

LOUISVILLE REGIONAL AIRPORT AUTHORITY
BOARD MEETING
OCTOBER 17, 2018

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The regular meeting of the Board of the Louisville Regional Airport Authority was held on October 17, 2018. Chairman Jim Welch convened the meeting at 3:11 p.m. in the Boardroom of the Louisville Regional Airport Authority, Louisville, Kentucky.

Those in attendance were: Mr. Dale Boden, Ms. Mary Rose Evans, Mayor Greg Fischer, Ms. Nikki Jackson, Mr. Earl Jones, Ms. Lesa Seibert and Mr. Jim Welch. Not in attendance; Mr. Bill Byrley, Mr. Pat MacDonald, and Mr. John A. Moore. Mr. Tom Halbleib attended as counsel to the Board.

Staff Members in attendance were: Ms. Brenda Allen, Ms. Pat Apone, Ms. Sara Brown, Ms. Dodie Caulk, Ms. Melissa French, Mr. Anthony Gilmer, Mr. Vince Glasnovic, Mr. Jason Hairgrove, Ms. Noel Jolly, Mr. Dan Mann, Mr. Jeff Nall, Ms. Antissa Riley, Mr. Brian Sinnwell, Ms. Megan Atkins Thoben, Mr. Adam Thomas, Ms. Kennisha Walker, Mr. Darrell Watson, and Mr. Jason Wheeler.

Also in attendance: Mr. Bobby Campbell, Mr. John Kraft, Mr. Eric King, Ms. Barbara Michael, Mr. Alfred Miller, Mr. Clair Nichols, Mr. Scott Nickerson, Mr. Vinay Polepalli, Ms. Kerri Richardson, Mr. Luke Schmidt, Ms. Karen Scott, Ms. Julie Taylor, Ms. Melissa Vasher and Ms. Mary Ellen Wiederwohl.

CONSIDERATION OF MINUTES

The minutes of the board meeting held September 19, 2018 were reviewed and, upon motion duly made and seconded, unanimously approved.

MARKETING REPORT

Mr. Darrell Watson updated the Board on the SDF Cares program. Staff volunteered on September 28th and October 4th to distribute Blessings in a Backpack at Engelhard Elementary School. On Friday, October 19, 2018 staff will participate in the Brightside Community Cleanup. On Saturday, September 22, The Arc of Kentucky, FEAT of Louisville, the Louisville Regional Airport Authority, Delta Air Lines and The Arc of the United States co-hosted a Wings for Autism® event at Louisville International Airport in partnership with the Transportation Security Administration (TSA). Mr. Watson received a thank you letter from The Arc Kentucky and a thank you email from one of the families that participated in the event. Over 70 families participated in the Wings for Autism®/Wings for All® program that is an airport “rehearsal” created to alleviate some of the stress that individuals with intellectual and developmental disabilities and their families experience when traveling by air. During the event, participants checked-in and received their boarding passes, passed through the TSA security checkpoint, waited in the boarding area and boarded the aircraft. The plane did push back from the gate and participants were served snacks before returning to the gate. The Authority plans to hold ongoing Wings for Autism® events. Mr. Mann commended Mr. Watson for his efforts in organizing this event and emphasized to the Board what a phenomenal program Wings for Autism® is for families.

Mayor Fischer commended the Authority for its higher visibility and participation in the community.

Mr. Mann informed the Board that the Bowman Field community really appreciated the Authority's participation in the Bowman Field Aviation and Military Heritage Festival. Our stakeholders enjoyed our hospitality tent and the unveiling of the Authority mascot was well received by Festival attendees. Mayor Fischer also commended Board member Pat MacDonald for his efforts in organizing the event.

