

Walker Field Airport Authority

Minutes of the Regular Board Meeting

December 16, 1997

BOARD COMMISSIONERS PRESENT: Robert McCormick Martin O'Boyle
Miles McCormack Jim Richards
Charles Gillett Gary Morris

AIRPORT STAFF PRESENT: Corinne Nystrom Ted Balbier
Dan Reynolds John Thomas
David Anderson Dennis Wiss

ALSO PRESENT: Authority Attorney Doug Briggs; Ron Rouse of Colorado Airlines; Glenn Songer, hangar owner; and Joe Marie of Mesa Airlines.

I. CALL TO ORDER

Vice Chairman O'Boyle called the meeting to order at 5:16pm. Vice Chairman O'Boyle noted Chairman McCormick would be arriving at approximately 6:00pm to join the Board Meeting in-progress, and Commissioner Graham was absent from the meeting.

II. APPROVAL OF AGENDA

Vice Chairman O'Boyle asked for additions or changes to the published agenda. Manager Nystrom requested Consent Item G- "Amendment to Retriever Air Freight Lease Agreement" be deleted. The Agenda was amended as requested. There were no further requests for additions, deletions, or modifications to the Agenda.

III. PUBLIC COMMENTS AND COMMUNICATIONS

There were no Board or Staff communications, nor were there any public comments.

IV. TERMINAL BUILDING REPAIR UPDATE

Manager Nystrom distributed second opinion reports from MGA Structural Engineers, Inc. and Kumar & Associates pertaining to terminal structural repairs. Manager Nystrom noted that Staff has tentatively set-up a meeting for January 6, 1998 to meet with the engineers (MGA and Don Pettygrove) so that recommendations can be made to the Board at the January Regular Board Meeting.

V. CONSENT AGENDA

A. Minutes: November 18, 1997 Regular Board Meeting

B. Minutes: December 2, 1997 Special Board Meeting

C. 1997 Audit Engagement Letter From Costello, Allyn & Co., P.C.

Staff presented the Board with a letter of engagement from Costello, Allyn & Co. to conduct the annual audit of Walker Field Airport Authority's 1997 financial statements. This is the third year of a five-year contract with Costello, Allyn & Co. to do the annual audit. Costello proposes to conduct the audit for a fee not to exceed \$7,885.00. This amount represents an increase of \$2,385 over the amount charged to audit the 1996 financial records due to the additional audit tests now being required of all entities who are subject to the single audit.

Because the auditors are contracted by the Board directly, Staff did not make a recommendation.

D. Termination Agreement with Sky's Restaurant

Staff presented the Board with a lease termination agreement between Sky's Restaurant and the Airport Authority drafted by Attorney Briggs. At the November 18, 1997 Regular Board Meeting, the Board approved, in principal, Steve Robertson's request to cancel the current lease agreement with Sky's Restaurant. The terms to which Sky's must agree for the existing agreement to be deemed canceled include a waiver of the monthly \$300.00 equipment rental in consideration of Sky's waiving it's exclusive rights to (1) provide on-going restaurant, fast food, delicatessen, and alcoholic and non-alcoholic beverage service in the terminal building; (2) the exclusive right to provide food, beverage, and catering services for conferences, parties, and special events that take place inside the terminal building; and (3) the right of first refusal to operate a cappuccino bar. Sky's would still be responsible for all other monthly amounts owed pursuant to the Concession Agreement, including percentages of gross revenue, utilities, and trash collection.

Staff recommended approval of the termination agreement as submitted, and that the Chairman be authorized to sign the agreement on behalf of the Authority.

E. Colorado Ski Country Hold Harmless Agreement

Staff presented the Board with a hold harmless agreement between Colorado Ski Country, USA and the Airport Authority. Colorado Ski Country, USA is a non-profit organization dedicated to marketing and promoting the Colorado ski areas. Colorado Ski Country has, in the past, maintained an information booth at the terminal building located in front of the Budget Rent-A-Car counter.

