

## **BFAC/Airport Finance Group**

### **Minutes of Meeting –January 23, 2015 at Town Hall**

Arthur Malman, Chairman of Town of East Hampton’s Budget and Financial Advisory Committee (BFAC), called the meeting to order at 11 AM.

The following members of the BFAC/Airport Finance Group were present: Frank Dalene, Peter Wadsworth, Toni Somerstein, Mike Diesenhaus, Munir Saltoun, David Gruber, Pat Trunzo III, Gene Oshrin, Andrew Right and Arthur Malman. The following members were not able to attend: Bonnie Krupinski and John Shea.

Attending the meeting by invitation was Kathee Burke-Gonzalez, Councilwoman and Board liaison for the BFAC and for the airport, Jemille Charlton, Airport supervisor. Also present was Cindy Tuma of Sound Aircraft, Jeff Smith of the Eastern Regional Helicopter Association as well as a representative of Sabin Metals.

Arthur Malman invited all members of the public to join the discussion. Minutes of the last meeting were distributed and approved. The attached agenda had been previously distributed.

Jemille Charlton reported on the completion of repairs to runway 4/22 as a taxiway and the status of airport lighting as well as a decision to purchase additional cameras for the Vector system. The airport engineers are also working on the deer fence.

Arthur Malman asked Jemille Charlton to coordinate with John Shea to arrange for the preliminary probe testing of any major underground leaks at the fuel farm

There was a discussion of coordinating with the purchasing department on an RFP for the commercial real estate broker and the various aspects of the paid parking project.

Toni Somerstein asked about the status of a new standard lease form. Kathee Burke-Gonzalez indicated that the town attorney’s office was a short-handed with John Jilnicki out with a back problem. Arthur Malman asked if the town could hire an outside attorney to do a draft for the review of the committee, estimating that it could take about 25 hours to complete the job. Kathee Burke-Gonzalez indicated that she will check on it.

Kathee Burke-Gonzalez also reported that the Noise Subcommittee had presented its recommendations and the Board was now expecting the recommendations of it noise consultants and other professionals, all of which would help it formulate a proposal for regulations. Arthur Malman indicated that the subcommittee would commence a detailed financial analysis of the effect of the board’s usage rules once they were proposed for public comment.

Jeff Smith asked whether anyone had analyzed the financial effect of the Noise Subcommittee's recommendations. David Gruber indicated that the Noise Subcommittee had done a detailed analysis of historical landing data to understand the financial impact of its proposed recommendations and felt that the airport would continue to be financially self-sufficient.

Frank Dalene indicated that our Subcommittee had, in its first report, analyzed from a financial standpoint a range of cut backs down to zero helicopter operations. Peter Wadsworth pointed out that those initial scenarios had considered only helicopter reductions while the Noise Subcommittee's present recommendations included reductions in other aircraft classes as well. Arthur Malman also noted that the zero helicopter scenario had also assumed the elimination of the control tower and certain other systems which would reduce operating expenses, and that now there was a question of whether a control tower would be eliminated. Kathee Burke-Gonzalez pointed out there had been no decision made yet on the control tower beyond 2015

Arthur Malman explained that, if there would be a need for a quick increase in revenue streams at the airport to offset a decrease in revenues from the implementation of noise restrictions, the only two immediate sources would be landing fee increases and fuel flowage fee increases. The subcommittee's consideration of potential landing fee increases has indicated that significant increases in the fees would have little effect on usage but could result in substantial increases in revenues from this source, even with new usage rules in place.

He explained that, in preparation for recommendations for 2015 landing fees, he had been working with Jeff Smith to update the airport's classification of helicopters which had not been reviewed for several years. A few types of helicopters had been misclassified and the 2015 list will be more detailed.

It was noted that the fixed wing landing fee schedule had been based on weight rather than by specific makes and models. Jemille Charlton was asked to compile list of fixed wing aircraft makes and models frequenting the airport so a similar specific list of aircraft landing fees by model can similarly be published for 2015.

