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**AIRPORTS BOARD MEETING MINUTES**  
**OF NOVEMBER 18, 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, November 18, 2010 in the Council Chambers of the Beaufort County Government Center. Chairman Pete Buchanan called the meeting to order.

**It was moved by Mr. Sanders, seconded by Mr. Gilbert, that the agenda for the November 18, 2010 meeting be accepted with an amendment to add Sea Breeze Airways to New Business as requested by Mr. Dopp. The vote was: FOR – Mr. Jorgensen, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Sanders, Mr. Newman, Mr. Kerr, Mr. Gilbert. ABSENT – Mr. Mazzei and Mr. Law. The motion passed.**

**It was moved by Mr. Dopp, seconded by Mr. Kerr that the minutes for the October 21, 2010 meeting be accepted. The vote was: FOR –Mr. Jorgensen, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Sanders, Mr. Newman, Mr. Kerr, Mr. Gilbert. ABSENT – Mr. Mazzei and Mr. Law. The motion passed.**

**GUEST INTRODUCTIONS** – Guests attending the meeting introduced themselves.

**MEMBERS PRESENT**

Pete Buchanan – Chairman  
Jared Newman – Vice Chairman  
Councilman Rick Caporale – Beaufort County Liaison  
Will Dopp  
Joe Zimmerman  
Derek Gilbert  
Graham Kerr  
Paul Jorgensen  
Ross Sanders

**MEMBERS ABSENT**

Councilman Ken Heitzke – Town of Hilton Head Liaison  
Joseph Mazzei  
Leonard Law

**STAFF**

Paul Andres – Airport Director  
Joel Phillips – Beaufort Co. Airport Supv.  
Linda Wright – Admin. Asst.

**GUESTS**

Councilman Bill McBride  
Councilman Paul Sommerville  
Alicia Holland – Financial Analyst  
Judy Elder – Talbert & Bright  
Tom Barton – Island Packet  
Bill Coleman – Resident  
John Morrisette – Resident

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

## HILTON HEAD ISLAND AIRPORT REPORT

1. Tower Report: Paul Andres
  - For the month of October 2010 there were 3,605 total flight operations of which 1,917 were conducted under IFR procedures. The total operations are up approximately 375 from the previous month. Delta suspended services effective November 1<sup>st</sup> and they have indicated they will not be returning in the spring.
2. Projects: Paul Andres
  - Tree Obstruction Removal – The next appeal to the Hilton Head Island Board of Zoning Appeals is scheduled for December 13<sup>th</sup> at 11:00 a.m. in Town Council Chambers.
  - ARFF Station – The new fire station is approximately 70% complete. The contractor is finishing installing the roof and when this is completed they will start all of the interior finish work in the building.
  - Runway Safety Area Drainage Improvements – On November 5<sup>th</sup>, Mr. Andres, the consultant, the County Engineer and the County Stormwater Manager met with the Town's staff to discuss their desires regarding water quality issues pertaining to the drainage improvement project and the tree obstruction removal project on Airport property. The conclusion was that they wanted the consultant to identify an appropriate water quality plant that can be planted on Airport property to help reduce any pollutants. The consultant is currently working with a specialist to see if there are any plants that will be acceptable to the FAA, the County and the Town.
  - Hilton Head Master Plan – The consultant is finishing the grammatical corrections in the report and they anticipate having it ready for submission to the FAA for their review by the end of the month.
  - Design Projects –The commercial apron expansion joints and the commercial terminal improvements are still on hold, but hopefully will resume shortly with the new consultants.

Mr. Zimmerman wanted to know if they could start planning now to provide copies of the finished Master Plan for the Board members. Mr. Andres stated this could be done.

