

County Council of Beaufort County
Hilton Head Island Airport – www.hiltonheadairport.com
Beaufort County Airport – www.beaufortcoairport.com
Post Office Box 23739 – 120 Beach City Road
Hilton Head Island, South Carolina 29925-3739
Phone: (843) 255-2950- Fax: (843) 255-9424

AIRPORTS BOARD MEETING MINUTES
OF JUNE 30, 2011

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, June 30, 2011 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. Mazzei that the agenda for the June 30, 2011 meeting be accepted. The vote was: FOR – Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Law, Mr. Kerr, Mr. Wirth, Mr. Gilbert, Mr. Mazzei, Mr. Jorgensen. AGAINST – None. The motion passed.

It was moved by Mr. Kerr, seconded by Mr. Jorgensen that the minutes for the May 19, 2011 meeting be accepted. The vote was: FOR – Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Law, Mr. Kerr, Mr. Wirth, Mr. Gilbert, Mr. Mazzei, Mr. Jorgensen. AGAINST – None. 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
Graham Kerr
Derek Gilbert
Leonard Law
Ross Sanders
Richard Wirth
Joseph Mazzei
Paul Jorgensen

STAFF

Paul Andres – Airport Director
Rob McFee – Director, Engineering and Infrastructure Division

GUESTS

Councilman Paul Sommerville
Councilman William McBride
Judy Elder – Talbert & Bright
Bob Wallhaus – Resident
Bill Coleman – Resident
Mike Bennett – Signature Flight Support

MEMBERS ABSENT

Councilman Ken Heitzke – Town of Hilton Head Liaison

PUBLIC COMMENTS – NONE

HILTON HEAD ISLAND AIRPORT REPORT

1. Tower Report: Paul Andres

- For the month of May 2011 there were 3,946 total flight operations of which 2,038 were conducted under IFR procedures.

2. Projects: Paul Andres

Tree Obstruction Removal – The Circuit Court judge has ruled to deny the motion to reconsider concerning the removal of tree obstructions in the 34:1 slope on Runway 21. Mr. Andres stated that it is his understanding that the church's attorneys have filed another appeal. The County attorneys are working on a response to the latest appeal. A meeting was held and approval received from the Town of Hilton Head that the delineation of the buffer areas, wetlands, and property boundaries were accepted and approved. The pre-bid conference for the Runway 21 off-airport tree obstruction removal was held this morning. The bids for that project will be due July 25th. The County attorneys are working on the avigation easements that are still needed. A grant application for funding will be submitted by the end of the month. The Runway 03 off-airport tree removal design to a 34:1 slope is now underway with the preliminary results expected in approximately 3 weeks. At that time the extent of the problem will be determined and we will be able to continue into the final design phase for the South end tree removal project. The grant funding for this project will probably be delayed until next spring when firm bid numbers are available.

- ARFF Station – The building is essentially complete. The punch list items have been completed. A Certificate of Compliance and Certificate of Occupancy have been received. The remaining specialized firefighting equipment that will be located in the building has been ordered. MIS will finish the complete installation of the telephone and data equipment in the building after July 1st which is the start of the County's next fiscal year. The closeout documents are now being prepared.
- Runway Safety Area Drainage Improvements – This project is still on hold while we wait on the Town to issue a construction permit. The FAA continues to express their concerns regarding plantings in the runway safety area other than grass. The County attorneys are preparing a response to the Town Manager's memo of May 26th that discussed this project as well as the tree obstruction removal project on-airport.
- Master Plan – The additional data that the FAA requested be added to the Airport Layout Plan has been submitted to include all of the tree obstructions. The FAA's response was that they were overwhelmed by the magnitude of the data on the trees. The formal review process is underway. The FAA's program manager told Mr. Andres that he has given the other 9 or 10 divisions within the FAA 45 days to complete their review and provide comments. A response with their questions and concerns from the FAA should be received in another month or so. A grant application will be submitted within a couple of weeks to request the funding needed to conduct the Benefit Cost Analysis/Environmental Assessment associated with the Master Plan.

- Design Projects – The commercial terminal improvement design is still pending. The runway lighted sign relocation design contract was awarded at Public Facilities Committee yesterday. The consultant will begin work on that design shortly.
- Passenger Facility Charge Program – The application process is currently underway. As soon as some detailed financial data is received on previous grant expenditures the application will be completed and the process will move forward.

