

Walker Field Airport Authority

Minutes of the Regular Board Meeting

November 18, 2003

BOARD COMMISSIONERS PRESENT: Miles McCormack Craig Springer
Robert McCormick Karen Berryman
Roger Little

AIRPORT STAFF PRESENT: Corinne Nystrom Charlie Novinskie
David Anderson Ted Balbier
Gary Mancuso Ben Peck
Ed Storer D. Vanlandingham

ALSO PRESENT: Tom Hall of H.R. Aviation, L.L.C.; Merv Heinecke of Extreme Construction; Bob Kretchman of the Daily Sentinel; Mitchell Rothman of Rothman Law Firm; Joe Marie; and Mike Sutherland of Sky Adventures, LLC/P.D.M. Group.

I. CALL TO ORDER

The meeting was called to order at 5:15 p.m.

II. APPROVAL OF AGENDA

Commissioner Springer moved to approve the agenda. Commissioner McCormack seconded. Voice vote: all ayes. Motion carried.

III. PUBLIC COMMENTS AND COMMUNICATIONS

Chairman McCormick commented that the recent article in the Daily Sentinel concerning the economic impact of Walker Field was well done.

IV. CONSENT AGENDA

- A. Minutes: October 16, 2003 Special Board Meeting**
- B. Minutes: October 21, 2003 Regular Board Meeting**

C. **Acknowledgement of Receipt of September, 2003 Financial Statements/Accounts Receivable Report**

On the Statement of Operations, continued progress is being made to maintain a positive budget variance between operating revenues and operating expenses. Year to date operating revenues are slightly under budget \$36,766 (-1.9%), but close monitoring of expenses have resulted in year to date operating expenses that are 7.5% lower than budgeted. Year to date Operating Income Before Depreciation (OIBD) is \$567,198. This amount is 12.0% higher than budgeted year to date.

Parking revenues, BLM Fire Center aircraft landing fees, and military aircraft fuel flowage revenues exceeded budget projections (year to date). Because of reduced general aviation aircraft operations, general aviation fuel flowage revenues are still under budget. Rental car revenues also continue to be less than budgeted.

On the Balance Sheet, nonrestricted cash/investments increased 43.5% primarily from the transfer of funds from restricted cash to nonrestricted cash to reimburse the Authority for terminal building bond proceeds projects. Accounts payable increased by \$120,611 because of the receipt of several large vendor invoices. Land, Buildings, and Equipment increased \$942,473 with expenditures for:

- Acquisition of property for the air cargo facility
- PFC terminal building boarding area expansion project
- East air carrier ramp expansion project
- Security access system project
- Terminal building central elevator modifications

Accounts receivable decreased \$33,053 with the receipt of several large customer payments. PFC funds increased \$19,564 (net) with continued program collections and expenditures for the terminal building boarding area expansion project.

Overall, September yielded positive financial performance for the Authority.

D. **Ground Sublease Agreement Between Sky Adventures, L.L.C. and Mitchell B. Rothman d/b/a The Rothman Law Firm**

Sky Adventures, L.L.C. owns the hangar/commercial facility adjacent to the Mesa Maintenance hangar and also leases 96,267 square feet of ground from the Authority. In addition to aircraft hangar space and a restaurant, the facility includes approximately 3,000 square feet of office space for

aeronautical purposes. Approximately 1,800 square feet of the office space is currently leased to aeronautical tenants such as Strand Flying School, Sky Adventures' office, the building manager's leasing office, and Harvest Financial, a non-aeronautical tenant.

Sky Adventures requested to sublease 273 square feet of office space to the Rothman Law Firm for the non-aeronautical purpose of consultation and services for clients and prospective clients conducted within the practice of law.

The FAA allows a sublease for non-aeronautical purposes if:

- the tenant continues to aggressively pursue an aeronautical subtenant;
- the lease is short term (December 1, 2003-November 30, 2004 for this sublease);
- the lease must be cancelable on short notice (60 day notice to terminate for this sublease); and
- the Authority must be paid additional rent (\$85.97 per year for this sublease) to reflect fair market value for that percentage of the ground rent attributable to the non-aeronautical sub-tenant's leased area.

The Sublease meets the above requirements. Since Article 5 Maintenance and Utilities subparagraph 5.2 of the Sublease has been altered so that the Tenant will be providing utilities instead of the Subtenant, Board action is required.

