

MINUTES
REGULAR MEETING JUNE 23, 1983

MEMBERS PRESENT: Chairman Frank Dunn; Commissioners Barney Barnett, Betsy Clark, Dave Humphries, and Bill Love. Also present Airport Manager Paul Bowers, Attorney Randy Pearce, Clerk Mary Ann Harms.

GUESTS: John Quest, ARIX; Bob Jess Jr. and Sr., Custom Music; Jim Bernath, Daily Sentinel; Dick Schmitz, Continental Airlines; Cynthia Crawford, KEXO; Peggy Wallace, Transwestern/United; Bill Carr, KREX; Norman Frantz, Penner/Frantz; Andy Sims, Mike Shay, Grandmet; Art Moss, Chamber of Commerce; Joe Bestgen, Avis; Sandy Freudenberg, Hertz; Mark Thompson, KQIL.

Meeting was called to order at 8:05 a.m. Chairman Dunn said the good news is: 1) Colorado Energy Impact Assistance Agreement has been signed and \$100,000 has been received; 2) FAA/Walker Field Grant has been signed on Runway 11/29; Isbill and Corn Contracts have been signed. Crack sealing has started and the work should be completed in two weeks; 3) Corn bid has been reviewed by Authority and Isbill and it is within the 10% tolerance of engineers estimate.

Chairman Dunn said he went to Denver on Tuesday and signed the bonds. He said he was comfortable with Coughlin and Company and that they are a top company.

Minutes of June 2, 1983 Meeting

Comm. Clark moved Minutes of the June 2, 1983 meeting be approved as written. Comm. Humphries seconded the motion which unanimously passed.

Management Report

1. Corn Review and Update. Chairman Dunn said Mr. Bowers would comment on the letter form Isbill and that the Board felt comfortable with the Corn contract. Mr. Bowers said with the events last week and the federal investigation into bid rigging, the Authority had to take a hard look at the Corn bid. Corn bid approximately \$4 million and Kiewitt bid \$4.5 million. The bids were carefully reviewed and there were no irregularities. Corn just finished a paving job which had their 400 Ton asphalt plant available for the Walker Field job. This fitted into the airport project without Corn having to have a double shift. This works out well for us and for them. Mark Thompson asked if any State money is in this project and if so doesn't the State money preclude the use of Corn. Mr. Bowers said the contract was let before this probe. Also Corn has worked for the Authority before and they do an excellent job.

Mr. Bowers said paving will start next week and there will be a meeting every Friday morning at 10:00 a.m. for an update. This meeting is primarily for the airlines but all Board Members are welcome to attend.

Comm. Clark asked if there is an engineer on site and Mr. Bowers said Mr. Gene Murphy from Isbill Associates is on site.

2. Grandmet

Comm. Humphries said he had attended a 2 1/2 hour meeting with Mr. Nick Popov, Ted Daniels and John Elliot, and Grandmet had essentially said they could not live with the existing lease and needed relief. What they had proposed was basically a limited partnership where the Airport Authority would share in the net profits up to 1/3 and would not share in the losses. Mr. Humphries was not in favor of this proposal. The Authority had countered with a proposal giving Grandmet a period of time to get their operation together and give them a square foot rental rate. Chairman Dunn said he was more comfortable with a square footage proposal.

Comm. Love asked if the \$55,000 doesn't figure out to be more like \$7.00 per square foot. Chairman Dunn said the \$55,000 is amortizing out the \$400,000 airport investment and doesn't have anything to do with the rent and is not going to be eliminated. The current rent is 8-10% up to 14% on food and beverage sales. Comm. Humphries said Grandmet asked the Authority to give credit back on their losses plus pay the \$17,000 construction overrun. Also if an agreement was not reached Grandmet would walk away from the operation.