Mr. Mazzei wanted to know if they were able to stay within budget for the new ARFF building. Mr. Andres stated there were some construction cost increases due to no provisions in the contract to cover the costs of some of the specialized equipment. The FAA has agreed to increase the funding for this project. The increase due to change orders was approximately 10% of the original contract amount which is not unusual for a project of this magnitude. Mr. Mazzei wanted to know then if this meant they would not need money from the General Fund since the FAA is increasing the funding. Mr. Andres stated that there will be a little increase in the Airport's 2.5% contribution.

Mr. Dopp stated that Mr. Andres was supposed to brief the County Council about the Master Plan last Monday, but due to the long agenda this did not occur. Mr. Andres stated he has been asked to provide periodic updates on the Airports to the County Council, not just the Master Plan. He stated that much of the information the Board was receiving at this meeting is what would have been presented to County Council.

Mr. Zimmerman asked Mr. Andres to review the grant process. Mr. Andres stated it is a fairly complicated process. He stated that at the end of December a pre-application was submitted for all of the projects that had gone through the Airports Board and Council Committees for consideration and approval. Mr. Andres stated the pre-application covers the upcoming year as well as a five year plan in order to give the FAA an idea of the plans for upcoming projects. He stated that usually in the Spring (in this case it is July) a grant application is submitted following dialogue with the FAA regarding the actual funding that is available. The FAA uses this application to issue the grants which hopefully will be around August 12th. It will then go through County Council for acceptance and be executed no later than September 17th which is prior to the end of the federal fiscal year. Mr. Andres said the FAA pre-programs some monies, but if there are no firm construction contract prices the money will usually be deferred until the next year's cycle. He said an example of this is the lighted sign relocation that will be bumped to next Spring because they do not have firm bid numbers. Mr. Andres stated the FAA's position is that their highest priority is still the tree obstructions, so until this problem is addressed everything will take second place.

3. Operations Report: Paul Andres for Chief Yeager
 - For the month of May 2011 there were 4 medivacs.
4. Noise Complaints & Traffic Counters: Paul Andres for Chief Yeager
 - For the month of May 2011 there were 3 noise complaints all involving general aviation over flights. Two complaints were from Indigo Run and one was from Port Royal Plantation.

- For the month of May 2011 the after hours GA traffic count was 120.

BEAUFORT COUNTY AIRPORT REPORT

1. Fuel Sales: Paul Andres for Joel Phillips

- For the month of May 2011 there were a total of 1,280 operations. The total flow of fuel was 8,488 gallons (3,666 gallons of AvGas and 4,822 gallons of jet fuel). There was a significant decrease in the number of operations compared to last month and the June figures do not seem to be improving. Mr. Buchanan commented that recreational flying activity is very low. Mr. Andres stated part of this may be the increases in fuel prices, but they are now coming down gradually. Mr. Kerr stated Avgas is approximately \$6.00 per gallon which restricts general aviation flyers. He also commended Mr. Phillips for trying to constrain costs and temporarily maintaining the grounds due to the departure of the maintenance technician. Mr. Andres stated they have temporarily reduced the hours at the Lady's Island Airport. The new hours are 8:00 AM to 6:00 PM. We will hold discussions later to see if we will retain these hours. Mr. Kerr stated there may come a time when we may need to ask for volunteers to work at the Airport. Mr. Andres stated liability would be a concern with volunteers.

2. Projects: Paul Andres

- Tree Obstruction Removal – The FAA is still actively resolving the utility power pole issues. The FAA has asked SCE&G to resubmit data on the power poles so they can evaluate them and provide a response. There are still over 600 tree obstructions remaining in the 34:1 and 7:1 transition slopes on the South end of the Airport. Mr. Andres stated they will continue with the design work in the near future to remove the remaining tree obstructions. A couple of new easements may be needed. The attorney is scheduling mediation the later part of this month to hopefully resolve the existing litigation. Mr. Andres stated that if this is done, they may possibly be able to remove the remaining tree obstructions next Spring. Mr. Buchanan commented that the reduction of trees on the runway has been very beneficial during this time when the smoke from the wildfires has reduced visibility.
- Master Plan – The draft report was received at the end of May as promised by the consultant. The document was reviewed by Mr. Phillips, Mr. Buchanan and Mr. Andres. They provided comments and the consultant indicated those comments have been incorporated. After it has been looked at again, the document will be distributed to the elected City and County officials who will be given time to review and then ask questions or make comments. Questions will be given to the consultants for their response and then a joint presentation will be held in order for both Councils to consider approval of the Master Plan. After that, the plan will be submitted to the FAA for their approval. Mr. Dopp wanted to know why the Airports Board is not automatically included in the updates of the Master Plan. Mr. Andres stated that this process has gone on for so long that there is only one more public presentation on the consultants' agenda, but added that he will see that the Board members get copies in order to submit there questions and comments as well. He added that the Board did see and approve the original Master Plan over a year ago and that the current changes are minor editorial

changes only.