Staff recommended that the Board approve and authorize the Chairman to sign the Ground Sublease Agreement Between Mitchell B. Rothman d/b/a The Rothman Law Firm and Sky Adventures, L.L.C.

Commissioner McCormack moved to approve the items on the Consent Agenda.
Commissioner Berryman seconded the motion. Voice vote: all ayes. Motion carried.

V. ACTION ITEMS

A. Request by H.R. Aviation, L.L.C. for Extension of Ground Lease Agreement

H.R. Aviation, L.L.C. leases ground in the Runway 4/22 general aviation area for the purpose of constructing a hangar. The original Ground Lease Agreement was effective April 1, 2000. Issues with height restrictions delayed progress on the hangar until resolved in January of 2001. At that time, H.R. Aviation, L.L.C. was granted 18 months to complete its hangar. The Ground Lease Agreement with the Authority required that the hangar be completed by July 1, 2002. At the June, 2002 Regular Board Meeting,

the Board granted H.R. Aviation an extension of time to June 1, 2003 in order to complete the hangar. The hangar was not completed by June 1, 2003.

At the May, 2003 Regular Board Meeting, an extension of time to complete the foundation was granted to August 20, 2003. If the foundation was not completed by that date the ground rent would be increased from the development rate to the full rate. Additionally, H.R. Aviation was required to complete its hangar and have a Certificate of Occupancy issued for its hangar by November 20, 2003. The foundation has not been completed. The full rate ground rent became effective August 20, 2003.

H.R. Aviation has completed the site preparation work for its hangar including the foundation forms. H. R. Aviation has requested an additional extension of time to April 20, 2004 to complete the hangar.

Staff recommended that the Board approve H. R. Aviation, L.L.C.'s request for an extension to complete the hangar construction, including a Fifth Addendum to the Ground Lease Agreement, and authorize the Chairman to sign the Addendum on behalf of the Authority, with several contingencies.

Mr. Tom Hall addressed the Board. He stated that during the timeframe of the original Lease Agreement, there were problems finding a suitable location to build due to FAA height restrictions, thereby causing the building location to be moved. Those issues were resolved in January 2001. H.R. Aviation, L.L.C. then filed an application for a planning clearance with the City of Grand Junction. Since that time, the ground work for the foundation has been completed, and all building materials are on site. Mr. Hall expressed his hope that the Board would grant a further extension to complete the hangar.

Commissioner Berryman inquired when H.R. Aviation began making lease payments on the property. Staff responded April 1, 2000 at the development rate. The development rate was approximately half of the full rate. The full rate of \$.1003 per square foot went into effect in August 2003.

Commissioner Springer commented that the Staff and Board had exercised significant forbearance with this issue because Mr. Rouse's and Mr. Hall's operations are an asset to the airport. He felt that there would be a time when the Board would need to follow-through with enforcing development timeframe requirements.

Chairman McCormick inquired on what date the building permit application was submitted. Mr. Heinecke of Extreme Construction (contractor for H.R. Aviation, L.L.C.) responded that they approached the City Community

Development Department in June of 2003. On October 8, 2003, H.R. Aviation, L.L.C. filed an application for a building permit. The building permit was issued on October 31, 2003.

Chairman McCormick inquired why there had been no progress made between the initial lease agreement in January of 2001 and the application for the permit in June of 2003. Mr. Heinecke responded that Mr. Hall and Mr. Rouse had attempted to handle the construction project on their own, but were unsuccessful. Mr. Hall commented that H.R. Aviation, L.L.C. had received an approved planning clearance from the City Community Development Department in 2002, but when they went down to get their building permit in the spring of 2003, they were told it was no longer valid. Extreme Construction was then hired to take over management of the project in June 2003.

Commissioner Berryman inquired if Mr. Hall was willing to take the chance that the construction would not be completed in the allotted time and that the property and improvements would revert back to the Airport Authority. Mr. Hall responded affirmatively. He stated that construction on the foundation for the hangar has begun and the concrete will be poured next week. Mr. Heinecke commented that the structural shell should be completed by January 31, 2004, and the interior will be completed by spring 2004. They anticipate the construction to be completed no later than June 1, 2004.