Arthur Malman asked if noise signatures for helicopters were louder for the larger helicopters. Jeff Smith stated that generally helicopter models noise levels followed their weight classes

David Gruber noted that the Noise Subcommittee had noise signature data for all makes and models of aircraft and considered those when analyzing the effect of its proposed rules on operations.

A discussion ensued on whether landing fees should also reflect noise levels of particular aircraft and possible certification as Stage III as well as consideration of the models of quieter helicopters required at European airports. Jeff Smith explained that helicopter fleets in the New York region were generally upgraded every six years for competitive and operational reasons and, because manufacturers design for major world markets, rather than just US markets, most all helicopters currently using HTO would be able to meet Stage III standards if they were recertified. Gene Oshrin asked why we were getting into operational issues and it was explained that we would want to be able to model how proposed rules

might affect the aircraft landing and we would be looking to adjust landing fees and possibly how they were assessed.

While weight has been traditionally used to scale landing fees on the theory that heavier aircraft caused more wear and tear on the airport, David Gruber felt that peak pricing should be considered and would be available to the airport now that the FAA would not enforce certain of the grant assurances. Most of the committee felt that peak pricing would be desirable and it was suggested that landing fee alternatives be discussed with the airport's attorneys.

The other area for short term increases in revenue would be an increase in the fuel flowage fee. Arthur Malman reported that Munir Saltoun had done a detailed analysis to help the committee understand the effect of the 2014 fuel flowage fee increase on jet fuel sales which account for about 90% of all fuel sales. If there were ever a need for further detail, the research could go into 100LL and beyond Sound which accounts for about 80% of sales. Munir Saltoun explained that the analysis was based only on published list price data supplied to the publisher by the FBOs around the country and the Town's own records of its fuel sales to the FBOs at HTO. Much of an FBO's fuel sales are to major users such as Netjets and other customers through national accounts or the fuel suppliers. While the subcommittee understands the general parameters of these larger fuel sales, the details have not been given to the subcommittee by the airport's two FBO (who are not obligated to do so) and so they have not been analyzed.

From the graph distributed at the meeting, it appeared that the price per gallon for the subset analyzed, after the fuel flowage increase, had been increased by Sound even more than the amount needed to cover the increase in the fuel flowage fee so that its gross profit per gallon of jet fuel increased rather than decreased (which would have been the case had Sound itself absorbed a portion of the fuel flowage fee increase in setting its list prices for jet fuel).

Peter Wadsworth asked Cindy Tuma if she knew why, although helicopter and jet operations increased, in 2014 fuel sold at HTO did not similarly increase. While she did not immediately offer an analysis, Jeff Smith explained that helicopters and many other aircraft had the ability to do some tankering of fuel to give them the ability to divert a few minutes flying time to get the best price on fuel even if that meant going over to Connecticut, subject however to passenger's schedules. He also explained that "hot fueling" of helicopters (which is not permitted at HTO and many other airports because of fire concerns) was not much of a time saving measure but did decrease the off and on cycles that would reduce the times between engine overhauls.

Jemille Charlton reported that none of the car rental companies has yet responded to the needs assessment questionnaire that he had sent them. Arthur Malman noted that management should not chase them since once they start paying parking charges this summer they will themselves focus on this project. Peter Wadsworth also pointed out that, in any event, any major car rental parking project would not be started until 2016.

The implementation of the paid parking system was next discussed. Jemille Charlton reported that setting up no parking signs along Daniel's Hole Road would be implemented. Arthur Malman asked Cindy Tuma and Jemille Charlton to consider and come back to us with suggestions for places outside the paid parking area for employees to park on a daily basis, at least during peak season. Cindy Tuma also expressed concern about parking being prohibited on the right hand side of the parking lot entrance along the fence at peak times. Peter Wadsworth felt that this minimal additional capacity would not be needed in 2015 and that the rules could be changed if and when additional capacity was needed. Jemille Charlton pointed out the difficulty of enforcement officers figuring out when parking was permitted and when not. Arthur Malman suggested numbering these spaces for peak use if needed and putting bags over the signs saying "no parking" at times when they were not needed. A similar bagging expedient with "employee parking" and bumper stickers for employees could be used for employee parking in the lot in the winter.