Mr. Andres stated that he wanted to mention that the new sponsors of the Heritage Golf Tournament flew directly from Canada into the Hilton Head Island Airport. He stated that we were fortunate that the FBO employees were diligent in contacting Customs in Savannah to make sure agents were available at the Airport. He said they also redirected the aircraft from the commercial terminal side to the general aviation side in order to avoid a violation of security regulations.

COMMITTEE REPORTS

1. Lady's Island Airport Operations: Graham Kerr

- Mr. Kerr commented on Mr. Dopp's question about reviewing the Master Plan. He said that it was decided that those members north of the Board would oversee the Lady's Island Airport administrative issues and the members south of the Broad would monitor the Hilton Head Island Airport. Mr. Kerr stated that the review of the Master Plan covered minor editing errors and therefore it was not necessary for every member to review it. Mr. Dopp stated he understood what Mr. Kerr was saying, but stated that the members South of the Broad had not seen this document for over a year and feels they are being excluded from the finished product.

2. Hilton Head Island Airport Operations: Will Dopp

- In the March meeting a recommendation was made to County Council to recognize the color guard from the local Civil Air Patrol for winning the South Carolina state competition. Mr. Dopp stated County Council put the color guard on the agenda for the late May meeting and let them open the meeting with a presentation of the colors and the Pledge of Allegiance.
- In comparing the first five months of 2011 to the same time period last year, aircraft movements were down 11%, but this is an improvement over the first four months. US Airlines passengers have increased 15.5%.
- Signature Flight Support's revenues were \$1,800,000.00 which is an increase of 14% over the same time period last year. The County's share was approximately \$47,000.00 which is only a 4% increase. Fuel sales were down. Mr. Dopp stated the Airport is to receive 3% of revenues (excluding ground rent and hangar rent). He stated that based on the \$1,800,000.00 we should have received \$54,000.00, but we have only received \$47,000.00 so he will look into this matter further.
- Under the new contract with Republic Parking, the County is in the second month of the new contract. The County will not receive any funds until Republic Parking receives \$100,000.00 in revenues, but they are already up 10% over the same time period last year.

Mr. Mazzei asked for further explanation of the shortage from Signature Flight Support. Mr. Bennett stated that if Mr. Dopp is referring to the overall hangar rentals as revenue, they do not pay 3% on the overall. Mr. Bennett stated they pay 3% on the revenue they take in which is 3% of the 25% overall. He stated this may be where the discrepancy is, but he would check into it.

Mr. Dopp stated the way Signature reports their revenues is to include the 75% that comes to the County so he backed this number out and there is still a shortage of 3%.

Mr. Buchanan stated we can't use Delta's leaving as an excuse anymore. He stated it is our business to get more planes into the Airport because our revenue is down. Mr. Dopp stated he disagreed because he does not include the past Delta business in the calculations. Mr. Buchanan stated the comparison should include what the figures were when Delta was here. Mr. Kerr stated the Board needs to be concerned with the broad picture and not the detailed numbers.

Mr. Zimmerman stated he agreed with Mr. Dopp that we need to concentrate on US Airway's operations.

UNFINISHED BUSINESS

1. Aircraft Hangars (HXD): Paul Andres

- Mr. Andres stated that he and Mr. Dopp have spoken to Mr. Bennett concerning modifications to the hangar management agreement as it currently exists. He stated the feedback he has received is that Signature's corporate headquarters does not feel a reduction in the management fee is feasible in these economic times. Mr. Bennett concurred and added that they are looking at other ways to ease the financial strain on the County. He stated there will be an additional meeting mid-month with the Regional Vice President. Mr. Andres stated that one of the requests by Signature is whether we would consider selling the hangars and then they would need to decide if this would be cost effective for them to pursue. Mr. Andres stated that because these are public hangars they would have to go through an open procurement process. He stated the County attorneys would still need to make a determination that if the hangars were not sold to Signature would their management agreement convey with the hangars. Mr. Andres asked Mr. Buchanan to have a couple of members of the Board get with him over the next couple of weeks to discuss this matter and make some determinations whether they even want to consider doing this, and if they do, then decide what fees or rates would be appropriate. Mr. Buchanan asked what members would like to be involved. Mr. Mazzei stated he would like to be involved, but he felt the Board and the members of the County Council need to come to some conclusion so they don't waste any more time. He stated he does not understand why the County would want to do this. Mr. Mazzei stated that it seems to him the benefit to a corporation in buying the hangars is that they get to depreciate the assets whereas the County does not. He stated on the other hand, the County has made this investment and that once the "mortgage" is paid they will have a positive cash flow. Mr. Mazzei felt the first step is for the County to decide whether they really need the money that badly that they would want to sell the hangars that are fully occupied. Mr. Dopp stated that next year, if they follow the 5% increase in rents, it would be cash positive for the County. Mr. Andres stated that if it is the desire of the Airports Board that we hang on to these assets that is fine, but he wanted to point out that this is one element of a bigger discussion which goes back to the enhanced revenue plans that were presented over a year ago. He also reminded them that they will be applying for a share of the Accommodations Tax again later this year. Mr. Buchanan stated that what the Board thinks is appropriate may not be thought of as appropriate by the County Council. Mr. Andres stated the idea of selling the hangars was merely to reduce the Airport debt on the books and