3. Operations Report: Paul Andres for Chief Yeager
  - For the month of October 2010 there were 5 medivacs . There was 1 minor accident on the taxiway when two general aviation aircraft were preparing to takeoff. One aircraft was holding short while the other one was "S" turning to keep visual and clipped the other aircraft's wingtip with his propeller. The FAA flight standards investigator responded to take statements and file a report. There was no disruption in operations.
4. Noise Complaints & Traffic Counters: Paul Andres for Chief Yeager
  - For the month of October 2010 there were 2 noise complaints; 1 from Hilton Head Plantation and 1 in Port Royal Plantation. Both complaints were due to

general aviation aircraft overflights.

- For the month of October 2010 the after hours traffic count was 295.

Mr. Dopp suggested that in the future the Board members only receive the first page of the Tower Report as there is no need to see older data. Mr. Buchanan asked if there were any objections to Mr. Dopp's suggestion and there were none.

## **BEAUFORT COUNTY AIRPORT REPORT**

### **1. Fuel Sales: Joel Phillips**

- For the month of October 2010 there were a total of 1,562 operations. The total flow of fuel was 10,503 (5,812 gallons of AvGas and 4,691 gallons of jet fuel) which was almost double for the same time period last year.

Mr. Newman wanted to know if giving Mr. Phillips the authority to adjust fuel prices was part of the reason for the higher fuel sales. Mr. Phillips stated this has helped, but they watch the market and buy fuel when the price is low.

### **2. Projects: Paul Andres**

- Tree Obstruction Removal – Mr. Andres stated he has been in contact with SCE&G officials recently in order to resolve utility pole issues. He stated they will need to schedule another meeting with staff and SCE&G officials to find out their intentions because the letter of determination they received from the FAA indicates that the majority of the power poles are obstructions and need to be lowered, removed or marked with obstruction lights. Mr. Andres stated there is a large variance in the allowable height on a couple of the poles. Their original plans to lower some of the lines may not be possible because they may need to be lowered even further. Mr. Buchanan wanted to know if the current glide slope is 20:1 or 34:1. Mr. Phillips stated it is greater than 20:1 due to the obstructions, but not 34:1. Mr. Andres stated the PAPI lights have been turned off and cannot be certified because of the obstructions. He added that the FAA has reiterated their position that they ultimately want the approach slope cleared to 34:1 which will require addressing several hundred more of trees. Mr. Newman wanted to know if there was any discussion to move the threshold out towards the marsh if the runway were to be expanded. Mr. Andres stated this is not in the Master Plan. He stated any expansion would be to the North, but there would not be any relocation of the southern threshold. Mr. Newman wanted to know if there was a relocation would this change some of the obstructions. Mr. Andres stated it could.
- Master Plan – The consultant is proceeding forward with the Master Plan by producing draft Alternatives Development and Environmental Chapters which have been reviewed. Numerous comments and revisions have been sent back to the consultant. The first revision of the ALP drawing set has been made and the consultant has sent it back for a second review. Once this is finalized the consultant will complete the work on the Financial Feasibility Plan and schedule a joint meeting of County Council and City of Beaufort Council for presentation of the final Master Plan. Mr. Dopp wanted to know if the Board would see the final

revisions before they get to the joint session. Mr. Andres stated they could probably schedule this for a Board meeting before going to the joint presentation, but he would have to coordinate it with the County Administrator. Mr. Andres stated that within the Scope of Work they have one more public presentation so it is possible that any additional trips would require additional funding. Mr. Dopp wanted to know if the Board is considered part of the public. Mr. Andres stated this is correct. Mr. Buchanan stated that some of the Board members that are in the Airport frequently have looked at the plan and have made corrections and suggestions so it is not void of Board input. Mr. Dopp stated the last time the Board as a whole saw anything was over a year ago. Mr. Andres stated part of that was because the County Administrator had put the plan on hold for a considerable amount of time.