Mr. Anthony Gilmer presented the new Air Service Dashboard, which provided a 10-year peer comparison to both peer cities as aspirational cities. Peer markets are Hartford, Memphis and Norfolk and aspirational markets are Cincinnati, Indianapolis and Nashville. For nonstop flights we are flat for the 10-year period, Cincinnati and Memphis are significantly down, Hartford and Norfolk are slightly down, Indianapolis and Louisville are flat, and Nashville has grown. For average daily departures, Cincinnati and Memphis are significantly down, Nashville has grown, and Hartford, Indianapolis, Louisville and Norfolk are all down about the same amount. For capacity, Nashville is the only market that has grown substantially, Cincinnati and Memphis are down, and Hartford, Indianapolis, Louisville, and Norfolk are down similar amounts. For all of the airports, the average aircraft size has increased between 15 and 20 seats over the 10-year period.

Mr. Gilmer advised the Board in October Southwest Airlines launched service to Houston Hobby and the inaugural flight was booked 85%. For the 4th quarter capacity at Louisville International is up 16%. United's capacity is up 32% which is the 6th highest growth rate among small-hub and larger airports, Allegiant is up 29%, American is up 19% and Southwest is up 11%.

FINANCIAL REPORT

Ms. Pat Apone thanked the finance staff and the staff of the other departments that interact heavily with the finance department during year end and the closing of the books. She recognized Ms. Dodie Caulk, Director of Finance, Ms. Melissa French, Finance Manager and Mr. Jeff Nall, Finance Manager for their work on the audit. She then introduced Mr. Scott Nickerson, Partner with Crowe LLP, to further review the audit with the Board.

Mr. Nickerson noted that the annual report covers both the Authority and the Louisville Renaissance Zone Corporation. Mr. Nickerson advised the Board that the financial information reflected in the audit report is the same information presented to the Board monthly, with the exception of the year-end pension adjustment and the airline true-up. Mr. Nickerson stated that Crowe LLP has issued a clean, unmodified, unqualified opinion on the Authority's financial statements. Mr. Nickerson indicated his firm did not identify any significant deficiencies or material weaknesses in internal controls or compliance with the various regulations the Authority is required to follow, including those relating to federal grant programs. There were also no audit adjustments made throughout the audit process.

Significant changes from the prior year to the current year resulting from new reporting standards requiring the Authority to recognize participation in the Other Post Employment Benefits Fund

liability, was a \$6,000,000 decrease in our net position recorded as a prior period adjustment and \$600,000 in expense recognized on our income statement. In addition, Mr. Nickerson advised the Board the Authority's pension liability increased about \$3,000,000 reflecting changes to the CERS and KERS pension assumptions, resulting in an overall net pension liability of about \$19,100,000. Potential items that could affect future financial statements include a proposed change to the way operating leases are recorded.

Ms. Lesa Seibert, Treasurer and Audit Committee chair thanked the finance staff for their efforts, and advised the Board that she fully supports the results of the audit. She then made a motion to accept the audit, which was duly seconded and unanimously approved by the Board.

Ms. Pat Apone presented the financial report for the month ending September 30, 2018. Passenger enplanements are up 11.6% over prior year for the month, 12.5% over prior year for the fiscal year, and 10.7% over prior year for the calendar year. Landed weight for both passengers and cargo is also performing well. Landed weight for passengers is up 10.4% over prior year for the month, 7.1% over prior year for the fiscal year, and 4.3% over prior year for the calendar year. Landed weight for cargo is up 4.8% over prior year for the month, 8.3% over prior year for the fiscal year, and 9.6% over prior year for the calendar year. Operating revenues for the month of September and fiscal year-to-date exceeded their budgeted levels. The operating revenues for the month were \$6,084,776 which is 4.5% above budget, and year-to-date operating revenues for FY 18 were \$18,528,014 which is 7.0% above the budgeted amount. Revenues derived from landing fees, terminal rents and ground transportation exceeded year-to-date budget expectations.

Operating expenses for September 2018 were \$2,288,947 which was 23.8% below budget, and fiscal year-to-date operating expenses were \$7,240,056 which was 15.4% below budget. Expenses related to contract services fell below their budgeted levels.