wanted to know if the Board wants to remove this item from the agenda. Mr. Mazzei stated that if Signature is interested in these assets then the County does not have to worry about Signature's management agreement. Mr. Andres added that the purchase price would have to be considerable in order to pay off the debt service and then they are forsaking any future revenues from the hangars. Mr. Mazzei concurred. Mr. Dopp reminded the Board they could not just negotiate with Signature that it would have to be open to the public.

It was moved by Mr. Kerr, seconded by Mr. Gilbert that the discussion of selling the aircraft hangars be removed from the agenda.

Mr. Zimmerman stated that perhaps they still need to meet to discuss the big picture. Mr. Buchanan stated this could always be revisited later.

When the vote was called, the vote was: FOR – Mr. Sanders, Mr. Buchanan, Mr. Kerr, Mr. Wirth, Mr. Gilbert, Mr. Mazzei, Mr. Jorgensen. AGAINST – Mr. Dopp, Mr. Zimmerman, Mr. Law. ABSENT – Mr. Newman (left the meeting early) The motion passed.

2. Through-the-Fence Agreement: Paul Andres
 - Mr. Andres stated the consultant is meeting with representatives of the Through-the-Fence operation today and will brief him on the meeting tomorrow. If there are no positive results, additional steps may need to be taken to bring the negotiations to a successful conclusion. Mr. Andres stated that right now the FAA policy is that Through-the-Fence operations will be treated at least equally with on-airport tenants by not being charged anything less than on-airport tenants. He stated there is also the flexibility to charge them more if it is so desired. Mr. Andres stated that the last sticking point on the agreement was that there is an additional credit that he picked up on that would give them a little better deal than what the current FBO has with his ground lease rates. He has asked them to go back to the drawing board and revised this double credit. Mr. Buchanan wanted to know if they have to have a separate agreement for each individual. Mr. Andres stated they do not as this would be collective with the organization with the approval of all members.

NEW BUSINESS

1. Election of Officers: Pete Buchanan
 - Mr. Buchanan stated that the election of officers is required next month. Mr. Buchanan stated that he and Mr. Newman will not be eligible. He stated that someone south of the Broad will have to be Chairman. The election will be held at the beginning of the meeting in July at which time he will step down and the new Chairman will take over. Mr. Dopp stated that only the Chairman has to be rotated, not the Vice Chairman. Mr. Andres stated that according to the Charter, the Chairman and Vice Chairman are elected for one year terms and no more than two consecutive terms, but Committee Chairmen can continue on for multiple terms.

2. GA Landing Fees: Paul Andres

- Mr. Andres stated this topic was examined previously, but there has been some conversation lately to revisit this issue in depth and examine the feasibility, desirability, and functionality of imposing landing fees on general aviation aircraft. This information will then be presented to County Council for their consideration. Mr. Andres asked for a couple of members of the Board to work with him over the next couple of months to do the required research, gather the information, prepare the presentation and then schedule it for presentation to the County Council. Mr. Kerr wanted to know if this applies to both Airports. Mr. Andres stated he assumes that it does apply to both Airports. Mr. Buchanan wanted to know if they would be differentiating between landing fees and ramp fees. Mr. Andres stated that is correct. He stated that landing fees would be strictly to the Airport and that all other fees that are associated with the FBO's operations are entirely separate. He stated that ramp fees, handling fees, tie down fees, storage fees, etc. are FBO specific. The difference between the two Airports is that a private business runs the FBO at the Hilton Head Island Airport, but the County is the FBO at the Lady's Island Airport. He added that the landing fees would be imposed on GA aircraft by the Airport and not by the FBO. Mr. Kerr wanted to know what a landing fee is as it relates to general aviation airplanes. Mr. Andres stated it varies and that is what the committee would have to examine. He stated there is currently a landing fee for commercial aviation at the Hilton Head Island Airport and that the fee has already been established at \$1.31 per 1,000 lbs of landed weight. Mr. Andres stated they cannot maintain compliance with the grant assurance if they charge GA aircraft a different rate. He stated that since there is no commercial service or established rates at the Lady's Island Airport they could be set at whatever is deemed fair and reasonable. Mr. Andres stated that are current landing fees are about in the middle of the rates being charged. Mr. Buchanan wanted to know how this would be processed. Mr. Andres stated this is part of the challenge facing the working group. Mr. Buchanan wanted to know who is requesting this information and Mr. Andres informed him that it is the elected officials. Mr. Zimmerman stated this topic has been brought up at different times and is always met with a negative response, but this needs to be looked at again because we need the revenue. He suggested that various vendors who provide this service could speak with them. Mr. Mazzei stated these vendors are usually located at much larger airports. Mr. Buchanan stated he agrees that the people who use the Airports should pay for it, but he felt there was a better way to do it rather than through landing fees. Mr. Mazzei, Mr. Zimmerman, Mr. Kerr, and Mr. Dopp volunteered to assist Mr. Andres with this study.