## COMMITTEE REPORTS

1. Lady's Island Airport Operations: Graham Kerr – No Report.
2. Hilton Head Island Airport Operations: Will Dopp
  - The airline passenger totals are up approximately 13% over 2009 and aircraft movements are up by approximately 5%.
  - The FBO revenues have been up consistently by approximately 8% for the first 10 months of 2010. The County's share of those revenues has increased because there was a 20% increase in the fuel fee starting in January 2010. The fuel sales are down approximately 6% compared to the same time period for 2009.
  - Republic Parking has reached \$100,000.00 in revenues therefore the County will start receiving 78% of the revenues through March 31, 2011 when Republic Parking's fiscal year ends. It is expected the County will receive between \$70,000.00 and \$75,000.00 versus last fiscal year under the old contract when the County only received \$20,000.00.
  - Mr. Dopp commented on the revenue that will be lost due to Delta Airlines suspending service as of November 1<sup>st</sup>. Mr. Dopp reported that on average the County had been receiving approximately \$25,000.00 in revenues from Delta Airlines in each month. Using the month of June 2010, Mr. Dopp stated that the \$25,000.00 per month consists of \$7,200.00 in landing fees, \$4,300.00 in the holding area, \$350.00 ramp storage, \$22.00 for the public address system, \$2,600.00 for exclusive office and counter space, \$161.00 for the baggage area, \$847.00 in security fees, and \$9,400.00 in ARFF fees. For the same month, US Airways paid the County \$41,000.00.

Mr. Andres stated that he attended a meeting in October where the six commercial airport directors meet with the Executive Director of the Division of Aeronautics of South Carolina. He stated it was noted that the Hilton Head Island Airport did exceed the other commercial service airports as far as an increase in passengers from the previous year.

Mr. Andres stated he would like to have a work session the first part of December with a couple of members from the Airports Board. The work session would be to talk about airline and airport

revenues at the Hilton Head Island Airport as a result of Delta Airlines suspending service. Mr. Andres will send out an email concerning this matter.

## **UNFINISHED BUSINESS**

### 1. Aircraft Hangars (Rental Rate/Sell): Paul Andres

- Mr. Andres stated that several months ago a proposal was brought forward to consider the sale of the hangars in order to pay off the construction debt service for the hangars. Mr. Andres stated that the Board had requested a legal opinion from the County Attorney and he has provided a confidential opinion. Mr. Andres stated he has approached the FBO manager who is talking to his superiors to see if there is a willingness on their part to renegotiate their hangar management fees in their contract. The manager hopes to have an answer within a couple of weeks. Mr. Buchanan wanted to know if any Board member had an objection to allowing Mr. Andres to continue discussing this matter with the FBO. There were no objections.

### 2. ATAX: Joe Zimmerman

- Mr. Zimmerman stated that at the last Board meeting Mr. Andres had expressed a small measure of frustration at the ATAX process with the Town of Hilton Head Island and that Mr. Mazzei asked him (Mr. Zimmerman) to look into the matter. Mr. Zimmerman stated he enlisted Mr. Dopp's help to work on the December presentation before the ATAX Board. However, the Island Packet wrote an editorial opinion recommending that the Airport be excluded from the process so that the committee could focus primarily on projects that would draw tourists to the island. Mr. Zimmerman stated the Island Packet needs to be educated on the Airport's impact on tourism. He also stated that for the first time the Heritage Classic Foundation put in a request for approximately \$370,000 which is 45% of what the Town had to distribute. Mr. Zimmerman stated that Mr. Andres received a memo from the ATAX Committee which requested a breakdown of the budget for the past three years for advertising and marketing. Mr. Zimmerman stated that he, Mr. Dopp and Mr. Andres felt the best course of action would be to write a letter to the ATAX Committee withdrawing the Airport's application for this year and putting them on notice that the Airport would reapply next year. Mr. Zimmerman stated that in the meantime they need to talk to the Town and the Island Packet to better explain the impact the Airport has on tourism. He concluded by stating that next year's application would focus 100% on tourism. Mr. Buchanan stated there was a count of the number of planes that came into the Hilton Head Island Airport specifically for the Heritage Classic. Mr. Andres stated this information is available through the FBO, but typically the activity on the general aviation side picks up approximately 20% to 30% during the Heritage Classic for the weeks prior, during and after the event. Mr. Buchanan asked Councilman Caporale if Mr. Heitzke had looked into this matter. Councilman Caporale stated he had asked Mr. Heitzke to get a clearer explanation from the Chairman of the ATAX Board as to why they took this position, but Mr. Heitzke had not reported back to him. Councilman Caporale agreed with Mr. Zimmerman that this would take some politicking. Councilman Caporale added that he was under the impression that Mr. Heitzke felt this was not something he could change. Mr. Zimmerman stated they would probably need more help from the Board members in order to move this forward next year.

