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AIRPORTS BOARD MEETING MINUTES
OF JULY 21, 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, July 21, 2011 in the Council Chambers of the Beaufort County Government Center. Chairman Pete Buchanan called the meeting to order.

It was moved by Mr. Zimmerman, seconded by Mr. Kerr that the agenda for the July 21, 2011 meeting be accepted. The vote was: FOR – Mr. Buchanan, Mr. Newman, Mr. Dopp, Mr. Zimmerman, Mr. Kerr, Mr. Law, Mr. Sanders, Mr. Wirth, Mr. Mazzei. AGAINST – None. ABSENT – Mr. Jorgensen, Mr. Gilbert. The motion passed.

It was moved by Mr. Kerr, seconded by Mr. Dopp that the minutes for the June 30, 2011 meeting be accepted. The vote was: FOR – Mr. Buchanan, Mr. Newman, Mr. Dopp, Mr. Zimmerman, Mr. Kerr, Mr. Law, Mr. Sanders, Mr. Wirth, Mr. Mazzei. AGAINST – None. ABSENT – Mr. Jorgensen, Mr. Gilbert. 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
Leonard Law
Ross Sanders
Richard Wirth
Joseph Mazzei

MEMBERS ABSENT

Councilman Ken Heitzke – Town of Hilton Head Liaison
Paul Jorgensen
Derek Gilbert

STAFF

Paul Andres – Airport Director
Rob McFee – Director, Engineering and Infrastructure Division
Joel Phillips – Beaufort Co. Airport Supv.
Larry Yeager – Chief of Operations
Linda Wright – Admin. Asst.

GUESTS

Judy Elder – Talbert & Bright
Bob Wallhaus – Resident
Bill Coleman – Resident
Jim Fisher – Resident

PUBLIC COMMENTS – NONE

ELECTION OF OFFICERS

Mr. Dopp nominated Mr. Mazzei for the position of Chairman. There were no other nominations.

Mr. Dopp nominated Mr. Mazzei for the position of Chairman of the Airports Board, seconded by Mr. Law. The vote was: FOR – Mr. Buchanan, Mr. Newman, Mr. Dopp, Mr. Zimmerman, Mr. Kerr, Mr. Law, Mr. Sanders, Mr. Wirth. AGAINST – None. ABSENT – Mr. Jorgensen, Mr. Gilbert. ABSTAINED – Mr. Mazzei. Mr. Mazzei was elected as Chairman of the Airports Board.

As the new Chairman, Mr. Mazzei presided over the meeting and called for nominations for the Vice Chairman position.

Mr. Zimmerman nominated Mr. Dopp for the position of Vice Chairman of the Airports Board, seconded by Mr. Wirth.

Mr. Buchanan nominated Mr. Kerr in order to keep the executive positions divided between north and south of the Broad, seconded by Mr. Newman.

Mr. Mazzei concurred with Mr. Buchanan's comment about splitting the executive positions based on location to make sure that both Airports are equally represented. Mr. Newman concurred and added that the Airports Board Charter states that at the time of election of officers, the Chairman must rotate between north and south of the Broad. He also stated that it was important to keep the balance of representation between the two Airports. Mr. Zimmerman stated that for the past several years both the Chairman and Vice Chairman were from north of the Broad and there had not been a problem with balance. He stated that he admires the Board members north of the Broad because they are personally involved with the Lady's Island Airport. Mr. Zimmerman stated it is more difficult to become involved with the Hilton Head Island Airport because it is a larger operation and the FBO is involved. He stated there will be trying times ahead on the island as the economic conditions persist. He stated that with the Master Plan, the need to grow and the need to keep commercial service the new Chairman will be taxed and will be looking for a lot of help. Mr. Zimmerman stated that to have other members come over from Beaufort on the spur of the moment may not be practical. Mr. Mazzei stated that Mr. Buchanan and Mr. Newman had done a very good job of representing both Airports during their terms.

When the vote was called for Mr. Dopp's nomination for the position of Vice Chairman the vote was: FOR – Mr. Wirth, Mr. Law, Mr. Zimmerman, Mr. Dopp, Mr. Mazzei. AGAINST – Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Sanders. ABSENT – Mr. Jorgensen, Mr. Gilbert.

When the vote was called for Mr. Kerr's nomination for the position of Vice Chairman the vote was: FOR – Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Sanders. AGAINST – Mr. Wirth, Mr. Law, Mr. Zimmerman, Mr. Dopp. ABSENT – Mr. Jorgensen, Mr. Gilbert.

