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AIRPORTS BOARD MEETING MINUTES
OF JULY 15, 2010

The print media was notified in accordance with the State Freedom of Information Act.

The regularly scheduled meeting of the Beaufort County Airports Board was held at 1:30 PM on Thursday, July 15, 2010 in the Council Chambers of the Beaufort County Government Center. Chairman Pete Buchanan called the meeting to order.

It was moved by Mr. Kerr, seconded by Mr. Sanders, that the agenda for the July 15, 2010 meeting be accepted. The vote was: FOR – Mr. Mazzei, Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Gilbert. ABSENT (at time of motion) – Mr. Law. The motion passed.

It was moved by Mr. Dopp, seconded by Mr. Gilbert, that the minutes for the June 10, 2010 meeting be accepted. The vote was: FOR – Mr. Mazzei, Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Gilbert. ABSENT (at time of motion) – Mr. Law. The motion passed.

GUEST INTRODUCTIONS – Guests attending the meeting introduced themselves.

(Note: At this time there was no connection with the Hilton Head Island Library.)

MEMBERS PRESENT

Pete Buchanan – Chairman
Jared Newman – Vice Chairman
Councilman Rick Caporale – Beaufort County Liaison
Will Dopp
Joseph Mazzei
Joe Zimmerman
Derek Gilbert
Graham Kerr
Leonard Law
Ross Sanders

STAFF

Paul Andres – Airport Director
Larry Yeager – Chief of Operations
Joel Phillips – Beaufort Co. Airport Supv.
Linda Wright – Admin. Asst.

GUESTS

Councilman Steve Baer
Councilman Bill McBride
Councilman Paul Sommerville
Bill Coleman – Resident

MEMBERS ABSENT

Councilman Ken Heitzke – Town of Hilton Head Liaison
Paul Jorgensen
Noel Duncan

PUBLIC COMMENTS – There were no public comments at this time.

BEAUFORT COUNTY AIRPORT REPORT

1. Fuel Sales: Joel Phillips

- The total fuel sales for June were 7,103 gallons (4,584 gallons of AvGas and 2,519 gallons of jet fuel). There were 1,110 total operations. The average fuel price in the region is currently \$5.04. The Beaufort County Airport price is \$4.73 for AvGas, \$4.58 for self-serve and \$4.63 for jet fuel.

Mr. Kerr asked why there are approximately 15 assorted fuel trucks at the Airport. Mr. Phillips stated the old fuel trucks have not yet gone to the auction yard or sold, whichever is decided by the County. He stated it will probably take 30 to 45 days for any disposition.

(Note: At approximately 1:38 p.m. the connection with the Hilton Head Island Library was restored and guests were introduced. There were no public comments from the library.)

HILTON HEAD ISLAND AIRPORT REPORT

1. Tower Report: Paul Andres

For the month of June 2010 there were 3,884 total flight operations of which 2,121 were conducted under IFR procedures.

2. Projects: Paul Andres

- Tree Obstruction Removal – The on-Airport portion of this project is currently out for bid. The bids are due July 29, 2010.
- ARFF Station and Runway Safety Area Drainage Improvements – The foundation work is being finished for the ARFF station. The appropriate materials submittals are being submitted for review by the engineer and architect. The eagle's nest is scheduled for removal on July 22nd. Mr. Andres stated they are continuing to work with the Town staff on resolving some of the issues on replanting.

Mr. Dopp stated there are a lot of things in motion that have to do with the tree obstructions. He stated there is currently an RFQ that is due July 29th, a noise study from 2005, a new noise study and Councilman Rodman's study on the trees. Mr. Dopp wanted to know if any of these items would impact the tree obstruction removal project. Mr. Andres stated there is a lot going on, but they are proceeding ahead with what needs to be done in accordance with the Town's approved LMO. He stated the RFQ deadline is July 29th, but there is a 120 day bid acceptance period after the bids are due. Mr. Andres stated that once they receive the bids they will provide this information to the FAA to secure appropriate Federal funding for the project. He stated that the FAA will then issue a grant which will be forwarded to County Council for their acceptance. Mr. Andres stated there are different things that can occur in this process which he cannot predict, but that the Chairman of the County Council and the County Administrator are working very closely with the Town regarding the additional noise study that has been requested. There is also an RFQ out to select an arborist to work on this project. Mr. Dopp wanted to know if the time of the year has any impact on the actual removal of trees. Mr. Andres stated it would only impact the replanting.

