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ACAA Finance Committee
APPROVED
11/24/08

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

September 5, 2008

Pursuant to notice duly given and posted, the Finance Committee meeting of the Albany County Airport Authority was called to order on Friday, September 5, 2008 at 10:00 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
 Richard J. Sherwood
 David E. Langdon, ACAA Chair

MEMBERS ABSENT

Elliott A. Shaw

STAFF

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

ATTENDEES

None

1. Approval of Minutes

1.1 Finance & Administration Committee: February 21, 2008

Mr. Sherwood moved to approve the February 21, 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. Status of 2008 Budget Performance and 2009 Preliminary Budget

Chair Sleasman stated that the Finance Committee was meeting to get to know Mr. O'Reilly, the recently appointed Chief Financial Officer and also to review any possible adjustments to the 2008 budget due to trends and reports received at recent meetings.

Chair Sleasman welcomed Mr. O'Reilly and requested a status report on the 2008 Budget Performance.

Mr. O'Reilly stated that since the last ACAA meeting in August, more information has been received and another month of operating results are in. He also stated that the 2009 Preliminary Budget would be distributed to ACAA members in the week following.

Mr. O'Reilly referred to and reviewed his memo on the Status of 2008 Budget Performance and 2009 Preliminary Budget which had also been distributed to Finance Committee members prior to this meeting.

Mr. O'Reilly stated that the financials did not incorporate an adjustment to the final Rates and Charges to the airlines, timing differences and the seasonality of when items actually occur. He noted that the results of the financial performance for July 31st reveals improvement over the June 30th results which were reported to the Board. He also pointed out that it is projected that at the end of the year, the rates charged to the airlines will be adjusted from \$1.89 to \$2.44. He stated that it might be prudent to consider adjusting the rates prior to the end of the year so that the adjusted rates can be collected from both the Signatory and Non-Signatory airlines. Once the year ends, the Airport cannot go back and collect the adjusted rates from the Non-Signatory airlines. He stated that it would be to the advantage of the Signatory airlines to adjust the rates and collect the revenue at this time.

Chair Langdon inquired if it was legal to change the rates now. Mr. O'Reilly stated that under the Use and Lease Agreement the rates can be changed if there is more than a 10% variance or by any resolution adopted by the Authority Board.

Chair Langdon inquired as to whether changing the rates would result in a loss of any Non-Signatory airlines.

Mr. Sleasman stated that this could become a good will issue, as he would not want to do anything that might negatively effect the possibility of American Eagle or American Airlines restoring service at Albany in the future.

Mr. O'Donnell stated that the airlines are aware of the agreements they have signed and they do know their rates nationally. He stated that he has been advised by airline representatives that they would like the Airport to do everything they can short of cutting staff. He stated that he will present the possibility of changing the rates now, as well as other plans to increase revenues and cut costs to the Airline Affairs Committee which will be meeting in late October, early November to review the 2009 Preliminary Budget.

Mr. Sherwood pointed out no one would be singled out especially since the national trend is leaning towards increased revenues and cost cutting measures.

Mr. O'Donnell stated that he believed that although the airlines were still in contraction mode, there are some signs of improvement, i.e., the arrival of Cape Air, US Airways was adding flights, the anticipated addition of a flight to Fort Lauderdale by Southwest Airlines, the airlines were all no longer facing bankruptcy, and fuel prices were beginning to decline.

Mr. Sleasman inquired as to whether Mr. O'Donnell sensed that the worst may be behind us over the short-term. Mr. O'Donnell stated that it may.

Chair Langdon inquired as to whether the rates would be adjusted further based on any additional cost savings from now until the end of the year. Mr. O'Reilly stated that the cost savings measures have been identified and included in the calculation of the rates.

Chair Langdon inquired as to whether the rates would come down if a proposed parking rate increase were put into effect before the end of the year. Mr. O'Reilly stated that the rates would be recalculated based on any additional revenue received through the end of the year.

Chair Langdon inquired as to whether the end of the year rates calculation has always been a positive number shared with the airlines. Mr. O'Donnell stated that sharing has occurred in all but one year, i.e., in 2003, the airlines had to pay approximately \$500,000.

Chair Langdon inquired as to whether the percentage charged to the Signatory and Non-Signatory was roughly the same. Mr. O'Donnell stated it was not.

Chair Langdon inquired as to whether we had looked at other airports' experiences in this regard. Mr. O'Donnell stated that we had not. Mr. O'Reilly stated that it was very difficult to compare to other airports, as our agreement was based on a different model; however, he did discuss this with our consultant who indicated that our cost-per-enplanement (CPE) was on the high side.