Mr. Mazzei, realizing his vote was the deciding factor, withdrew his vote and expressed concern that two members were absent and suggested the election for Vice Chairman should be postponed until all members were present. Mr. Andres stated that the Charter calls for the elections to be held in July and that there was a quorum. Mr. Kerr wanted to know if it is appropriate for the candidates to recuse themselves in the vote. Mr. Wirth wanted to know if they could have two Vice Chairmen. Mr. Andres stated the Charter only states elections are held for the Chairman and officers and that in his opinion there should be only one Vice Chairman.

Mr. Mazzei stated that if the Charter does not specify then they should be able to have one Vice Chairman for the Hilton Head Island Airport and one for the Lady's Island Airport especially with the logistics involved. Mr. Sanders stated they should go with the original vote.

Mr. Kerr then withdrew his name from the nomination allowing the original vote for Mr. Dopp as Vice Chairman to stand.

HILTON HEAD ISLAND AIRPORT REPORT

1. Tower Report: Paul Andres
 - For the month of June 2011 there were 3,479 total flight operations of which 1,775 were conducted under IFR procedures. Both figures are down considerably from last month. Mr. Zimmerman asked why the figures were down. Mr. Andres stated recreational flying has decreased due to rising fuel cost. He stated that historical data has shown that the figures also decrease during the hotter months of summer.
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 the church's attorneys have filed another appeal in the SC Appellate Court. The County attorneys have filed a motion to lift the work stay and that hearing is scheduled for August 16th. The Runway 21 off-airport tree obstruction deals with approximately 1,000 trees. Mr. Andres stated this project is out for bid and that the bids are due July 25th. He also stated that the attorneys are still working on the aviation easements needed and we will be requesting FAA grant funding.

Mr. Andres stated that Congress has not come to an agreement on the FAA reauthorization bill. Their current extension expires at midnight this Friday and there is a good chance they will go into a partial shutdown over the weekend. Mr. Andres stated this may have an impact on grant funding.

The Runway 03 off-airport tree obstruction removal design project is still underway and the preliminary results should be received in the next few weeks. Mr. Andres stated that the grant funding for the south end is pending and more than likely will be shifted to the next fiscal year in the spring because they are not prepared to bid the project at this time.

- ARFF Station – The Certificate of Occupancy has been issued. The remaining specialized firefighting equipment that will be located in the building is being ordered. MIS will finish the permanent modifications of the telephone and data equipment in the building in the County's new fiscal year budget cycle. The closeout documents are being compiled. Mr. Andres stated that essentially the new \$2,000,000.00 fire station is complete and that an open house or dedication ceremony will be held in the near future.
- 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 discusses, in part, this particular project. Mr. Dopp wanted to know when the response would be ready. Mr. Andres stated the attorneys are working on a legal response, but did not know when it would be ready.

- Master Plan – The consultant has added additional data to the Airport Layout Plan which includes the tree obstructions. The comment back from the program manager was that the magnitude of that problem really surprised them. The formal review process is underway. Mr. Andres stated that all sections except one have responded to the program manager, so it will be wrapped up very soon. Mr. Andres stated we will be applying for the grant funding for 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 and the consultant will begin work on that design shortly.
- Passenger Facility Charge Program – The application process is currently underway. Mr. Mazzei wanted to know when this would be ready. Mr. Andres stated they are compiling the financial piece of it and the next step will be for the consultant to go to the airlines to discuss the program to get their comments and feedback. He stated after that is complete the entire package will come back to the Airports Board for a briefing, then go back through County Council for their approval and endorsement and then go to the FAA. Mr. Andres stated this will take a few months. Mr. Newman stated that he read in the paper about the administration recommending cuts to a number of smaller airports and that the administration is thinking about doing away with the passenger facility charges at these airports. Mr. Andres stated he had not been given any advance notice of this. He said that one of the big items in debate with the FAA reauthorization deals with essential air service continuance or discontinuance. He stated that this is split politically between the two parties. He said that the Republicans would like to see a lot of this terminated including subsidies to provide commercial service to small airports, but the Democrats favor keeping this program in place. Mr. Andres stated there have been numerous discussions about the PFC in regards to leaving it at its current limit of \$4.50 per ticket. Some proposals would like to lower it while others would like to raise it to \$7.00 or more. However, there seems to be an overall agreement to leave it at the \$4.50 level. Mr. Andres stated this fee is collected from passengers by the airlines and then passed on to the airport. He added that the subsidies Mr. Newman is referring to does not affect the Hilton Head Island Airport. Mr. Dopp wanted to know if US Airways receives any subsidies for this route. Mr. Andres stated he did not know. Mr. Kerr stated that when he was flying US Airways for Piedmont this was one of the most profitable routes. He stated the tickets were \$100.00 more from Hilton Head Island to Charlotte than they were from Savannah to Charlotte.