The authorization for Colorado Ski Country to have a presence in the terminal building was canceled in 1994 because Colorado Ski Country was asked to pay rent but could not afford to do so. They do not pay rent at either the Denver (DIA) or Colorado Springs airports. Staff was contacted by Colorado Ski Country concerning the possible return of the booth during the Fall of 1998, and has been working out arrangements to bring the ski booth back to the Airport, since it is felt that having the booth is an excellent way to promote ski travel into Walker Field.

Ski Country will staff and maintain their booth and pay any costs associated with the operation of the booth. In return for their marketing and public relations services, the Authority will not charge them rent, as is the case at both Denver and Colorado Springs. The ski booth shall be located adjacent to the baggage claim area near the Club 20 display. The ski booth location and information to be displayed was presented to Interspace Airport Advertising for review, and they have no problems with the location. However, Interspace did ask that Authority Staff monitor the pamphlets to be displayed to assure that the pamphlets do not contain local advertising.

Staff recommended that the Authority enter into the Hold Harmless Agreement, and that the Chairman be authorized to sign the Agreement on behalf of the Authority.

F. Amendment to Thunder Mountain Ground Services Lease Agreement

Staff presented the Board with a lease addendum to Thunder Mountain Ground Services lease agreement to lease additional space located in the third ATO of the terminal building. The addendum would add the second half of the bag room into Thunder Mountain's leasehold to accommodate ski charters during the season. The lease arrangement would be on a month-to-month basis for the bag room portion until an airline expresses its wish to lease space in the third ATO to accommodate an airline operation. This addition would bring Thunder Mountain's leasing commitment for the third ATO to a total of 1647 square feet, with additional rent of \$105.33 per month. Staff noted Thunder Mountain has a good financial history with the Authority.

Staff recommended approval of the addendum, and that the Chairman be authorized to sign the Addendum on behalf of the Authority.

Commissioner Gillett moved to adopt the Consent Agenda. Commissioner Richards seconded. Roll call: all ayes. Motion carried.

VI. FINANCIAL REPORT

A. October, 1997 Financial Statements/Accounts Receivable Report

Manager Nystrom highlighted the financial statements for October, 1997. She noted that despite the costs incurred in the 11/29 litigation, the cash balance is stable. Payables are being paid in a timely manner. Working capital continues to look healthy. Revenues by source continued the same trend the Authority has experienced for the year. Airline, air freight, and rental car concession revenues have increased over last year. Parking lot, terminal concessions, general aviation, and military fuel sales are under budget.

Overall, revenues are 2% less than what was budgeted for 1997, but the operating expenses are below budget and 12% below the same period last year. Income to retained earnings is still looking strong.

Manager Nystrom commented on two delinquent accounts with regard to amounts owing the Authority. Attorney Briggs is in the process of preparing the Complaint to be filed against Maverick Airways. Additionally, Staff requested the Board's permission to consult with Attorney Briggs regarding Promoco's delinquent account.

Commissioner Richards moved to receive the Financial Report as presented. Commissioner Gillett seconded. Roll call: all ayes. Motion carried.

VII. ACTION ITEMS

A. Public Hearing Regarding Proposed 1997 Budget Amendment and Appropriations

There were no public comments regarding the Proposed 1997 Budget Amendment and Appropriations. Manager Nystrom noted that a notice was published in the Daily Sentinel notifying members of the public that they may comment on the Proposed 1997 Budget Amendment and Appropriations, and a copy of the Budget Amendment was available to any person requesting the document. Commissioner Richards commented as to the placement of the notice within the newspaper.

Manager Nystrom commented the purpose of amending the 1997 Budget is to more closely reflect the actual financial position of the Authority by using the most current projections and to provide for a contingency cushion in the event of an emergency. She also noted that the 1997 year-end calculations used for the resolution are only projected figures based on year-to-date October numbers because the current year has not been closed out. Additionally, the resolution incorporates Capital Items which were previously approved by the Board on a case-by-case basis.