Att. Pearce said as a compromise Grandmet can get out of their contract if it is not commercially feasible for them to continue operating. This lease condition is based on whether a reasonably prudent businessman would continue the operation. Comm. Love asked does this apply to the equipment and Att. Pearce said the equipment stays but it would be hard to find an operator willing to handle the \$55,000/year as the restaurant business is predicated on disposable income for people to eat out and people don't have it at this time. Comm. Humphries asked where the Airport got the \$400,000 and Att. Pearce said from the bond issue.

Chairman Dunn said he was against this contract in the first place but he has done everything to be supportive of Grandmet but he still has mixed feelings about this. Comm. Humphries said it would be hard for the Authority to prove the operations economic feasibility. Att. Pearce said problem of where to place the blame and even if the Authority were able to win a law suit there would be no money until it would be resolved. Comm. Humphries asked how foreign property could be attached and Comm. Clark said Grandmet has an office in Denver.

Comm. Love said then according to their contract Grandmet can terminate and they terminate their obligation to the \$400,000 and the rent. Att. Pearce said the question is are the commercially unfeasible circumstances outside their control. Comm. Love said the decision of the Board then is whether to help them out or stand pat and he has trouble with the \$400,000 the airport spent. Chairman Dunn said Grandmet has a ten year lease and the \$400,000 is amortized over 15 years.

Att. Pearce said Grandmet wants to see a profit out of here and they are willing to give the Authority up to 50% of their net profits. The problem with net profits is the problem with definition. Mr. Pearce told them s.f. would be an alternative and Grandmet said square footage is not acceptable to them in anyway.

Comm. Barnett said there is no question there is a real paradox here and he doesn't find either alternative acceptable. On the amortization of equipment he would hold to the agreement and he doesn't feel working on net a solution and that it would be best to formulate a good counter proposal. Mr. Bowers said the Board would have to do it before the end of the month and that Comm. White will be back on Monday. Comm. Barnett said the Committee will need authorization from the Board to proceed with the negotiations.

Comm. Love moved the Committee be given the Authority to negotiate and reach agreement with Grandmet and to reach a compromise without change in the \$400,000, but change is authorized on percentage adjustments. Comm. Clark seconded the motion which passed unanimously. Comm. Love said the Committee needs to have latitude in establishing the term of the relief period.

Comm. Humphries said we still have the problem with cost overruns and can the Finance Committee work on this. Comm. Barnett said the percentages are okay to negotiate but not to back off on the rest of the issues.

Comms. Clark and Barnett both said the food and service is improving and Mr. Barnett said this is a reflection on better management. Chairman Dunn said for Grandmet to continue the good work and the Authority would support them.

3. Western Slope Telephone.

Att. Pearce said he was frustrated on this and that the Board authorized him to reach an offset on the \$10,000 cable and installation cost. He had contacted Jerry Stem at Mountain Bell and the \$10,000 was a reasonable figure for cost and Mountain Bell would have charged at least \$10,000 to do the same installation and the installation was compatible with Bell. Mr. Pearce also said the airport tenants need to assign payment to the Authority and also Westcom needs to agree to a release of liability to the Authority.

Att. Pearce said he has tried to call Steve Hodge over 30 times, has waited for him at the Courthouse, his office, etc., and hasn't been able to get with Mr. Hodge and Westcom is currently in breach of their agreement with the Authority.

Att. Pearce suggested two courses of action: 1) Switchover on our own without contacting Westcom and 2) file an injunction so Westcom couldn't do anything.

Comm. Barnett asked what Westcom would gain from letting this situation continue. Att. Pearce said Westcom is operating on credit with Mountain Bell and he would recommend the Authority not get involved in litigation with Westcom. He said the Authority needs

to send a letter to the tenants regarding Westcom and have their payment checks sent to the Authority or if sent to Westcom be made out to Westcom and Mountain Bell. Comm. Barnett said Westcom needed to be notified by certified mail that they are in default on their contract and the tenants run the Westcom checks through the Authority.