- Hilton Head Master Plan – There was a joint session of the Town Council and the County Council on Monday July 12, 2010. Approximately 40 citizens spoke at the meeting. At the conclusion of the meeting the Councils passed a resolution that endorsed Alternative No. 2 of the Master Plan which recommends a phased expansion of the runway providing the consultants provide them with some additional runway length options. Another joint session will be held to present the answers.
- Design Projects –The passenger terminal design renovations and the commercial terminal ramp improvements are still on hold pending the results of the Master Plan.

Mr. Dopp asked that Mr. Andres explain the additional runway options. Mr. Andres stated both Councils wanted the consultants to look at the options for a 4,600', 5,000' and 5,400' runway lengths as well as the costs and potential impacts both on and off Airport property.

3. Operations Report: Chief Yeager
 - For the month of June 2010 there were 13 medivacs.
4. Noise Complaints & Traffic Counters: Chief Yeager
 - There were 5 complaints from Port Royal Plantation concerning overflights of a bi-plane due to deviation instructions from the control tower.
 - The after hours traffic count was initially 78, but this has been changed to 92 due to an oversight in documentation.

BEAUFORT COUNTY AIRPORT REPORT - Continued

2. Projects: Paul Andres
 - Tree Obstruction Removal – Mr. Andres stated they are still waiting for the FAA's determination on the SCE&G power poles.
 - Master Plan – The consultant is working on some of the remaining portions of the plan. Mr. Andres stated he is still waiting to hear from the consultant as to when they will make their presentation to a joint meeting with City and County Councils.
 - Runway Overlay and Airfield Electrical Improvements Projects – Both of these projects are complete.

Mr. Zimmerman wanted to know if the Board would be notified when the joint meeting would be held on the Master Plan. Mr. Andres stated the Board members will be notified and that there would be notices in the paper as well.

Mr. Newman wanted to know if SCE&G has committed to removing 11 of the 13 poles and if the remaining poles would be lighted. Mr. Andres stated SCE&G

plans to remove 10 of the 13 obstructions and they are still waiting on a determination from the FAA on lighting for the remaining 3 poles. Mr. Andres stated this project is not scheduled until Fall so there is still time for the FAA to make a determination.

COMMITTEE REPORTS

1. Lady's Island Airport Operations: Graham Kerr

- Mr. Kerr stated he did not have a report, but wanted to ask a question of the Councilmen. He stated he is responsible for airport matters North of the Broad and that he has concerns about the noise of the incoming F-35B and the increase of frequency of operations. He stated the Chamber of Commerce stated the Military Enhancement Committee has had the lead on the introduction of the F-35B with the local governments. Mr. Kerr asked any of the Councilmen in attendance to comment on the coordination between that committee and the local governments. Councilman Sommerville stated there is another committee that has been formed besides the MEC, but he could not remember the name of the committee. He stated the Military Enhancement Committee has been ongoing for years and that he represents Beaufort County Council on this committee. Mr. Kerr stated it appears the introduction of the F-35B into this County, along with the increase of approximately 44,029 operations per year will have significant environmental impacts on the County for the next 35 to 40 years. Councilman Sommerville stated he was not sure what Mr. Kerr's question has to do with the Airports Board, but he would be glad to answer his question outside of the Board meeting. Mr. Kerr stated this is an airport North of the Broad which will have a big impact on Beaufort. Councilman Sommerville stated he did not believe this was an appropriate question for this forum. Mr. Buchanan concurred. Mr. Newman agreed and added that this is a question that should be asked of Councilman Sommerville when he is serving in his capacity at a MEC or County Council meeting.

2. Hilton Head Island Airport Operations: Will Dopp

- Air traffic at the Hilton Head Island Airport for the first six months are up slightly by 2% and the passenger count is up 12% for the same time period last year. The revenue for the FBO, Signature Flight Support, has generated \$2,031,000.00 for the first six months of 2010 and \$1,767,000.00 for the same time period last year for an increase of 15%. Fuel sales for the first six months were \$273,000.00 which is down approximately 10,000 gallons over last year. The County's share of the revenue generated by the FBO for the first six months of 2010 was \$59,526.00 versus \$39,739.00 for the same time period last year. Signature Flight Support did take a substantial credit last year which is reflected in the lower amount last year. Mr. Dopp stated that even though the revenues are up almost 50%, this is still less than 3% of the total revenues. He stated that in addition to the \$59,526.00 received by the County from the FBO the hangar rents net approximately \$9,750.00 a month plus ground rent amounting to \$3,700.00 per month.