## NEW BUSINESS

### 1. Sea Breeze Proposal: Will Dopp

- Mr. Dopp stated a letter was received from Marty Craig of Sea Breeze Airways indicating that Mr. Craig wants to build a 120' x 125' maintenance hangar at the Hilton Head Island Airport as well as bring in an intra-state airline to fly between Hilton Head Island, Myrtle Beach, Columbia and Greenville. This letter was turned over to Mr. Andres for further investigation. Mr. Dopp stated Mr. Craig has contacted him to inquire on the status of his request. Mr. Buchanan wanted to know if Mr. Craig has proven that he has a license. Mr. Dopp stated Mr. Craig informed him he has a Part 135 certificate. Mr. Dopp added that Mr. Craig still needs to display proof of financing, letters of credit, etc. Mr. Dopp suggested this offer be considered under Mr. Andres' request for ways to bring additional revenue into the Hilton Head Island Airport. Mr. Newman wanted to know if it would be beneficial for Mr. Craig to make a presentation to the Board. Mr. Dopp said this would be the next step, but he was asking for approval from the Board and/or Mr. Andres to get back with Mr. Craig about giving a presentation. Mr. Newman stated the Sea Breeze idea has been around for quite awhile, but nothing has ever materialized. Mr. Andres stated that the consultant is aware of Mr. Craig's concept and the Board needs to wait until the consultant advises them that this concept would be consistent with the Master Plan and then the Board could request a proposal from Mr. Craig.

### 2. FAA 5 Year ACIP Plan Update: Paul Andres

- Mr. Andres stated that every year, at this time, the FAA requests that all airports submit their revised 5 year plan for capital improvement projects. This submission, which is due to the FAA by January 1<sup>st</sup>, contains the projects that are basically consistent with previous plans. The only major revision is to incorporate the recommendations of the respective airport Master Plan Updates. Mr. Andres then asked Ms. Judy Elder of Talbert and Bright to make the presentation. Ms. Elder began her presentation with the 5 year ACIP update for the Hilton Head Island Airport (see Attachment "A"). Ms. Elder stated because of the resolutions that were passed on October 27<sup>th</sup> by both the Town and County Councils the FAA has agreed that the benefit and cost analysis as well as the environmental assessment should begin. Mr. Zimmerman wanted to know if this document only benefits the FAA. Ms. Elder stated this document gives the FAA an idea of the projects that you want to do, it also helps the County in determining how much money needs to be put aside and lets the State know what projects you want to do since they participate as well. Mr. Zimmerman suggested a reconciliation sheet be added next year so they can see which projects have been undertaken and which projects dropped off.

Mr. Zimmerman wanted to know if the Part 150 Noise Compatibility Study that is indicated as being a reimbursement in the year 2011 is the noise study that was completed a couple of years ago. Ms. Elder stated that is correct. She stated the FAA requested that the consultant who did the noise study reconcile it and then finalize the document. She stated this may be pushed to 2012, but they will seek reimbursement. Mr. Andres stated this was paid for in full through advances from the General Fund.