Several members felt that charging for parking, especially in the first year, would cut back the number of cars looking for spaces since people who were using the lot for free storage would look elsewhere. In addition, since some would switch to taxis or get dropped off and these members felt that no additional parking capacity would be needed in 2015. While passengers may initially switch from cars to taxis, some members felt that they would eventually go back to private cars because the taxis might not be as convenient and reliable as they would like.

A preliminary generator proposal for the key areas of airport operations was distributed. Pat Trunzo III questioned the sizes of the generators proposed which looked much larger than the minimums that would be needed to keep the airport operational during an emergency without, for example, the need to air condition all areas of the terminal. Jemille Charlton explained that he had asked GT Power to estimate based on peak requirements and computer equipment would need air conditioning. It was pointed out that would only mean air conditioning the small equipment room rather than the whole terminal.

In response to the very large generator for the terminal Jemille Charlton explained his strong recommendation that the terminal be used in an emergency as a cooling station. Arthur Malman questioned whether non airport emergency facilitation was an obligation for the airport fund rather than the Town General Fund and David Gruber questioned whether FAA regulations would even permit the extra expense charged to the airport fund. It was determined that whether or not to use the terminal not merely for airport uses but as a cooling station for the general public as part of a town-wide emergency plan and how to fund it would be a policy issue for the Town Board and beyond the responsibility of this committee.

Michael Disenhaus and Peter Wadsworth pointed out that saving on generator size might be penny wise and pound foolish and could be regretted in the longer run. A discussion followed on using natural gas to heat the terminal and as a fuel for the generators. Some concern was expressed about the continuity and amount of natural gas available in an emergency and whether propane with its very long storage life would be more desirable.

Jemille Charlton reported that the WAAS proposal for helicopters was being completed. Andrew Right confirmed that, when implemented, helicopters would be able to land and take off at somewhat steeper angles, meaning that they could maintain higher altitudes for somewhat longer periods.

Following up our discussion at the last meeting of the VNOMS system, which had been widely supported, Jemille Charlton distributed a detailed presentation on the cost and benefits of the particular system, which he strongly recommends. A discussion ensued on the labor savings that could be achieved by the automation and integration of many functions presently being performed as well as the “missing data” that would be available. Also the data collected would be more robust, more complete and quickly available.

Peter Wadsworth noted that the presentation suggested that a final system could be implemented in stages. The members reviewed the portions of the system which could be deferred such as the touch and go cameras, runway end cameras and additional sensors. Arthur Malman noted that 4 of the 5 cameras that could be deferred to a stage 2 could create some immediate incremental revenue if incorporated as part of phase 1 by virtue of their more complete capture of landing data. Frank Dalene pointed out the importance of data that could not be captured immediately if some of the components were deferred to a later date and also supported building the entire system from the start. Michael Disenhaus stressed the importance of putting in the entire integrated system on day one rather than exposing the airport to possible problems of a staged integration which could be more time consuming, less optimal and ultimately more expensive.

The Subcommittee unanimously recommended that the Board approve the VNOMS for installation as soon as practical with all the optional second phase components as part of the initial package.

A question was raised about the status of having the state approve a change in law allowing an airport like HTO with less than 1000 acres to use a longer amortization schedule for those capital items with longer than a 15 year useful life. [After the meeting Len Bernard reported that Fred Thiele’s office, working with the Town’s bond consultants, had already drafted the proposed legislation that would be submitted to try to effect this change].

The meeting adjourned at 1:30 PM after having the next meeting set for 11 AM on Friday, March 6, at Town Hall. [An interim meeting was subsequently set for Friday February 6 at 11 AM to discuss landing fee and fuel flowage increases needed to fund the planned airport improvements and expected litigation as a result of decreases in operations as a result of new landing rules]

Respectively submitted, Arthur Malman

# Monthly Comparison of Average Gross Profit Per Gallon for Jet Fuel- Sound Published List Price/Town Sale Price--*internal working draft*