3. Operations Report: Chief Yeager

- For the month of June 2011 there were 5 medivacs.

4. Noise Complaints & Traffic Counters: Chief Yeager

- For the month of June 2011 there were 2 noise complaints from Port Royal Plantation involving general aviation over flights.

- For the month of June 2011 the after hours GA traffic count was 126.

BEAUFORT COUNTY AIRPORT REPORT

1. Fuel Sales: Joel Phillips

- For the month of June 2011 there were a total of 1,018 operations. The total flow of fuel was 5,008 gallons (3,160 gallons of AvGas and 1,848 gallons of jet fuel). Mr. Phillips stated total operations were down approximately 100 as compared to last year and fuel sales are down approximately 29% on volume for the month. He stated they are selling fuel out of the truck at \$5.98 per gallon including tax and full service and \$5.83 per gallon for self service. He stated that jet fuel is at \$5.91 per gallon and it is all full service. Mr. Phillips stated our main competition is over 50 miles away so dropping the fuel prices would not be beneficial. Mr. Buchanan stated the heat and economy are affecting the sales. Mr. Newman concurred.

2. Projects: Paul Andres

- Tree Obstruction Removal – The FAA is still actively resolving the utility power pole issues. There are still a considerable number of trees remaining. Mr. Andres stated that the property owner mediation was scheduled for July 25th, but will be rescheduled because the plaintiff's attorney's son was killed in an aircraft accident at the Isle of Palms a few days ago.
- Master Plan – The draft report was received at the end of May. Comments have been provided back to the consultant and the corrections were made this month. Mr. Andres stated that the consultant is preparing an executive summary which we will review and then distribute the report to the elected officials as well as the Airports Board with sufficient time for their review. A joint presentation to the County and City Councils will then be scheduled. After the Councils approval the report will be forwarded to the FAA for their approval.

COMMITTEE REPORTS

1. Lady's Island Airport Operations: Graham Kerr – Nothing more to add.

2. Hilton Head Island Airport Operations: Will Dopp

- Mr. Dopp stated he had not received the numbers from Signature Flight Support. He stated he met with Mr. Bennett to discuss his concerns over the 3% revenue the Airport receives from Signature Flight. Mr. Dopp stated the numbers are correct, but the current form is misleading. Mr. Bennett is in the process of redoing the form.
- Mr. Dopp stated movements are down 11% for the first six months of this year compared to the same time period last year. The total passenger count for this year is approximately 61,000 versus 72,000 with the two carriers last year (a 15% reduction). However, when comparing US Airways only we have an increase of 14%.

- There is no change in the County hangar rentals. Of the \$13,500.00 per month received in rents, the County receives \$10,000 per month and Signature Flight Support keeps \$3,500.00 for their management fee.
- This is the first month we saw a decline in the Republic Parking revenues. We do not receive a share of revenues until they reach \$100,000.00 in total revenues and they are currently at \$43,000.00.
- Mr. Dopp stated that Mike Bennett, Manager for Signature Flight Support, is leaving. He stated Mr. Bennett will be missed because he has been very helpful during his lengthy stay with Signature.

Mr. Mazzei wanted to know how much we receive from Signature Flight on an annual basis. Mr. Dopp stated that for the first five months of this year we have received approximately \$54,000.00.

Mr. Law wanted to know if Mr. Dopp's report for Republic Parking was for three months. Mr. Dopp stated that was correct. He stated Republic's contract year starts on April 1st.

UNFINISHED BUSINESS

1. Through-the-Fence Agreement: Paul Andres

- Mr. Andres stated the consultant met approximately 2 weeks ago with the Exec Air Board. The feedback he has received is that they appear to be amiable to the additional access fee stipulation to make it equitable with the Signature lease agreement. He said they did say there are a couple of things they want to see modified in the agreement and that they would provide this in writing to our consultant, but he has not yet seen these modifications. Mr. Andres said he hopes to have this wrapped up soon and move it forward to the Airports Board and to the County Council for approval. He stated these negotiations need to come to a conclusion in order to satisfy the FAA as they want revenue to be generated by that operation for the use of the Airport. Mr. Dopp stated this started out as being a \$25,000.00 contract with the consultant and wanted to know where it stands now. Mr. Andres stated there have been modifications for additional meetings since it has gone on so long so it is closer to \$33,000.00 now. He stated the FAA and the County Administrator have agreed to this increase. Mr. Mazzei wanted to know if there is going to be an end point. Mr. Andres stated there will be an end to this matter. He said that if a consensus is not reached soon, we will establish a "date certain" with the stipulation that if an agreement is not reached by this date then their access to the Airport will be terminated when their lease expires at the end of 2013. He stated the FAA is in agreement with this position. Mr. Mazzei stated Exec Air should be put on notice that the additional consultant fees will be their responsibility. Mr. Andres stated that 95% of the consultant fees come out of the FAA grant that is in place to acquire a piece of property in that complex.