Att. Pearce said the Westcom service needs to be replaced by Mountain Bell, Bob Jess or whomever the tenants desire. Comm. Clark asked why Att. Pearce did not meet with the Westcom people direct if he couldn't contact Mr. Hodge and Mr. Pearce said the Board can but it would be unethical for him to do so. However, Mr. Pearce said he would write to the tenants today to send their checks to the Authority. Mr. Bowers suggested the tenants make their checks payable to Westcom and Mountain Bell.

Comm. Barnett said we need to bring this to a head and to get an injunction in hand and switch over to Bell and send a certified letter to Westcom. Att. Pearce said an injunction would be necessary to protect the phone service and he would start immediately. Mr. Pearce said Mr. Bob Jess with Custom Music had offered to take over the phone system.

Comm. Humphries said he had investigated various phone systems and systems other than Bell were cheaper. But he always had the fear the company may not be around or would not perform so he has always gone with Bell. Mr. Bowers said Bell, Jess or anyone else should be considered for the phone system during negotiations with Bell. Bell should know they are not the only ones being considered.

Chairman Dunn said there is some confusion regarding the use of current phone sets. He was told by a Bell representative they could be used and Mrs. Harms was told by Bell representative Jim Widdoss that they could not be used.

Comm. Clark asked for clarification of the issues and Att. Pearce said they are as follows: 1) \$10,000 payment on cable installation 2) Payments Authority made to Bell 3) Agreement to get out of this smoothly. There is rumor that Westcom has been upset because the Authority misrepresented the number of lines as 114 based on Bell survey, and Mr. Pearce does not believe this is a legitimate complaint. Mr. Pearce said he needs authorization from the Board to petition the Court for an injunction.

Comm. Clark asked Mr. Pearce if the Board needed to authorize a letter to advise tenants to pay the Authority instead of Westcom and to authorize a certified letter to Att. Hodge. Mr. Bowers said the certified letter would be to notify Westcom of breach of contract. Comm. Clark said staff should explore proposals from all phone companies. Chairman Dunn questioned the legality of the letter to the tenants to pay the Authority instead of Westcom and whether that would cause the tenants problems. Comm. Humphries said the tenant checks should be made out jointly to Westcom and Mountain Bell and not to insert the Authority into it. Att. Pearce said the injunction could state payment be made to the Court. Mr. Bowers asked how long it would take to prepare an injunction and

Mr. Pearce said it could be ready by Monday or Tuesday (June 27/28).

Mr. Jess, in answer to a question by Comm. Barnett, said the Authority does not need a telephone switch. They switch they now have has a key system behind it. Comm. Barnett asked Mr. Jess if he questioned the number of phones (114 lines) and Mr. Jess said they went to everyone in the terminal and there were 72 stations and 32 c.o. lines. Comm. Barnett said we need to get this straightened out quickly so there is no inconvenience to the tenants.

Comm. Clark moved the Board 1) authorize Mr. Bowers to write a letter advising the tenants to make checks payable to both Westcom and Mountain Bell for their phone service and to mail the payments to Westcom; 2) Authorize Randy Pearce to send a certified letter to Steve Hodge as notice they are in default on their contract and their contract is terminated and to set up a meeting date and pursue contacting Mr. Hodge; 3) Authorize Randy Pearce to pursue injunction; 4) Direct staff to get proposals from any available companies to switch over service on short notice and have all four points ready for Board at next meeting. Comm. Barnett seconded the motion. Mr. Bowers said regarding the four points being ready at next meeting the first three would be done and only last point would have to be brought back to the Board. Comm. Clark said she would like to have had this matter resolved at this meeting and this was just an assurance. Chairman Dunn called for the vote and the motion unanimously passed.

Mr. Bob Jess, Jr. made a short telephone proposal that Custom Music has been in operation for 20 years and has been in the phone business for 10 years and both Comms. Cornielson and White have their phone system. They guarantee customers two hour emergency service on a 24 hour basis and that the airport currently has their music system. If the Authority accepts the Bell proposal all equipment would have to come out. With the Custom Music System the airport could use the equipment in place and the only problem would be with the restaurant's system.

