

BFAC/Airport Finance Group

Minutes of Meeting –April 24, 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: Peter Wadsworth, Mike Diesenhaus, David Gruber, Pat Trunzo III, Gene Oshrin, Munir Saltoun, Bonnie Krupinski, Frank Dalene Toni Somerstein and Arthur Malman. Unable to attend were John Shea, and Andrew Right

Attending the meeting by invitation were Kathee Burke-Gonzalez, Councilwoman and Board liaison for the BFAC, Len Bernard, the Town’s Chief Budget Officer, Jemille Charlton, Airport Director. Also present were Cindy Tuma of Sound Aircraft, Jeff Smith of the Eastern Regional Helicopter Council and Marc Pane of Sabin Metals.

Arthur Malman invited all members of the public to join the discussion.

The attached agenda had been previously distributed.

The next meeting was scheduled for 11 AM on Friday May 29 at Town Hall.

Draft minutes of the March 28 meeting were distributed and Arthur Malman pointed out that John Shea had requested that a sentence be add clarifying that the Committee had requested copies of the Engineering contract and specific engineering tasks requested to date and interim reports. [Kathee Burke-Gonzalez had supplied the contract which was just an outline and suggested that the task list and interim reports would come from Jemille Charlton. Jemille Charlton had indicated that he had no written purchase orders for specific task requests or reports to supply to the committee at this time.]

Munir Saltoun confirmed that Key Largo, which also had high landing fees and strict rules for landings and takeoffs was a private airport with no FAA grants

The members voted to approve the minutes with the revisions discussed. Kathee Burke-Gonzalez reported on the law suits and the three Part 16 actions pending and that the lawyers were finishing a response to the latest Part 16

Arthur Malman stated that, while this Committee was not privy to the Town’s litigation strategy, from an economic standpoint the Town should carefully review each action before much costly work was done on a formal answer or response to determine what actions or portions could be settled without needless litigation expense. He indicated that some actions regarding the Town no longer being bound by certain grant assurances were more of an existential nature and might not lend themselves to very early settlement. However litigators often tended to focus on gearing up for fulsome litigation rather than working with clients and opponents on early cost effective settlements of all or part of the actions.

Bonnie Krupinski and others strongly recommended a similar approach and gave examples from their own experience.

For example, the most recent Part 16 was demanding that the Town implement a number of physical improvements that the Town was planning on doing. Rather than continuing with still another full part 16—which the attorneys had indicated tended to cost \$125-150,000 each the Town could meet with the plaintiffs to assure them that the items would in fact be completed in a timely manner, with the expenditure authorized, the engineers instructed to proceed and representatives of the plaintiffs able to monitor progress and enforce completion in a reasonable time.

Other members similarly recommended very early settlement efforts, where feasible to reduce wasteful litigation expense.

Kathee Burke-Gonzalez also reported that paid parking would be postponed to the winter because there was not enough time to complete the process before mid-summer in any event. Arthur Malman recommended that the paid parking be given beta tests in the winter before being launched for the next summer. Bonnie Krupinski pointed out that the preparatory work should go on this summer so that any necessary work could be completed before the asphalt plants close in early December. Jemille Charlton assured the committee that he was in fact continuing the work.

Kathee Burke-Gonzalez indicated that the attorney's office was working on a lease renewal for Hertz. David Gruber and other members stressed the importance of making such a renewal effective for only a few months since the lease would need to be thoroughly revised to reflect the paid parking plans. Jemille Charlton indicated that additional conversations were continuing with Hertz on their final parking needs and other car rental companies' facilities needs.

Kathee Burke-Gonzalez reported that the Town Board had passed a resolution to bond for \$500,000 of engineering and planning expenditures that are expected to result in bondable improvements and repairs to the airport facilities. Len Bernard explained that the bonding for engineering costs was based on recommendation from bond counsel. He also clarified that such design work, which would initially be funded with BANs (1 year life) would be refinanced over the life of the resulting projects and that if a particular project failed to take place, the associated engineering costs could be bonded over 5 years.

In response to a question Kathee Burke-Gonzalez stated that the following projects were approved and under way or completed: AWOS, removal of tree obstructions, runway lighting, repaving of the taxiway portion of 4-22, and design of a perimeter fence.

Jemille Charlton gave an update on the VNOMS system which should be operational before the summer season. Peter Wadsworth asked if the new VNOMS system would be able to correlate flights with complaints when it is installed. Jemille Charlton confirmed that it will. Arthur Malman asked if the new system and the new rules would put burdens on the airport staff and would require additional help. Jemille Charlton responded that one person spending much of his time would be freed up. Mike Disenhaus pointed out that in his experience bring in new software and systems did not in fact lead to

any labor savings for at least two years as systems needed to be debugged and people trained properly. Moreover once new systems came in, more demands were made on personnel for additional reports and data. Jeff Smith indicated that, for example, when the new systems were in place his group would expect additional and more precise reports than had been presented in the past. Peter Wadsworth pointed out that considerable analytical work will have to begin this summer and continue into the off season to understand the effects of the new noise restrictions.

A discussion ensued on the advisability for hiring and training additional airport personnel before the summer started given the new systems and new rules to be enforced, especially since the raft of litigation would require substantial portions of Jemille Charlton's time for litigation support.