CONSTRUCTION REPORT

Mr. Brian Sinnwell presented the construction report.

At Louisville International Airport the Airfield Electrical Upgrade, Phase 10 project to remove and replace Taxiway in-pavement centerline light fixtures and transformers and remove and replace airfield guidance signs is substantially complete and the contractor is addressing warranty issues. For the Terminal Renovation & Enhancement Project, coordination continues regarding the design and fabrication of the terminal airside rotunda art piece. New electric and USB charging stations have been installed at various locations in the terminal, and the passenger services screening wall near the checkpoint has been installed. A preconstruction meeting was held for the Mother's Room in Concourse "A" and construction should begin this month. Design work has begun for Phase II of the Terminal Renovation, with building systems assessments and evaluations. Design concepts and early bid packages are being developed. The AT&T Duct Bank Relocation project is approximately 99% complete with punch list items being addressed. This project is part of the Northwest Quadrant improvements and consists of installation of new AT&T duct banks and manholes. The Rental Car – Quick Turnaround Facility (QTA) to improve drainage and pavement conditions adjacent to the QTA car wash facility with the addition of concrete pavement and a trench drain project is complete with punch list items being addressed. For the Surface Parking

Lot and Asphalt Seal Coat Project to seal the surface parking lot to extend the life of the asphalt pavement and restripe the parking lot lines, work has begun in phases and will continue until complete, or until weather halts the project until spring.

At Bowman Field, work continues on the Bowman Field Airport Area Safety Program to evaluate and identify current or near-term obstructions to Runway approach surfaces. Tree removals and trimming of previously identified obstructions is complete. Work continues to install trees and landscaping as part of the Phase 2 restoration and mitigation project.

Mr. Sinnwell reported on the Relocation Program. Under the environmental survey, asbestos sampling contract, property sampling is underway on two properties. A contract is being assembled for the demolition of five residential properties.

For the Residential Sound Insulation Program, for the sound insulation of residences within the DNL 65 contour on the 2021 Noise Exposure Map, the recommended program boundary and acoustical testing plan have been sent to the FAA for review and approval, and program policies and procedures are being updated. An initial review of cultural resources in areas northeast of Louisville International Airport is underway, and we are waiting on FAA concurrence. For the University of Louisville Noise Mitigation Project, Phase II of the project, which includes an Environmental Assessment (EA) and design work for noise mitigation measures is underway. The draft EA was completed and sent to FAA for review, and the FAA is currently completing their review.

Mayor Fischer and the Board indicated they would like to receive periodic reporting on the Authority's sustainability efforts.

BOARD ACTION ITEMS

1. Air Service Development Consultant Selection — Louisville International Airport — Approval

This effort consists of the qualification-based selection of a consultant for air service development services to ensure that SDF is always in a position to recruit and retain the best possible portfolio of air service options. The Authority advertised a Request for Qualifications in *The Courier-Journal*, in the *Louisville Defender*, with the Tri-State Minority Supplier Development Council, and via a posting on the Authority's website. A total of three qualified firms submitted proposals for the Authority's careful consideration.

The Executive Director and Director of Marketing & Air Service Development independently reviewed, ranked and discussed the proposals received. After careful consideration, the working group unanimously recommends Ailevon Pacific Aviation Consulting as the most qualified firm to carry out these professional services. Preparation and negotiation of a planning services contract will commence upon approval of selection. The contract scope of work and fee will be presented to the Board for approval at future meeting.

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Mr. Mann recommended the Board approve the selection of Ailevon Pacific Aviation Consulting for the Authority's air service development consultant as the most qualified consultant, and authorize the Executive Director to execute the necessary contract documents subject to review and approval by counsel as to legality of form and content. Condition upon the Board's future approval of the scope of work and fee, on motion duly made and seconded, the Board approved Mr. Mann's recommendation.