Mr. Dopp stated that Mesaba, the contract carrier for Delta to Atlanta, was sold for \$62,000,000.00 to Pinnacle. Pinnacle will continue to operate as Mesaba for the remainder of the contract. Mr. Dopp stated that Pinnacle has 202 regional

jets, 57 of which are the CRJ-900 and the remaining 145 aircraft are the 50 passenger Bombardiers. They also have 80 turbo props (14 Q400 and 66 Saab 340). He stated that Pinnacle has ordered 15 new Q400 Next Generation aircraft with delivery starting next month. Mr. Dopp stated that while no changes are expected we do know that the Saab will be retired next year probably after the Spring season.

Mr. Buchanan stated that general aviation includes all types of aircraft other than commercial aircraft. He wanted to know if there is any way to determine how many of the general aviation aircraft are in a business category. Mr. Dopp stated he does not currently have the answer, but he and Mr. Zimmerman have been working with the control tower manager, Bill Baird, to get this information. Mr. Buchanan stated this would only involve IFR aircraft. Mr. Dopp stated that most business jets would fly IFR. Mr. Buchanan concurred, but stated that light aircraft also fly IFR and would therefore be included in the count. Mr. Buchanan stated there may not be a way to sort this out.

Mr. Buchanan stated there appears to be more activity at the Airport, but less fuel sales. Mr. Mazzei stated people, including himself, are buying their fuel elsewhere because Signature Flight Support charges too much for the fuel at the Hilton Head Island Airport.

Councilman Baer stated that if you look at the 2006 Noise Study Report, Table 5.2 shows the breakdown of major aircraft categories. He stated that several months ago a request was made at either the Public Facilities or Finance meeting to update this information. He added that he was certain the County Council would support this effort. Mr. Zimmerman stated the South Carolina Aeronautics website shows the total IFR broken down by aircraft for 2009 for the Hilton Head Island Airport. Mr. Andres stated the IFR data tracks all the information on the aircraft that arrive under Instrument Flight Rules. He stated that it is recorded by the tower and reported to the FAA. The FAA then reports the information to the State where Mr. Zimmerman is getting the information. Mr. Andres stated the VFR traffic is simply recorded as to quantity, not type of aircraft. He stated that what Councilman Baer was referring to in the Noise Study is that the consultant had a number of people sit in the control tower to record every operation that occurred. Mr. Buchanan suggested this information be used first and then adjust accordingly. Mr. Mazzei stated some small lightweight aircraft are also used for business. He asked what the purpose is of this study. Mr. Buchanan stated they need to know who the customers are that use the Airport since the fuel sales are going down. Mr. Mazzei stated it is because Signature Flight Support charges more for fuel than the surrounding area. Mr. Kerr stated that if you look at the total operations for Hilton Head Island Airport and then subtract the corporate aircraft you would probably have a good handle on the VFR operations. He also stated the main profit of the fuel revenue comes from the aircraft that require a lot of jet fuel which are primarily corporate jets which means the corporate jets purchase more fuel than the light aircraft.