Mr. O'Donnell stated that the CPE was on the high side but this was due to the fact that we follow a different model in that this includes cost for all utilities, cleaning, maintenance, FIDS and data transmission, and curbside security. He noted that these types of services are not generally included in other airport's CPE, i.e., Syracuse Airport manages the front of the building, the airfield and concessions and the airlines are responsible for the concourses including maintenance, cleaning, utilities, etc. This results in a much lower CPE than ours. Mr. O'Donnell stated that the models do vary but the Airport took on much of the cost burden of the entire infrastructure in order to ensure the facility was maintained in top-notch fashion.

Finance Chair Sleasman inquired as to how the numbers for the rate adjustment were derived. Mr. O'Reilly stated that projections were made from June to the end of the year based on current year-to-date experience through June 30 factoring in historical trends from prior years. Anticipated changes were also factored in using the usual method of extrapolation of historical data. He noted that monthly results can be a limited view and can vary from the full year's actual results.

Mr. O'Reilly stated that if the rates were adjusted, the Signatory airlines did not necessarily have to be billed the new rate immediately but we will bill the Non-Signatory airlines to ensure receipt of the adjusted rate. The Signatories could then pay at the end of the year in the year-end settlement.

Mr. O'Reilly stated that there were other options, as well, such as eliminating the discount rates in the long term lot and parking garage. However, the amounts indicated for potential increased parking revenue do not factor in potential changes in customer parking behavior in response to the rate increase. He also stated that the discount could remain and a modest increase in the rates could be considered.

Chair Langdon stated that he would be in favor of eliminating only one of the discount rates rather than both.

Mr. O'Donnell stated that he and Mr. O'Reilly would like to consider keeping the model we currently have but raise the rates across the board by a percentage in order to soften the impact on passengers.

Mr. Sleasman inquired as to what the estimated increase in revenues would be for a 5% increase across the board. Mr. O'Reilly stated that it would be an increase of approximately \$600,000 per year.

Ms. Herrmann requested the percentage increase be rounded to result in an even dollar amount.

Chair Langdon inquired as to Albany's parking rates as compared to other airports. Mr. O'Donnell stated that we were lower than most. He stated that a comparison to other airports would be prepared and presented to the Board.

Mr. Sleasman inquired as to the rates at Stewart Airport. Mr. O'Donnell stated that Stewart's rates were higher.

Chair Langdon requested a presentation on two options: a proposed percentage increase and the elimination of one of the discounted days.

Mr. O'Donnell then referred to the 2009 Preliminary Budget stating that measures have already gone into effect in preparation of next year's budget.

He outlined the following measures:

1. **"Soft" Hiring Freeze:** Only those positions that are absolutely necessary will be filled. Currently AvPorts was at 16 positions below budget, the Authority was 1 position below budget and Million Air was 2 positions below budget. Every position was being reviewed in an effort to reduce staff and associated costs.

2. **Albany County Sheriff's Department:** A request was made to the Sheriff's Department to reduce their budget. As a result, the Sheriff's Department submitted a proposal to eliminate two positions this year. Unfortunately, the savings will be minimal, as funds must be budgeted now for future health insurance costs for employees upon retirement. This will, in effect, zero out any funds realized from the reduction of two positions. Further reductions in staff may be considered; however, with the reduction of two positions, staffing levels compare favorably against other airports this size.
3. **Albany County Convention & Visitor's Bureau (ACCVB):** A request was made to the ACCVB, who provides Information Desk services, to reduce their budget. As a result, the ACCVB did reduce their budget by \$7,000 for 2009.

Mr. O'Donnell stated that all departments are reviewing their operating costs and it is anticipated that there will be more reductions going forward, i.e., energy savings.

Chair Langdon referred to costs related to security and urged staff to do whatever they can to bring to the attention of Congress the fact that the substantial costs to the Airport in providing enhanced security levels due to 9-11 are costs that the Airport should not have to bear. He stated that given that the Airport has no control over the Transportation Security Administration and their mandates and due to these difficult financial times, Congress should provide funding to the Airport for increased security costs. He recommended the Airport join with the various associations to lobby Congress and the Senate to provide compensation for these very significant costs to the Airport.

Mr. Sleasman encouraged staff to continue to take measures toward utilizing alternative energy sources.

Mr. O'Donnell stated that discussion were currently underway with the New York Power Authority and New York State Energy Research and Development Authority regarding use of digester gases (methane) from the glycol system being converted to create methane energy. Two options are being discussed, i.e., taking the methane through a turbine which is proven technology or taking the methane through a hydrogen fuel cell which is still in developmental stages.

Mr. O'Donnell referred to Mr. O'Reilly who was going to make a presentation on the financial strength of the Airport and growth in net assets.

Mr. O'Reilly stated that he wanted to provide an update on the cash position of the Airport. He stated that in the future he will be providing this information to the Board on a monthly basis beginning in October.

Mr. O'Reilly stated that the Airport has cash balances of approximately \$39 million, some of which are set aside for debt service, capital expenditures and also are from unspent bond proceeds.