Vice Chairman O'Boyle inquired as to how Authority Staff could have spent so little for administration expenses. Manager Nystrom responded that attorneys' fees were significantly lower than budgeted in part because the auditors allowed Runway 11/29 litigation attorney costs to be capitalized.

B. Resolution No. 1997-010: Resolution Amending 1997 Budget and Appropriations

Staff presented Resolution No. 1997-010: "Resolution Amending 1997 Budget and Appropriations" to the Board. Prior to the end of each fiscal year, it is necessary for the Authority to ensure that the budget for the current year conforms to what has transpired during the year, especially with respect to expenditures. A resolution is necessary to finalize the budget and authority to appropriate before year-end.

The amended budget is still a projection, but is based upon actual financial data that has been compiled throughout the year. It incorporates the additions and deletions made in the capital budget, as previously authorized by the Board on a case-by-case basis, as well as the changes in the contributed capital, revenue, and expense categories experienced during the year. Staff recommended the Board approve Resolution No. 1997-010 as written, and that the Chairman be authorized to sign the Resolution on behalf of the Authority.

Commissioner Richards moved to adopt Resolution No. 1997-010 as written. Roll call: all ayes. Motion carried.

C. Public Hearing Regarding Proposed 1998 Budget and Appropriations

There were no public comments regarding the Proposed 1998 Budget and Appropriations. Manager Nystrom highlighted a couple of the Budget line items, including decreases in the medical insurance premiums and security services. These changes were reflected in the updated Budget packet presented to the Board. Additional changes included a projected increase in retained earnings for 1998 in comparison to an earlier draft of the budget and the creation of separate line items for the BLM lump sum payment received in 1997 and Runway 11/29 costs on the cash flow sheet of the budget.

Commissioner Morris asked why some of the proposed 1997 numbers adopted in the Supplemental 1997 Budget are different than the estimated 1997 numbers contained in the proposed 1998 Budget. Manager Nystrom responded that the difference in some of the numbers allows for a contingency in the Amended 1997 Budget in the event of an unexpected large expenditure between now and the end of this year. On the other hand, the 1997 projections on the 1998 Budget reflect what actual expenditures are expected to be barring any unanticipated emergency expenditures before year-end.

D. Resolution No. 1997-011: Resolution to Adopt 1998 Budget and Appropriate Sums of Money

Staff presented Resolution No. 1997-011: "Resolution to Adopt 1998 Budget and Appropriate Sums of Money" to the Board. The Resolution was presented to the Board in an updated document dated December 16, 1997. The updated Resolution incorporated changes which were discussed at the Board Workshops held on November 11th and December 2nd.

Staff recommended the Board approve Resolution No. 1997-011: "Resolution to Adopt 1998 Budget and Appropriate Sums of Money" as submitted in the revised document dated December 16, 1997, and that the Chairman be authorized to sign the Resolution on behalf of the Authority.

Commissioner Richards moved to adopt Resolution No. 1997-011 as submitted in the revised document dated December 16, 1997 and that the Chairman be authorized to sign the Resolution on behalf of the Authority. Roll call: all ayes. Motion carried.

E. Resolution No. 1997-012: Request for Grant From Colorado Aeronautical Board and State of Colorado Division of Aeronautics

Staff presented the Board with Resolution No. 1997-012: "Request for Grant From Colorado Aeronautical Board and State of Colorado Division of Aeronautics." Staff applied to the Colorado Division of Aeronautics for a FY 1998 grant to assist the Authority in purchasing a new multi-purpose tractor and specific attachments. The new tractor would assume the functions of the 1984 John Deere tractor currently used by maintenance personnel.