2. Kimley-Horn — Airport Master Planning, Contract Amendment No. 1, Phase 2 Consultant Contract Scope and Fee — Louisville International — Approval

At the July 18, 2018 Board Meeting, Kimley-Horn was selected to provide airport planning services for the development of a new Airport Master Plan for Louisville International Airport. At the September 19, 2018 Board Meeting, the Board approved a contract in the amount of \$422,540 for Phase 1 allowing initial critical services such as developing aviation forecasts and aerial surveying to proceed while the entire Airport Master Plan scope and fee was being further negotiated. Staff now request the Board approve a Contract Amendment No.1 for Phase 2.

The Phase 2 scope and fee includes the remaining elements to complete the Airport Master Plan beyond the initial Phase 1 scope. These items include the bulk of the master planning effort with alternatives development and evaluation, recommended development plan, airport layout plan, community outreach, and other major deliverables at a lump sum fee of \$2,876,260.

The Authority Staff and the FAA have found the proposed scope and fee submitted by Kimley-Horn for Phase 2 of the airport master planning services to be acceptable and in conformance with industry standards. Additionally, the FAA has approved a grant for \$2,250,000 of the costs related to the total airport master planning efforts. We anticipate an additional grant to bring federal funding to 90% of the total cost, but this recommendation is not conditioned upon the availability of such additional grant. Kimley-Horn has proposed using five DBE firms on their team for approximately 18% of the total labor efforts.

Mr. Mann recommended the Board approve Contract Amendment No.1 – Phase 2 with Kimley-Horn for Airport Master Planning services in the lump sum amount of \$2,876,260; and, authorize the Executive Director to execute the necessary contract documents subject to approval by counsel as to legality of form and content. On motion duly made and seconded, the Board approved Mr. Mann's recommendation.

3. Atkins — Task Orders No. 18, 19, 20 — Louisville International — Approval

On July 19, 2017, the Board approved the award of a master contract with Atkins as the Airport Authority's Airport Improvement Program (AIP) consultant for a three-year period with an option for an additional two-year term. The contract requires Board approval for each Task Order. Approval is requested for the following Task Orders:

Task Order 18 in the amount of \$170,000 authorizes Atkins to provide construction administration and observation services associated with the pavement rehabilitation project for Louisville International Airport approved by the Board last month.

Task Order 19 in the amount of \$200,000 authorizes Atkins to provide construction administration and observation services associated with the airfield electrical upgrade project for Louisville International Airport approved by the Board approved last month.

Task Order 20 in the amount of \$230,000 authorizes Atkins to provide construction administration and observation services associated with the west shoulder rehabilitation project for Louisville International Airport approved by the Board last month.

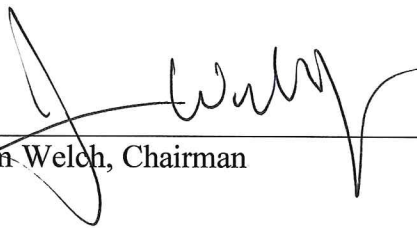
An FAA grant will provide 90% of the funding for these task orders, and the anticipated DBE participation for each task order is 10%.

Mr. Mann recommended the Board approve Task Orders Number 18, 19, and 20 to the contract with Atkins in the amount of \$600,000; and, authorize the Executive Director to execute the necessary contract documents subject to review and approval by counsel as to legality of form and content. On motion duly made and seconded, the Board approved Mr. Mann's recommendation.

OTHER BUSINESS

Mr. Mann introduced Ms. Kennisha Walker, the Authority's new Human Resource Generalist. Ms. Walker joined the Authority on October 1, 2018, and her day-to-day responsibilities include recruitment, on-boarding, leave management, compensation changes and employee programs. She graduated from the University of Louisville with a bachelor's degree in Sports Administration, and she is a certified high school basketball and football official in the state of Kentucky. In her free time she enjoys spending time with her husband and her 9-year-old son.

There being no further business, the meeting adjourned at 4:03 p.m.



Jim Welch, Chairman



Dan Mann, Assistant Secretary