2. GA Landing Fees: Joe Mazzei

- Mr. Mazzei stated that the committee to study GA landing fees is in the data gathering stage. He stated they should be able to bring a recommendation to the Board at the September meeting. Councilman Caporale stated he was impressed with the vendor they spoke to during the conference call at the committee meeting and wanted to know if there were any plans to speak to another vendor. Mr.

Mazzei stated they would try to talk to as many creditable companies that they can as well as talk to other airports before putting together an analysis and recommendation in September.

NEW BUSINESS

1. Clear Channel Advertising Contract: Paul Andres

- Mr. Andres stated there is currently an advertising concession at the Hilton Head Island Airport. He stated this contract had expired so a Request for Proposal was issued to the appropriate airport advertising companies. Only one response was received which was from our current provider Clear Channel Advertising. He stated their proposal was evaluated by himself, Mr. Dopp and the Purchasing Director, Mr. Dave Thomas. Mr. Andres stated they looked through the proposal in great detail and felt that after some negotiations they had struck the most fair and reasonable deal under the circumstances. He stated the previous contract called for 30% of the gross revenues with a minimum guarantee of \$6,000.00 per year. He stated the negotiations called for the same 30% of the gross revenues, but with a minimum guarantee of \$9,000.00 per year. Clear Channel has indicated they will meet these terms and that they plan, over the next six months or so (with contract approval), to install around \$60,000.00 worth of capital improvements in advertising media which will include LCD TVs and backlit illuminated silkscreen advertising displays. This will be more in line with the terminal advertising you see at major metropolitan airports. Mr. Andres stated that Clear Channel anticipates we will receive approximately \$9,700.00 in advertising revenue in the first year, just under \$10,000.00 in the second year and a five year total of approximately \$51,000.00. Mr. Andres asked the Board for their approval and endorsement of a five year contract with 2 five year renewal options with the revenues to be placed in the Hilton Head Island Airport Enterprise Fund.

It was moved by Mr. Dopp, seconded by Mr. Newman that the Clear Channel contract be accepted as stated and forwarded to Public Facilities Committee for their approval.

Mr. Newman stated he believes this will be a positive deal both in terms of revenue and for an improved look at the Airport. Mr. Mazzei stated it is interesting that Clear Channel is willing to invest in the image of the Airport. He said the Board is always talking about improving the image of the Airport, but must constantly deal with budget constraints. He said they tried to receive allocations from the ATAX, but the request was essentially denied, so they need to think about trying again this year. Mr. Mazzei stated that if someone is willing to be the point person he would be happy to assist, but they need to start the process earlier this year. Mr. Andres stated the application deadline for ATAX applications is usually in October. Mr. Law stated that deadline is for the Town and that the County's deadline is August 1st. Mr. Andres stated that as part of the Economic Impact Study passenger surveys indicated that in 2006 roughly 40,000 tourists arrived at the Airport and that they spent approximately \$1,000.00 per person. It was calculated that their economic contribution to the hospitality industry on Hilton Head Island is approximately \$40,000,000.00 per year. Mr. Andres stated that these tourists are being delivered to Hilton Head Island's doorstep via the Airport, spending \$40,000,000.00 in the local economy and a large portion of that is going into the Town's accommodation tax collections. Mr.

Dopp stated he and Mr. Zimmerman were involved in the ATAX application last year, but withdrew it because they did not have good ammunition. He stated that when you review the applicants for those funds and the amounts they receive, it does not amount to very much per applicant. He stated the Town takes one-third, the Chamber of Commerce receives another third so there is not much left, but he and Mr. Zimmerman will present some other ideas later.

When the vote was called: FOR – Mr. Buchanan, Mr. Newman, Mr. Dopp, Mr. Zimmerman, Mr. Kerr, Mr. Law, Mr. Sanders, Mr. Wirth, Mr. Mazzei. AGAINST – None. ABSENT – Mr. Jorgensen, Mr. Gilbert. The motion passed.