Commissioner Springer inquired if the 18-month development period was an insufficient amount of time for tenants and whether the Authority should look into modifying the timeframe. Manager Nystrom responded that the FAA prefers that the development be completed within a 12-month timeframe.

Commissioner Springer inquired when H.R. Aviation, L.L.C. expected to have its Certificate of Occupancy. Mr. Heinecke responded that they anticipate receiving it by May 1, 2004.

Commissioner Springer moved to approve H. R. Aviation, L.L.C.'s request for an extension to its existing Ground Lease Agreement with the Authority to May 1, 2004 at the existing rate with the understanding that if there is no Certificate of Occupancy issued prior to that date, the lease will need to be re-negotiated. He further moved that a Fifth Addendum to the Ground Lease Agreement reflect this requirement, and that the Chairman be authorized to sign the Addendum on behalf of the Authority. Commissioner Little seconded the motion. Voice vote: all ayes. Motion carried.

VI. DISCUSSION ITEMS

- A. Law Enforcement Personnel Agreement Between the Transportation Security Administration and Walker Field, Colorado, Public Airport Authority
- B. Proposal for Law Enforcement Personnel Services
- C. Proposed Adjustment to Walker Field Airport Authority Fees and Charges to Cover Cost of Providing Law Enforcement Personnel Services
- D. Addressing Transportation Security Administration Security Topics on a National Level

Manager Nystrom commented that Staff is continuing to have discussions with the City of Grand Junction regarding the possible formulation of a proposal for continuing to provide Law Enforcement Officer (LEO) services at the security screening checkpoint.

There is also a continuing possibility that a private security contractor might be able to provide the LEO services.

Staff reviewed several options in the event the Transportation Security Administration's (TSA's) Reimbursement Agreement (RA) does not cover the full cost of the LEO services. Staff has notified the airlines that there is a possibility that a security fee may need to be imposed in that situation.

In addition to Walker Field-specific issues, Staff put together some thoughts on how the Authority might address the various topics regarding TSA on a national level.

Commissioner Springer commented that this issue has grown out of the larger problem that there is no cooperation on the part of the TSA, and there is no mechanism to appeal a decision made by the local Federal Security Director (FSD).

Chairman McCormick expressed concern regarding the secrecy issue of TSA security requirements and that the community is not allowed to be a part of any discussions pertaining to security issues.

Staff stated that it has received the proposed Reimbursement Agreement from the TSA and Authority Attorney Grattan has reviewed it. The initial term expires September 30, 2003, so if the Board chooses to execute the RA and the TSA accepts it, the Authority would be reimbursed for some of its

LEO expenses through September 30, 2003. Within the RA, the TSA can, at its option, renew the agreement on an annual basis.

Chairman McCormick inquired what the Authority would be agreeing to by signing the RA. Staff responded that the main component would be that the Authority would agree to continue to comply with all TSA mandates.

Board consensus was to continue to pursue an agreeable resolution to the issues pertaining to airport security.

VII. BOARD COMMITTEE REPORTS

There were no Board Committee reports.

VIII. AIRPORT MANAGER'S REPORT

Commissioner Berryman inquired about the Authority's plans for a Christmas tree in the terminal building. Staff responded that they plan to put up a tree in the terminal building within the next couple of weeks. Commissioner Berryman stated that she has extra decorations and lights she would be willing to donate to the Authority.

IX. OTHER ITEMS

A. December Board Workshop

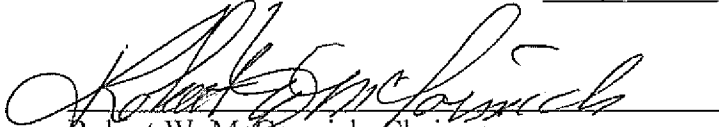
The Board will continue to discuss the proposed 2004 budget. A presentation by the Bureau of Land Management regarding its plans to improve its airport fire center facility will also be given. Security issues, and possibly the Reimbursement Agreement with TSA, may also be discussed.

X. ADJOURNMENT


Commissioner McCormack moved to adjourn. Commissioner Berryman seconded. Voice vote: all ayes. Motion carried.

There being no further business to come before the Board, the meeting was adjourned at 6:53 p.m.

APPROVED AND ADOPTED THE 16th DAY OF December, 2003.


Robert W. McCormick, Chairman

ATTEST:


David J. Anderson, Clerk