Staff traveled to Denver on October 8th to the Division's Grant Hearings and presented the Authority's request. The Division has since notified the Authority in writing that the Authority's application was successful and has forwarded the corresponding contract documents for the Board's approval. These documents are the standard boiler plate resolution and contract utilized during previous grant cycles. Any additional language in the 1998 contract has been reviewed and approved by Attorney Briggs. Manager Nystrom commented that the Authority's portion of the Grant was included in the 1998 Budget, and this is why Staff requested this Action Item be approved after the approval of the Budget.

The estimated cost for the multi-purpose tractor with a flail-type mower system, front end loader, plow attachment, box grader, and sweeper is \$107,100. The Grant amount would be \$80,325, leaving the Authority's share at \$26,775. Staff recommended the Board approve Resolution No. 1997-012, and authorize the Chairman to sign the Resolution, the contract with the Colorado Division of Aeronautics for a grant in the amount of \$80,325, and the corresponding Applicant Notice of Commitment as submitted to the Authority by the Division of Aeronautics. Commissioner McCormack asked Staff if this tractor would be put out to bid. Manager Nystrom indicated it would.

Commissioner Richards moved to approve Resolution No. 1997-012: "Request for Grant From the Colorado Aeronautical Board and State of Colorado Division of Aeronautics," and authorize the Chairman to sign the Resolution, the contract with the Colorado Division of Aeronautics for a grant in the amount of \$80,325, and the corresponding Applicant Notice of Commitment as submitted to the Authority by the Division of Aeronautics. Roll call: all ayes. Motion carried.

F. Contract with State of Colorado for 1998 CDAG Project

The Contract with State of Colorado for the 1998 CDAG Project was discussed and acted upon by the Board in Action Item E- "Resolution No. 1997-012: Request for Grant From Colorado Aeronautical Board and State of Colorado Division of Aeronautics."

VIII. DISCUSSION ITEMS

A. Tax Assessment Issues Update

Staff and Attorney Briggs provided the Board with an update on the property tax assessment issue including feedback from the meeting held on December 1st. Those in attendance at that meeting included Ron Teck, Mesa County Assessor; County Assessor Staff; Lyle Dechant, Mesa County Attorney; several interested tenants; Doug Briggs, Authority Attorney; and Corinne Nystrom, Airport Manager. Manager Nystrom noted the meeting went very well.

Attorney Briggs commented he had talked with Mr. Teck after the recent meeting. Mr. Teck indicated he had spoken with other county assessors on how they had handled the property tax assessment issue. As a result, Mr. Teck indicated he would probably have no problem with the Authority receiving the improvements from the Walker Field tenants. However, he has requested a sample Agreement from another airport to provide to Mesa County Attorney Dechant for his review.

Additionally, Attorney Briggs indicated that based upon his feedback from other airport operators in Colorado, a solution would be for the tenants to deed their improvements, by the use of a quitclaim deed to the Authority, and then modify the existing lease agreements.

Vice Chairman O'Boyle inquired that if ownership gives a tenant the incentive to find a buyer, what will be the incentive for the tenants to find a replacement lessee for the parcel if they no longer own the attached hangar? Commissioner Richards indicated the Authority, as landlord, would still have the incentive of attracting a replacement tenant. Attorney Briggs noted existing leases only allow the existing lessee to assign the lease if the Authority approves the assignment.

Commissioner Morris was concerned that if a tenant had recently purchased a hangar for \$100,000, but then deeds the hangar to the Authority, how does the tenant recover the cost of the hangar since the tenant cannot use the depreciation for tax purposes? Does the Authority owe the tenant consideration? Attorney Briggs responded that there are many permutations the Board needs to discuss before any action regarding this issue is taken. Commissioner Richards commented that a business person wishing to recoup the capital outlay on a hangar would have the incentive of renewing the ground lease upon which the hangar is located.