Mr. Zimmerman wanted to know why the amount for the Runway 3 Off-Airport Approach Tree Removal project has increased from \$500,000.00 to \$750,000.00. Ms. Elder stated they are not sure how much will be required so they thought it would be best to up the amount to make sure it would be covered. Mr. Andres stated the design work has not been done so they have not quantified the total number of trees. He stated the design work will start in the near future so they should have a better idea within the next 3 or 4 months.

Mr. Zimmerman stated that the Runway 03/21 extension design phase and construction for 2012 and 2013 is \$5,940,000.00, but the Master Plan shows of the design and construction totals \$5,270,000.00. Ms. Elder said this includes the mitigation for the stormwater and wetlands. Mr. Zimmerman asked if the figures theoretically tie into the Master Plan. Ms. Elder stated they do tie in, but the information in the Master Plan is preliminary. She stated the FAA will want to program funds on real bids. She stated the Capital Improvement Program is usually conservative and basically puts the FAA, the County and the State on notice that these are projects we want to do and these are the estimates so they can place hold.

Mr. Buchanan asked for a motion.

**It was moved by Mr. Sanders, seconded by Mr. Gilbert that the 5 Year Airport Capital Improvement Program (ACIP) for the Hilton Head Island Airport be accepted as written and to recommend that it be forwarded to the Public Facilities Committee and the County Council for their consideration and approval for submission to the FAA. The vote was: FOR –Mr. Jorgensen, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Sanders, Mr. Newman, Mr. Kerr, Mr. Gilbert. ABSENT – Mr. Mazzei and Mr. Law. The motion passed.**

Ms. Elder then presented the 5 year ACIP update for the Lady's Island Airport (see Attachment "B").

Mr. Dopp wanted to know if the contract with Wilbur Smith Associates expires when the Master Plan is accepted and then everything going forward would go to Talbert and Bright or the LPA Group. Mr. Andres stated that is correct. He stated Wilbur Smith Associates will conclude the Master Plan Study Update itself and then that will be the extent of the contractual obligation pertaining to Master Plan items. Mr. Dopp wanted to know if they would be involved in the environmental assessment. Mr. Andres stated they will not be involved. He stated they will either use Talbert and Bright or LPA, as appropriate.

**It was moved by Mr. Dopp, seconded by Mr. Kerr that the 5 Year Airport Capital Improvement Program (ACIP) for the Lady's Island Airport be accepted as written and to recommend that it be forwarded to the Public Facilities Committee and the County Council for their consideration and approval for submission to the FAA. The vote was: FOR –Mr. Jorgensen, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Sanders, Mr. Newman, Mr. Kerr, Mr. Gilbert. ABSENT – Mr. Mazzei and Mr. Law. The motion passed.**

### 3. FY 2010 CAFR: Alicia Holland

- Using a PowerPoint presentation (see Attachment "C") Ms. Holland, Beaufort County Financial Analyst, explained Beaufort County's Comprehensive Annual Financial Report that was issued on October 29<sup>th</sup> (see Attachment "D"). Ms. Holland stated that both of the Airports' fund balances increased as of June 30, 2010. Lady's Island Airport increased almost \$800,000.00 and the Hilton Head Island Airport increased just under \$200,000.00. She stated the majority of the increases for both Airports were due to the non-operating revenues and there was a decrease in the non-operating expenses. Ms. Holland stated the Lady's Island Airport ended at \$3.8 million in their net assets and the Hilton Head Island Airport ended at \$15.2 million. She added that there was very little change in the cash balances for either Airport.

Mr. Dopp wanted to know if any of the reallocation of expenses between the two airports takes place in the June 30<sup>th</sup> statement. Mr. Andres stated the reallocations were effective July 1<sup>st</sup> for this fiscal year and are not reflected in the June 30<sup>th</sup> reports. Ms. Holland concurred.