Chairman Dunn said there appears to be some confusion within Bell regarding whether the existing equipment can be used or not. Mr. Jess said that's because you are working with American Bell. Chairman Dunn said he had been assured by Bell we could use the same equipment and staff was told it could not be used by Bell representative Jim Widdoss. Comm. Humphries said he still has the same concern as before as the interconnect will say the problem is the fault of the interface and the interface will say its in the lines. He would like to see one person responsible for the whole system. Mr. Jess said they have 400 - 500 systems in town.

4. Energy Impact Meeting.

Mr. Barnett said the meeting will be held in Trinidad on July 12. Mr. Barnett and Mr. Bowers will make the presentation for phase two monies to match funds on 4/22. Mr. Barnett asked that they have pictures of 4/22 to take with them. Chairman Dunn said he had spoken with Jan Quimby regarding this and Comm. Clark said she had spoken with two members also.

5. Penner-Frantz.

Chairman Dunn said he had spoken with Penner/Frantz and they needed an MAI Report to go with the Pannell, Kerr, Forester feasibility study. Norman Frantz said this MAI report must go with the feasibility study to the lending institution. The lending institution Board of Directors meets on the second and fourth Wednesdays of each month. They have been given preliminary approval at this time.

Chairman Dunn said he had been assured everything was going along well and they need the MAI report to go to the lending institution and has confidence they are going to get this commitment made and have it together in one month.

Att. Pearce said their last extension expired June 1 and we want another \$50,000 and an increase in interest rate in line with market price. Mr. Bowers said current interest rate is 18% and Penner/Frantz interim rate is 12%, which is disincentive to Penner/Frantz to pay it off. Chairman Dunn said another \$50,000 should be due after they receive money from the lending institution. Att. Pearce said other extensions required a cash payment plus interest and at the end of June they owe us \$190,000. If we give an extension and they make a payment it would be deducted from the principal.

Comm. Barnett said he was in favor of the extension but would leave the interest the same. Comm. Love agreed with Mr. Barnett and Comm. Humphries said it was 1½% above prime interest.

Att. Pearce asked whether the extension should be for 30 or 60 days. Norman Frantz said the closing will take time. Comm. Humphries asked if the appraisal goes to the lender will the bank advance the funds. Mr. Frantz said they may not get a response from the lender until they get their Board's response. Comm. Love said if they pay \$50,000 to receive the extension why isn't it due now. Chairman Dunn said they could pay \$50,000 in four weeks and Comm. Clark said it should be retroactive to June 1. Comm. Barnett said a 60 day extension would run them to August 1. Comm. Humphries said if all falls apart they have 45 days with written notice of default and if we give them a 60 day extension then we have another 45 days to go through. Chairman Dunn asked about the time frame for payment and Comm. Barnett said four weeks was okay with him. Comm. Humphries said an extension with no payment just continues the way we are. If we are to run this like a business we still have obligations and there is no binding agreement without obligation. Comm. Clark asked if the lease is not in effect and Att. Pearce said the contract is in effect but 1) lease rental not paid and 2) construction did not start on January 1, 1983; we would be entering into an agreement with no compensation and give them an additional 60 days to make a decision. Comm. Barnett said Mr. Humphries wants some consideration, another \$5,000 or \$10,000. Comm. Love said extend contract 60 days; 6/1-8/1, pay \$50,000 in two months and how about \$50,000 in four weeks. Chairman Dunn said possibly some consideration could be given us immediately. Comm. Barnett said rather than go before the lender with lease in

default how about \$10,000 or \$50,000 to keep it running until August 1. Comm. Humphries said he would go along with payment schedule; have \$25 000 upon execution and another \$25,000 at time of commitment and balance due upon closing. Comm. Love said money is just part of payment, not consideration, not purchase of extention.

Chairman Dunn said \$75,000 during all this time hasn't been that much money and he would feel more comfortable if some money were paid on the \$141,000. Comm. Barnett suggested a \$5,000 fee for the extention. Mr. Frantz said they have invested many times the money paid to the Authority. Interest on amount due would be a consideration. Mr. Frantz said they could pay \$5,000 now and balance in 30 days.