Glen Songer, hangar owner, asked if a lessee could sell an existing ground lease to a third party. Commissioner Richards indicated the lessee can sell the lease, subject to Authority approval. Mr. Songer indicated he has requested a couple of sample documents, one from Oregon and one from Ft. Morgan, which have been used for the sale of a lease to a third party. Commissioner Richards stated that not all tenants are going to act the same way. It is to the Authority's advantage to lease the hangar again. Attorney Briggs commented that under current leases, tenants may remove existing hangars within 120 days of the termination of the lease on which the hangar is located.

Commissioner Richards indicated that as soon as a transfer process is approved, either by another county or Mesa County, that should give the Board a good idea of how the Board could proceed. Additionally, other ideas may pop-up at a later time. Attorney Briggs agreed with Commissioner Richards and commented that the person making the call on this issue is the

County Assessor. Commissioner Gillett asked if there is some way the County could set the approval of this transfer process in stone. What assurances would the tenants have from any approval of a particular process? Manager Nystrom commented that as soon as Staff obtains an opinion from Mr. Teck, Staff would look into memorializing the interpretation.

Commissioner Richards noted that just because the opinion is memorialized doesn't mean it cannot be challenged, thus any assurances should come from the State. Attorney Briggs responded that this issue is really an issue between the tenants and the Mesa County Assessor's Office, and whatever assurances the tenants are given, the tenants are ultimately responsible to decide what course of action to take. As long as the tenants are pleased with a particular option, then that should be the extent of the Authority's involvement.

Ron Rouse of Colorado Airlines commented that there appears to be a general precedent set by other counties in how to deal with this issue. Commissioner Richards cautioned that the precedent to which Mr. Rouse is referring should be distinguished from a legal precedent, and the Authority is not guaranteeing anything to the tenants regarding the outcome of this issue. Vice Chairman O'Boyle asked what the next step should be in this process. Attorney Briggs indicated he would like to obtain sample documents which could be used for either creating a leasehold in which the improvements revert to the Authority at the end of the leasehold or deeding the improvements to the Authority prior to the end of the lease. Documents for both options would then be forwarded to the Assessor for his review.

Vice Chairman O'Boyle and Attorney Briggs indicated their concern of the amount of costs the Authority may be incurring on this issue. Commissioner Morris indicated that ultimately, there would be a long list of leases with attachments indicating the improvements on the respective parcels. Commissioner Richards recommended Attorney Briggs and Staff continue researching this issue until Mr. Teck makes a decision as to what type of process would be approved.

As an additional sub-issue, Attorney Briggs commented that Mr. Teck indicated the Assessor Staff may be willing to consider different methods of valuation. Chairman McCormick stated that Staff should present any policy proposals at the next Board Meeting if a Board policy direction is needed. Chairman McCormick inquired when Attorney Briggs felt Mr. Teck would make a decision in this matter.

Attorney Briggs stated he received the impression that a decision by Mr. Teck would be made soon. In his conversation with Mr. Teck, Attorney Briggs indicated Mr. Teck likes the "deed" approach, but would like more information before approving a "reversion" modification.

No action was taken by the Board.

B. Board Workshop Schedule

January 2, 1998 will be the next Board Workshop. The entire Workshop will be used to discuss the Personnel Policies Manual revisions.

No action was taken by the Board.

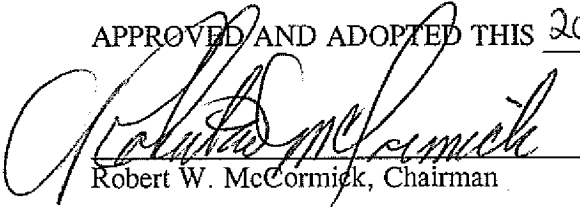
IX. OTHER ITEMS

There were no Other Items brought before the Board.


X. ADJOURNMENT

There being no further business to come before the Board, Commissioner Morris moved to adjourn the meeting. Commissioner Richards seconded the motion. Unanimously carried. The meeting was adjourned at 6:19pm.

APPROVED AND ADOPTED THIS 20th DAY OF January, 1998.


Robert W. McCormick, Chairman

ATTEST:


David J. Anderson, Clerk