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**Minutes of the Finance and Administration
 Committee Meeting
 of the Albany County Airport Authority**

ACAA - Finance Committee
APPROVED
2/23/09

November 24, 2008

Pursuant to notice duly given and posted, the Finance Committee meeting of the Albany County Airport Authority was called to order on Monday, November 24, 2008 at 11:01 am in the Administration Building, 2nd Floor Conference Room, located 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 A. Shaw
 Richard J. Sherwood
 David E. Langdon, ACAA Chair

MEMBERS ABSENT

None

STAFF

John A. O'Donnell
 William O'Reilly
 Peter Stuto
 Doug Myers
 Margaret Herrmann
 Ginger Olthoff

ATTENDEES

None

1. Approval of Minutes: September 5, 2008

Mr. Sherwood moved to approve the September 5, 2008 minutes. The motion was unanimously adopted.

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. 2009 Airport Operating Budget

Mr. O'Reilly reviewed the Draft Operating Budget Plan Summary dated November 24, 2008. He noted that there was a calculation error in the operating budget summary. He stated this will be corrected and a revised summary will be resubmitted.

Mr. O'Reilly reviewed the adjustments to revenues and expenses made to the 2009 Preliminary Budget since it was released in September. He stated that since September, the Airline Affairs Committee had met to review the budget and solicit their input.

Finance Committee Chair Sleasman referred to the decrease in T-Hangar revenues and inquired as to whether the market for T-Hangar rental had become tougher. Mr. O'Reilly stated that it had. Mr. O'Reilly also stated that there was also a calculation adjustment in the preliminary budget. Mr. Sleasman inquired as to whether there were currently vacancies. Mr. O'Reilly stated that there were.

Mr. O'Donnell stated that 25 out of 40 bays were leased at this time leaving 15 vacancies. He stated that the rates have recently been lowered to attract new tenants. He also stated that the Authority was holding a reception on December 4th from 5-7 pm for General Aviation tenants, pilots and peer groups in order to attract new tenants.

Mr. Sleasman requested that a note be included in the summary to reflect that the decrease in revenue was not totally due to the calculation adjustment but was also due to the fact that there was a 30% vacancy rate. Mr. Sherwood agreed with Mr. Sleasman. Mr. O'Reilly agreed to add said note.

Mr. O'Reilly reviewed the Rates and Charges Summary which provided a historical outline of landing fees. He noted that the landing fee for 2009 was \$2.38. He compared this to the landing fees for 2004 and 2005 which were \$2.56 and \$2.54, respectively.

Mr. O'Reilly also stated that the Airline Affairs Committee had questioned why the signatory landing fee increased significantly when the landed weights were only off by 5%. He stated that, as required by the Airline Use and Lease Agreement, 100% of interest earnings are to be allocated to landing fees and, as a result, the landing fee is sensitive to market interest rates the Authority receives on its cash available for investment.

ACAA Chair Langdon inquired as to whether this has always been the case. Mr. O'Reilly stated that this has been the case since the first Airline Use and Lease Agreement.

Mr. Sleasman inquired as to the increase in debt service. Mr. O'Reilly stated that all but the series 2008A bonds are at a fixed rate; however, the \$83 million Series 2008A bond represents the majority of the Authority's debt. Significant variations in the actual interest payments on this bond can cause a shortfall in the debt service coverage ratio coverage. The 2009 budget assumes 2008A debt service will cost 30 basis points more than the intended fixed rate which would provide a cushion of approximately \$230,000.

Mr. O'Reilly reviewed the Airfield Signatory Airline Costs and Credits per 1,000 lbs. of Landed Weight chart and the Signatory Airline Landing Fee by Major Component & FBO chart. He noted that the decline in interest earnings has had a negative effect on the landing fee.

Mr. O'Reilly stated that the Airline Affairs Committee also had a question as to whether the FBO was a drag on the landing fee. He stated that the model should be improved to make it more profitable.

Mr. Langdon inquired as to why the model should be changed. Mr. O'Reilly stated that the FBO fees and revenues are slightly less than the expenses they incur, i.e., the into-plane fees charged is low and will be adjusted upward. A glycol recovery fee is also going to be put into effect and will help the landing fee.

Mr. Langdon inquired as to how the landing fee surcharge of \$.08 was set. Mr. O'Reilly stated that was instituted to cover debt service incurred by Albany County prior to the Authority taking over.

Mr. Langdon inquired as to why the costs for snow removal supplies and contracts were so low in the 2008 budget. Mr. O'Reilly stated that there were snow removal supplies left over from the previous season, as well as a decrease in contract services utilized for snow removal.

Mr. O'Reilly stated that an RFP was issued in August for snow removal services. He stated that there was a guaranteed minimum of \$60,000 included in the contract to ensure equipment will be onsite and services will be carried out.

Mr. O'Reilly also stated that costs for snow removal supplies have increased dramatically this season, i.e., there is a shortage of potassium acetate which has resulted in the FAA approving the use of another product. As a result, quotes are being solicited for the new product.

Mr. O'Donnell stated that potassium acetate was made in Canada and there was a strike that resulted in the company not being able to manufacture enough product for the winter season. As a result, the FAA has approved four or five additional products which will be reviewed and tested for compatibility with the glycol recovery system. Mr. O'Reilly stated that the supplier has also made an offer to provide training to staff so that the appropriate amount of product is being used.

