tax-exempt interest rates. Buyers are putting more value on highly-rated underlying credits. In the past several weeks, three large airport AMT issuers have postponed bond sales because of concerns with widening credit spreads. As compared to earlier this year, insured long-term non-AMT credit spreads have widened out by 10 bps to 15 bps while AMT credit spreads have widened by 30 bps to 40 bps – more so for lower rated underlying credits. It is more likely that these index levels will trend upwards before credit spreads begin to narrow.”

Mr. Hadley reviewed “Schedule D – Swaption Goes Live/Issue Variable Rate Refunding Bonds.”

Mr. Sleasman inquired as to whether there was a specific dynamic that has changed the risk level since the initial approval was given. Mr. Nagahama stated that nothing had changed on the Swaption side; however, there has been a change on the fixed rate side; whereby, the rates have substantially increased for long-term debt. The increased rates has thereby increased the Swaption payout from \$6 million to over \$9 million.

Ms. Schmelzer stated that in the future, should fixed interest rates become more favorable, there would be the option to refund the bonds at a fixed rate.

Mr. Langdon inquired as to what the options were for moving forward. Mr. Hadley stated that bids were due in tomorrow on the fixed rate bond issue. If a bid is accepted the Authority would be required to pay over \$9 million to terminate the Swaption (up from \$6 million, as previously authorized); or the Authority could extend the Swaption from December 15th to February 1st and authorize a variable rate refunding issuance of bonds on February 1st (the Swap would go live).

Mr. Langdon inquired as to any costs associated with extending the Swaption to February 1st. Mr. Nagahama stated that it would cost approximately \$140,000 which would be amortized over 17 years.

Mr. Langdon inquired as to whether it was staff recommendation to extend the Swaption and issue variable rate bonds. Mr. Hadley stated that it was.

Mr. Sleasman moved to recommend to the full Board that the resolution adopted at the November 3rd meeting be revoked and replaced with the staff newly recommended action presented to the Finance Committee at this meeting. The motion was adopted unanimously.

There being no further business, the meeting was adjourned at 5:30 PM.

Respectfully Submitted,

Daniel M. Sleasman, Finance Committee Chair



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FINANCE COMMITTEE MEETING

AGENDA

December 3, 2007

1. **Approval of Minutes: October 25, 2007**
2. **Airport Operating Budget for the Year 2008**

DAVID E. LANGDON, CHAIR

RICHARD J. SHERWOOD, VICE CHAIR

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