UNFINISHED BUSINESS

1. Aircraft Hangars (Rental Rate/Sell): Joe Zimmerman
 - Mr. Zimmerman stated the committee consisted of himself, Mr. Dopp, Mr. Gilbert and Mr. Mazzei. He stated they looked at various cash flow scenarios and had various discussions. He stated that there is one very important issue on whether to sell the hangars or not and that is the Signature Flight Support management fee of 25% which they retain from the revenue generated for administering the hangar rental business. Mr. Zimmerman stated they had been informed that Signature's rights will be terminated if the hangars are sold to a third party. Since this amounts to approximately \$40,000.00 in 2010, Mr. Zimmerman stated the committee would like to have a formal written opinion from the County Attorney as to whether Signature's management agreement will be terminated if the hangars are sold as explained in the ad-hoc letter (see Attachment A). Mr. Buchanan stated that he agrees with getting the legal opinion, but wanted to know if the committee will determine a price for the hangars once this opinion is received. Mr. Mazzei stated Signature Flight Support is not going to walk away lightly from the \$300,000.00 they were planning on when they purchased these assets from the previous FBO. He stated the committee decided this is why they need a legal opinion that this agreement can be terminated and, if so, will the Airport/County prevail in the event of a lawsuit. Mr. Buchanan stated the previous Airport Director offered the 25% management fee to the previous FBO in lieu of the hangars they (the FBO) wanted to build. Mr. Newman stated that in regards to the sale of the hangars, the legal term would be "frustration of purpose" which means the right to collect rent would be gone if the hangars are sold. He stated this is something the County Attorney could handle.

It was moved by Mr. Newman, seconded by Mr. Kerr, that the letter drafted by the ad-hoc committee concerning the sale of the hangars be forwarded to the County Attorney for a legal opinion.

Mr. Mazzei stated he informed Mr. Andres and the ad-hoc committee that he had approached Mike Bennett of Signature Flight Support concerning this study and that Mr. Bennett indicated that Signature Flight Support would be willing to renegotiate the management fee in exchange for extending the duration of the agreement.

The vote was: FOR – Mr. Mazzei, Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Gilbert, Mr. Law. The motion passed.

3. Lady's Island Airport Hangar Rent (2.5% Increase and Equalization of Rent Rates)
 - Mr. Dopp stated a motion had been tabled at the June meeting since Mr. Phillips was not in attendance. Mr. Newman stated he has a problem with the only differences being an electrical door versus a mechanical door. He feels that the mechanical door is far superior because it still works when the electricity is out. Therefore, he did not feel that the hangars with the older mechanical doors should be \$50.00 less in rent fees. Mr. Phillips stated the older hangars were constructed in 1988 and the newer hangars were constructed in 2004. He stated the actual maintenance and upkeep cost of the newer hangars equals the difference in price. Mr. Phillips stated they are constantly adjusting doors and replacing parts on the

newer hangars whereas the older hangars only require greasing the rollers every year or two. Mr. Kerr stated the newer hangars are much easier to use. Mr. Newman did not agree and added that all hangar tenants should share equally in the cost of hangar maintenance. Mr. Phillips stated that in his opinion the tenants in the older hangars would not agree that they should help in the cost of the maintenance of the newer hangars. Mr. Newman wanted to know if Mr. Phillips thought the tenants in the older hangars would move out if the rent was raised. Mr. Phillips stated he did not know for sure, but they may lose a few. Mr. Newman still felt that all tenants should pay the same amount. Mr. Dopp wanted to know if they could raise the rent in two stages rather than doing it all at once. Mr. Newman felt it was best to do this all at once. Mr. Buchanan stated that other property such as cars and houses are taxed at different rates. Mr. Newman still disagreed. Mr. Kerr stated if you rent a car with more features you are going to pay more. Mr. Newman stated the tenants are not receiving any benefits by being in a newer hangar, but the new hangars are costing the Airport more in maintenance. Mr. Mazzei stated the rates at Hilton Head are nearly 100% higher and they just raised their rent by 2.5% so he felt they could certainly raise the rent on the two types of hangars at Lady's Island. Mr. Mazzei asked if new tenants have the option of either the manual or electric hangar. Mr. Phillips stated they do not; it is on a first come first served basis. He stated there are 24 newer hangars and 10 of the old hangars. Mr. Phillips stated he feels the current rates compare with other airports of the same size and type. Mr. Sanders called for a vote on the tabled motion.

The tabled motion was to equalize the hangar rental rates at the Lady's Island Airport to \$252.00 thereby increasing the older hangars from \$210.00 to \$252.00 and not raising the rates on the newer hangars. The vote was: FOR – Mr. Mazzei, Mr. Dopp, Mr. Zimmerman, Mr. Newman, Mr. Law. AGAINST – Mr. Kerr, Mr. Duncan, Mr. Gilbert. ABSTAINED – Mr. Buchanan, Mr. Sanders. The motion passed.

Mr. Dopp asked if the motion to raise the rents at the Hilton Head Island Airport has moved forward. Mr. Andres stated he was waiting on a decision concerning the hangar rents at the Lady's Island Airport in order to combine them into one presentation to Council Committee.