CORRESPONDENCE

Mr. Buchanan stated he did not have any correspondence, but wanted to take this opportunity to ask a question of the Councilmen in attendance. He stated that he noticed that you can now sell development rights around the Marine Corps Air Station in the AICUZ. He stated that a lot of airports, such as Savannah, have developments of industries around the airports. He wanted to know when these development rights are sold is it was permanent. Councilman Sommerville stated that was correct, with caveats. He stated that every property has underlying zoning. He gave the example that if you own 10 acres and the property is zoned for 10 dwellings, but you currently have 1 dwelling and 1 barn there would be 8 unused units. Councilman Sommerville

stated you could then claim transfer of development rights (TDR's) on those 8 unbuilt units and you can keep them or sell them. He stated that if you sell them then you are forever precluded from building those additional 8 units. However, if you keep them then you can build those 8 units at whatever time you choose. He stated the idea is to incentivize removing density from the AICUZ area into a non-sensitive area. Mr. Buchanan wanted to know if part of the reason is because the Navy has control as to whether this stays as an airfield, or not. Councilman Sommerville stated that was correct. Mr. Buchanan wanted to know what would happen if the Air Station closed down. Councilman Sommerville stated that in the event the Air Station was to close, the County would have to change the zoning. He stated the TDR's are only for the existing zoning.

CONTINUATION OF PUBLIC COMMENTS

1. Bob Wallhaus – Mr. Wallhaus wanted to know if there was any flexibility to the \$1.31 per 1,000 lbs. landing fees. Mr. Andres stated the established landing fees for the commercial airlines is \$1.31 and that because of the grant assurances they cannot charge any other amount to other users of the Airport. He stated that if this amount were to change then the new amount would apply to all users of the Airport. Mr. Wallhaus stated then the only question should be whether there will or will not be landing fees at \$1.31 per 1,000 lbs. Mr. Andres stated there are number of issues to be examined such as the amount of revenue that would be generated, the amount of effort that would be required, and how the fees would be collected. He stated the Airport does not have radar or a transponder recording or other tracking devices to record aircraft. He stated this would have to be tracked through the Airport and not through the FBO. Mr. Wallhaus stated that he believes he could make a contribution in considering these issues and wanted to know if he could send Mr. Buchanan a letter with his qualifications and be allowed to serve on the committee to consider landing fees. Mr. Buchanan stated he could send the letter.
2. Councilman Caporale – Councilman Caporale wanted to know what it would take to change the current amount of the landing fee. Mr. Andres stated they would have to negotiate with US Airways and that right now the airline is having financial concerns especially during the summer months with the lower number of passengers that they can carry. He stated that now is not the time to be changing the airline's rates and fees.
3. Bob Wallhaus – Mr. Wallhaus wanted to know if the landing fees for general aviation could be waived for local pilots if they pay property taxes. Mr. Andres stated they could examine this issue. He compared this to the ramp fees charged by the FBO by stating the FBO can waive the ramp fees if the GA pilot purchases a significant amount of fuel. He stated that most people consider the ramp and handling fees as the equivalent of landing fees, but in this instance the FBO is a private contractor so they collect the revenue and we only receive 3% of that concession.

Mr. Dopp wanted to know the status of the Coin Toss sublease. Mr. Bennett of Signature Flight Support stated that it is very close to being finalized and submitted for execution. We should see something in approximately one month.

FUTURE MEETINGS

The next meeting of the Airports Board will be held on Thursday, July 21, 2011 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 2:45 PM.