Ms. Holland then reviewed the Statement of Revenues and Expenses (see Attachments "E" and "F"). The fund balances as of the end of the first quarter has decreased \$71,000.00, however this is mainly due to the Federal grants. Ms. Holland stated that as of September 30<sup>th</sup> there were no draw downs made for any Fiscal Year 2011 expenses. During October there was approximately \$300,000.00 of grant funds drawn down, the majority being for the ARFF building. Mr. Andres stated this pertains primarily to the Hilton Head Island Airport and they just received approval in the last day to draw down an additional \$93,000.00 for the Lady's Island Airport for reimbursement of legal expenses associated with the tree project. Ms. Holland stated that in comparing this year's first fiscal quarter to last year's first fiscal quarter the operating revenues and operating expense are very comparable. Mr. Dopp wanted to know if the receivables are mostly grant money. Mr. Andres stated that both the airlines and TSA are sometimes 3 months in arrears in paying, therefore, some of these receivables are normal operating revenues.

Mr. Zimmerman stated the operating revenue budget for the Hilton Head Island Airport is up 8% over last year's revenue budget, but the actual revenues received to date are approximately the same as last year. Mr. Zimmerman wanted to know if we would be able to recoup the shortfalls during the last 3 quarters. Mr. Andres stated the budget revenues were projections. He said that one example would be the rental car commission. He stated it was projected that the commissions from the rental car companies would increase approximately \$50,000.00 more per year, but these contracts are just being finalized. He added that they did get the new parking contract in place, but not at the beginning of the fiscal year.

Mr. Buchanan asked for a further explanation of the depreciation of assets. Mr. Andres asked if the Board would like the Finance Department to produce a listing of total assets and the depreciation associated with each of those assets at both Airports. Ms. Holland stated they could easily show the Board each specific asset or they could show the assets in groups by classification.



Ms. Holland then played a brief video clip of the external auditor making a presentation to County Council on November 8<sup>th</sup>. Following the video clip another discussion was held on how depreciation is shown. Mr. Kerr noted that both Airports are actually making money even though the figures show both Airports losing money because of the way depreciation is shown. Mr. Newman added that the County Airports provide a service. Mr. Buchanan stated the Airports work as an enterprise which means they accept money from sources other than taxes. Ms. Holland concurred.

Mr. Dopp stated that at the presentation made to County Council on Monday, one of the outside auditors reviewed taxes for real estate, motor vehicle, mobile homes and watercraft, but nothing was given on the aircraft personal property taxes.

Mr. Andres stated when the financials were presented for the entire County at the last County Council meeting, the auditor indicated that of the six findings of significance one belonged to the Airport. Mr. Andres stated that the auditor did not feel there was a sufficient separation of duties in the Airports' financial transactions. Mr. Andres explained that the auditor meant they need to have one person receive monies that come in and a separate person to make the deposit. He stated one person has been doing both functions for the past thirty years, but that is currently being changed. Mr. Andres explained that until recently the Administrative Assistant handled all of the financial and administrative functions at the Airport, but he had been successful in getting the County to hire a separate Financial Technician. He stated the financial person now works two days a week at the Airport and three days a week in the Financial Department in Beaufort to develop the necessary checks and balances that they require. Further details at both Airports will be worked out and put in writing.

**CONTINUATION OF PUBLIC COMMENTS** – There were no public comments at this time, but Councilman Caporale had a question regarding Mr. Buchanan's concerns of how the depreciation is shown on the balance sheets. Councilman Caporale gave the example of a \$1 million dollar item, where the County contributes \$25,000.00 at 2.5%, the entire \$1 million is being depreciated and not just the \$25,000.00. He wanted to know if this is the substance of Mr. Buchanan's concerns. Mr. Buchanan stated he recognizes the County should return at least \$25,000.00 to the general fund, but wanted to know what happens to the difference. Councilman Caporale stated that he agreed with Mr. Buchanan that if the County's cost is \$25,000.00 then depreciating the entire \$1 million does distort the picture financially.

#### **FUTURE MEETINGS**

The next meeting of the Airports Board will be held on Thursday, December 16, 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 2:50 PM.