CORRESPONDENCE

1. Mr. Buchanan stated he had received one letter from an individual volunteering to assist the landing fees working group. He stated he responded by thanking the person, but indicated that his help was not needed.
2. Mr. Kerr stated he has only served on the Board for two years, but during that time he had been very impressed with the former Chairman, Mr. Buchanan. He stated he has been amazed at Mr. Buchanan's knowledge about the airport business and that he had always very tactfully steered the Board in getting to the bottom of an issue in a reasonable and fair way. Mr. Kerr stated that it is highly appropriate for the Board to publicly thank Mr. Buchanan for his past leadership. Mr. Mazzei concurred and asked for Mr. Buchanan's assistance in guiding him through his term as the new Chairman.

It was moved by Mr. Kerr, seconded by Mr. Mazzei to recommend to County Council that Mr. Buchanan be recognized and issued a commendation for his work and years of service with the Airports Board. The vote was: FOR – Mr. Buchanan, Mr. Newman, Mr. Dopp, Mr. Zimmerman, Mr. Kerr, Mr. Law, Mr. Sanders, Mr. Wirth, Mr. Mazzei. AGAINST – None. ABSENT – Mr. Jorgensen, Mr. Gilbert. The motion passed.

Mr. Mazzei asked Councilman Caporale to look into the Board's request. Councilman Caporale said he would do this. Mr. Buchanan thanked the Board for their compliments.

CONTINUATION OF PUBLIC COMMENTS

1. Jim Fisher – Mr. Fisher stated he had not been to a meeting in some time, but there used to be a finance report on the agenda. He stated this is something the County Council and County residents would be interested in. He stated he did hear in the meeting that fuel sales are down, operations are down and concern over the passenger facility charge. Mr. Fisher stated people want to know the financial position of the Airports and if they are a drain on the County. Mr. Mazzei stated that two meetings ago a representative of the County Finance Department reviewed the Airports numbers. He stated that at that time the conclusion was reached that the Airports, in particular the Hilton Head Island Airport, has a net positive cash flow. Mr. Mazzei stated the Board does stay on top of the Airports' finances. Mr. Andres stated the Board receives unaudited airport financial statements every month for both Airports. He said it has been the intent of the Finance Department to have the CFO or his immediate second brief the Airports Board on a

quarterly basis regarding the finances. He stated the next briefing will probably be at the next Board meeting because they will have year end numbers for the fiscal year. Mr. Mazzei invited Mr. Fisher to return for that meeting to receive the detailed information. Mr. Fisher congratulated the Board for being one of the few entities that can do this. Mr. Mazzei stated the credit goes to the Airport Administration.

2. Bob Wallhaus – Mr. Wallhaus stated he was the individual that wrote the letter to Mr. Buchanan expressing an interest in helping with the landing fee study. He stated that the progress reported on the landing fees was very impressive and will please a number of people. Mr. Wallhaus stated he was disappointed by Mr. Buchanan's rejection of his offer. He stated he understands the need to restrict uninformed individuals being on committees, but he had done his homework on this matter. He stated he was more disappointed in the refusal to allow him to just observe the study as he simply wanted to keep himself informed. Mr. Mazzei stated he believes they have this topic covered and by the time they present their report they will have explored the mechanics of how this will or won't be implemented as well as the legal issues landing fees present. He added that we want to encourage people to come to Hilton Head, not discourage them. Mr. Wallhaus wanted to know if there will be an opportunity for the public to review the recommendations that are to be presented at the September meeting. Mr. Mazzei stated the recommendation would not be made public. He stated the Board will consider the information and then make a recommendation to County Council who will either accept or reject the recommendation. Mr. Andres stated that once the Airports Board makes a recommendation and it moves forward to County Council it will then be vetted to the public. Councilman Caporale concurred with Mr. Andres.
3. Councilman Caporale – Councilman Caporale stated that due to audio problems at the Hilton Head Island Library they did not hear how the tie was broken for Vice Chairman. Mr. Mazzei stated Mr. Kerr withdrew his name from nomination. Councilman Caporale stated that the Board demonstrates a willingness to work together that is uncommon with a lot of the boards in Beaufort County and the municipal government. He stated the Board has done a great job over the last two years and expressed his appreciation.

FUTURE MEETINGS

Mr. Mazzei wanted to know if it would be possible to postpone or cancel the August meeting because he has travel plans during that time. Mr. Andres stated there is a good chance that they may have FAA grant offers to consider at that meeting. Mr. Newman stated he may not be available either. Mr. Mazzei wanted to know how many people they needed for a quorum. Mr. Newman stated that because the Airports Board is not a voting body they do not need a quorum. Mr. Mazzei stated that they would stay with the same date then. The next meeting of the Airports Board will be held on Thursday, August 18, 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.