4. Aircraft Property Taxes (Not an Agenda Item): Paul Andres

- Mr. Andres stated that at the June meeting the Board had recommended that Council Committee and County Council consider lowering the aircraft property tax rate from 10.5% to 6%. Mr. Andres' question was whether the Board still wanted this item to move forward given the current situation concerning taxes. Mr. Dopp stated that issues of collection and approved rates are two separate and distinct items. He stated their recommendation was made on the basis of fairness that all personal property within Beaufort County be taxed at the same rate. Mr. Dopp stated that whether this is collected or not is a separate issue. Mr. Sanders stated this motion passed unanimously and should move forward. The other members concurred. Mr. Buchanan stated someone could make a motion to remove the recommendation. There was no motion.

Councilman Caporale asked when was the last time the rental rates at the Lady's

Island Airport were increased. Mr. Andres stated the rates were increased at both Airports by 5% last year. Councilman Caporale asked why the same 5% was not applied this year. Mr. Andres stated that when the Hilton Head Island Airport hangars were built the County Council decided to establish the rental rates. He stated that part of that rental rate discussion was to establish an initial rate and then the Council wanted a 5% increase every year. Mr. Andres stated this was applied to both Airports that year and then another discussion was held to allow the Airports Board to recommend the rental increases for the hangars. He continued by stating that this was the first time the Board had made a recommendation of 2.5% at Hilton Head Island Airport and no increase at Lady's Island Airport. Councilman Caporale asked if it is correct that the manual door hangars at Lady's Island were built in 1988. Mr. Buchanan stated this was correct. Councilman Caporale wanted to know then if anyone recalled a rent increase prior to last year's increase. Mr. Phillips stated the initial rental rate for the Lady's Island Airport was \$100.00 per month. Mr. Dopp stated that part of the 2.5% increase this year at Hilton Head was due to the fact that this was the first year tenants are paying a real estate tax on the hangars. Mr. Zimmerman added that this decision was also market based to keep the Airport in line with surrounding airports.

NEW BUSINESS

1. Sea Breeze Airways Proposal: Pete Buchanan
 - Mr. Buchanan stated this topic is not really about a proposal. He stated he received a letter from Sea Breeze and they are not asking for anything. He stated the letter only tells what the owner wants to do, but he did not submit a proposal. Mr. Buchanan stated an older drawing has been marked up where they would like to put a hangar. Mr. Buchanan stated he is turning the letter over to the Airport Administration. He added that the gentlemen has stated several times that he wants to build a hangar at the Hilton Head Island Airport, but has never followed through. Mr. Buchanan also stated the letter mentions they have a Part 135 that is based at the Hilton Head Island Airport and it needs to be investigated as to whether they have a business license. Mr. Andres stated he will check to see if they have an operating agreement with the Airport. Mr. Buchanan stated he would send Sea Breeze a letter letting them know that he has forwarded the letter on to the proper authorities.

PUBLIC COMMENTS

1. Councilman Baer – Councilman Baer wanted to know if there is space at Hilton Head for Sea Breeze to build a hangar or was this space given away to Coin Toss to build a hangar. He also wanted to know if Coin Toss is still intending to build a hangar and, if not, is there an expiration date on the right to build. Mr. Andres stated that several years ago the gentlemen at Sea Breeze had proposed to build a hangar where the new ARFF station is being constructed. Mr. Andres stated he would share this information with the Master Plan consultant to see if they believe there is adequate space to accommodate this hangar and if it makes good sense. He also stated that as far as he knows Coin Toss' plans to build a hangar are still moving forward. Mr. Andres added that one of the previous issues with Sea Breeze was that the owner wanted the Airport to pay \$300,000.00 to build a connecting taxiway to his hangar which the Airport could not do. Councilman Baer

wanted to know if the Coin Toss contract has an expiration date. Mr. Andres stated he does not know. He stated the County Attorney has signed off on the contract and they are waiting on it to come back from Coin Toss.

FUTURE MEETINGS

The next meeting of the Airports Board will be held on Thursday, August 19, 2010 at 1:30 PM in the County Council Chambers of the Beaufort County Government Center.

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at approximately 3:00 PM.

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