Commissioner Barnett moved that Att. Pearce prepare an extension agreement to August 1 with a \$5,000 additional extention fee due immediately upon signing of extention and there is no relationship with this to our present agreement and the other goes on as written. This will given them a valid lease to take to the lender that will not be in default. Comm. Clark seconded the motion. The motion passed with Comm. Humphries opposed. Comm. Humphries said payment should be made to principal two to three weeks after extention.

6. Accounts Payable

Comm. Love asked when we would have first quarter statements and Mr. Wendland said this morning and that the projections are are ready to go. Comm. Barnett said the audit expenses should be less next year.

Comm. Clark moved we pay the bills. Comm. Barnett seconded the motion which passed unanimously.

7. Accounts Receivable

Comm. Love asked about United Airlines payment and the vending contract. Mr. Wendland said United had paid but Grandmet has not made payment on vending. Mr. Bowers suggested the Board look into Central Distributing or Foster vending taking this over.

Comm. Humphries asked about the Dalby Management Letter and Mr. Bowers said he was supposed to get with Dennis Wagner and will have it for next meeting.

Comm. Barnett mentioned Horizon Aviation is in Chapter 11. Mr. Bowers said their lease runs out in 1984 and they are making land rental payments. Mr. Bowers said a Glenwood Attorney is trustee. Comm. Humphries then asked how the lease with the aircraft manufacturer was coming. Mr. Bowers said they should hear in two weeks. Mr. Bowers also said the airfreight gate would be taken care of during ramp construction.

8. Enplaned Passenger Report

Passengers are down slightly from last month due in part to

substantial increase in airfares over last month. Comm. Barnett suggested a letter be sent to the airlines over Chairman Dunn's signature. Mr. Art Moss said this is not a local problem but a national problem and a competitive problem. Airlines note businessmen complaints but worry more about competitors. Comm. Clark said its the extremes in fares that cause the problems. Mr. Bowers said we need to support the carriers that are here, can't control fares but need to be thankful we have the air services we do. Mr. Dick Schmitz said fuel prices cause fluctuation in fares and lower fares in markets such as the Denver/Houston market are due to shear numbers when operating costs are divided among more people. Mr. Bowers said Walker Field has three major carriers plus Transwestern.

9. Other Matters

- a. Special part of July 7, 1983 meeting agenda for appreciation to Maxine Albers.
- b. Dedication ceremonies will be held for Keith Phillips eagle sculpture on Friday, June 24 from 4:00 p.m. to 6:00 p.m. Ceremonies will be held at sculpture location and reception will follow in Airport Board Room. Everyone is invited to attend.
- c. Commissioner Barnett reported on his Orlando trip. He said the AAAE convention is excellent and he recommends all board members who can to attend. There are separate meetings for Commissioners throughout the United States and he learned alot.
- d. Commissioner Barnett reported on the status of the acquiring of a new manager. He said there have been approximately 270 applicants. He preliminarily interviewed seven applicants while he was in Orlando. The Committee has met several times: Betsy Clark, George White, Barney Barnett; and they have met with Claudia Hazelhurst, City Personnel Director; and the applicants have been narrowed to ten out of which there are three prime prospects. He proposed, with Board approval, to bring in three candidates to meet and be interviewed by the Board. After some discussion tentative interview dates were set for July 14th and 15th.
- e. Comm. Clark said there is more dirt in the parking lot and the grass is very sparse. Comm. Barnett suggested a trench be dug along the southside to catch the water. Chairman Dunn asked if the airport is conserving water at this time and Mr. Bowers said it is limiting usage to 10,000 gallons. Comm. Clark asked that the parking lot be cleaned.

Meeting adjourned at 10.20 a.m.

Approved as set forth this 7th day of July, 1983

Frank Dunn
Frank Dunn, Chairman

Mary Ann Harms
Mary Ann Harms, Clerk