Mr. O'Reilly stated that there were several areas where the budget was sensitive to changes, i.e., debt service, aircraft landed weights, and operating costs.

Mr. O'Reilly reported that he has been having ongoing discussions with the Airport's financial consultant, Jacobs Consultancy, regarding the depiction of the Swaption in the 2009 budget as deferred revenue which has reduced recorded interest expenses thus increasing revenue sharing by \$400,000 of which one-half would be shared with the airlines. However, GASB Statement #53 is very clear that the monies received as a result of the Swaption should be depicted as a loan rather than deferred revenue.

After review, Jacobs Consultancy has agreed that the Swaption monies received should be considered as a loan rather than deferred revenue and reallocation of debt service and adjustment of bond issuance costs (should be 25% of what it currently is) will be made. Jacobs has also recommended increasing car rental revenues. With all of these changes being made, Jacobs Consultancy will certify the 2009 Budget/Rates and Charges.

Mr. O'Reilly also reported that we will move forward with Jacobs Consultancy on the application to increase Passenger Facility Charges (PFC) from \$3.00 to \$4.50 which will help with debt service coverage in 2010. He stated that an analysis will be prepared for the Board in order to determine how to best apply the increased PFC revenue.

Mr. Langdon inquired as to what the major challenges were for 2009 and how they should be handled.

Mr. O'Reilly stated that keeping costs down would be the major challenge for 2009. In this regard, staff reductions will continue, where possible, and AvPorts and Million Air will be asked to continue looking at ways to reduce operating costs. He stated that another area of concern is the debt coverage ratio; however, as previously noted, the proposed PFC increase will provide added debt service coverage in 2010. He stated that landed weights and enplanements will also be monitored closely.

Mr. Langdon requested a 1-2 page narrative tracing the history of Airport debt be prepared. Mr. O'Reilly agreed to provide this narrative.

Mr. Langdon inquired as to the status of Eclipse Aviation possible bankruptcy. Mr. O'Donnell stated that Eclipse will be put on notice, as they have missed their October payment.

Mr. Langdon inquired as to the basics of the original financing plan for the Eclipse facility. Mr. O'Donnell stated that there was a NYS grant in the amount of \$1.5 million and the Airport issued \$4.5 million in bonds for construction of the facility. The total annual payment due from Eclipse is \$320,000 for a period of 20 years. Mr. O'Donnell stated that the debt service on the bonds was slightly more than the lease payments.

Mr. Sleasman inquired as to why the debt service was not included in the base rent. Mr. O'Donnell stated that he would have to review the lease.

Mr. Sleasman referred to the fact that Eclipse' employees had been sent home last week due to the fact that Eclipse could not make payroll for the week. He inquired as to whether the employees had since been paid. Mr. O'Donnell stated that they had been paid and were back to work. Mr. O'Donnell also stated that he had been advised by Eclipse representatives that they have "no intention of going out of business." Mr. O'Donnell went on to state that Eclipse will be contacted regarding past due payments.

Mr. Langdon referred to the lease agreement with Eclipse and inquired as to what was included in the contract regarding past due payments. Mr. Stuto stated that there was a 30-day cure period in the lease.

Mr. Langdon requested that staff contact Gainesville to determine if they are getting paid by Eclipse. Mr. Langdon also requested that Eclipse be contacted and advised that the Board was very, very concerned, in that the Airport Authority had extended itself on behalf of Eclipse, and was not amenable to being the last in line to get paid.

Mr. Sleasman stated that the Airport Authority should be very aggressive in this regard, particularly since this project was funded with NYS Grant money and the Authority could be subject to a great deal of public criticism.

Mr. Sleasman referred to the proposed increase in PFCs and inquired as to what fees were being charged at similar airports. Mr. O'Reilly stated that most similar airports were at the \$4.50 rate. Albany is one of the few airports at the \$3.00 rate.

Mr. Shaw stated that there were many areas of the budget that are outside of the control of the Airport Authority, i.e., interest rates, fuel prices, etc. and there are areas that are within the Authority's control, i.e., parking rates, car rental rates, etc. He stated that we need to be certain that expenses are being managed as well as possible down to the very last item. He requested that a summary be provided outlining specifically what is being done in this regard.

Mr. O'Reilly stated that there are several areas where reductions have been made, i.e., a reduction of two Sheriff's from the budget, a reduction in the Albany County Convention & Visitor's Bureau budget, and travel expenses and subscriptions/memberships have been greatly reduced. He stated that he would include a list of specific actions that have been taken in the Budget Plan Summary.

Mr. O'Donnell stated that for the first time, a much more aggressive approach was taken in preparing the 2009 budget which reflects a reduction in enplanements and landed weights. There are other ways to change the model of the Airport in the future should enplanements continue to decrease during 2009/2010, i.e., the Economy Lot can be closed, attrition can be used to reduce staffing levels further. However, as the economy worsens, the more likely it becomes that the workers will not move on to other jobs and using attrition to reduce costs becomes ineffective.

Mr. O'Donnell stated that there was an area that was currently being reviewed regarding the use of potassium acetate to deice the runways. He stated that due to a strike in Canada, potassium acetate costs were higher than ever. As a result, a request was made of the FAA to provide additional products that could be used and the FAA did issue a memo outlining additional products that could be used. He stated that bids are being taken for the new product which will be tested for compatibility in an effort to reduce costs.

Mr. O'Reilly stated that there were other measures that could be taken such as elimination of the Art & Culture Program and post-employment benefits.