Jemille Charlton then described a plan being developed to light some trees and cut down others which could be begun in the near future. David Gruber suggested that the FAA's prior approval of this plan would still be needed. Kathee Burke-Gonzalez and Jemille Charlton indicated that the work could be done first and then presented to the FAA as a *fait accompli*—several members questioned whether this would be permitted and Jemille Charlton confirmed that a letter had been received from the FAA regarding what would be required to satisfy its safety standards for instrument approaches and the engineers had agreed that the Town could proceed in this manner. David Gruber asked if he was referring to the letter on tree obstructions that the committee had already seen. Jemille Charlton indicated that he did not know which letters the committee had seen

David Gruber indicated that he felt that if the Town's representatives were going to be evasive in response to these questions he could not afford to waste his time participating and departed.

Gene Oshrin asked where the engineers stood on work on repairing 4/22 as an active cross wind runway. Kathee Burke-Gonzalez stated that the new engineers would begin a wind study as a first step. Gene Oshrin state that this was ridiculous as he pointed to three large studies he had brought with him done by the town and others which had already determined wind speeds and direction and did not think that the earth's worldwide prevailing winds had shifted significantly in the last few years. He indicated that he viewed this as a lame excuse to not proceed on the repair of 4/22 which would pose a safety risk.

Arthur Malman pointed out that he personally had broken a wing tip on a college plane while a student pilot learning to land in a cross wind and luckily no one had suffered personal injuries. He also indicated that, even if some study showed that there might be more days in a year with cross winds not appropriate for a 4/22 landing than for a 4/22 landing, these were primarily winter months when materially fewer pilots were landing at HTO and those that were landing in these winter months tended to be more experienced pilots able to better navigate cross winds. Other members were concerned that this condition, of grave concern to the operations committee since it was perilous to safety as well as a potential source of significant property damage, was being purposely ignored.

It was also pointed out that the Airport Master Plan and the Airport Layout Plan (ALP) had already determined that 4-22 should be the cross-wind runway and that any change might require re-doing the both documents, which took years to complete.

The committee discussed an RFP for a broker to professionalize leasing of vacant lots at the airport. Arthur Malman had distributed a first draft of the substantive sections of the RFP which had been previously emailed to members and noted he had gotten comments concerning attaching an updated plot plans, confirming acreage in each class, the possible need for a formality of FAA approval of any non-aeronautical use of airport land, breaking out a lower fee for additional land lease to existing tenants (which was a common request) and the need to first show no interest in aeronautical uses—all of these items would be incorporated in the final draft to the purchasing department.

There had also been the suggestion of making recent appraising results available to potential brokers but Kathee Burke-Gonzalez had stated that these would not be made available to the committee or the brokers at this time but might be made available at some later appropriate time.

Arthur Malman asked whether the new airport committee being discussed was in addition to the present three or in replacement of them. Kathee Burke-Gonzalez indicated that it would replace the existing three but its composition and exact duties were still under discussion. Arthur Malman noted that if the new committee was operational by the end of May this committee's scheduled May 29 meeting would be cancelled.

The meeting then turned to landing fees. Arthur Malman indicated that there were two separate issues that should be considered separately: (1) how much landing fees should be increased for the 2015 season and (2) how landing fees should be allocated among models of aircraft.

The discussion first focused on how much landing fees should be increased for the 2015 season. Peter Wadsworth distributed his analysis which suggested a 25% fee increase in 2015 together with smaller increases in future years and stated that David Gruber's analysis that had come at the question from a different direction had come up with a similar conclusion for 2015. Among the assumptions in the Wadsworth analysis were a 5 cent a gallon increase in the fuel flowage fees which had not yet been adopted Arthur Malman suggested a higher increase than 25% --instead about 35% since the airport had historically not had significant contingency allowances in its budgets (and was now implementing major rules changes that could have unintended consequences that could increase costs or more adversely affect revenues) and had not built up dedicated reserves for continuing needs for repairs and replacements of facilities

Len Bernard said that his own analysis had suggested about a 30-35% increase for 2015.

Cindy Tuma stated that any substantial increase in landing fees could hurt people who had already announced prices for the 2015 season or signed up customers for the summer without assuming any landing fee increase. Jeff Smith indicated that landing fee increase would affect pricing of helicopter services.

Arthur Malman pointed out that Cindy Tuma and Jeff Smith had been attending committee meetings for months--while substantial landing fee increases had been discussed--so it would be ingenuous for either to say these relatively lower landing fee increase were coming as a surprise. Moreover Jeff Smith had indicated to the committee previously that many people wanting helicopter flights for a weekend may not start booking until a Tuesday so that there would be little problem for the helicopter companies adjusting fares.

Finally the committee had circulated, in prior meetings, analyses, shared with Cindy Tuma and Jeff Smith, which showed that it would take more than a 200% increase in landing fees to have material effects on passenger costs (if fully passed through) and it might in fact take a ten-fold (1000%) increase in landing fees before passengers would see a 50% increase in costs—a level that could begin to materially affect behavior of the majority of the demographic using HTO. The committee had not been invited by the aircraft charter companies to look into their books and records but would assume that the charter companies, run by savvy private business people, would have expected substantial 2015 landing fee increases. Certainly landing fee increases in the range of 25-35% now being discussed are at the low end of the range considered in prior meetings open to the public and are unlikely to have a material impact on demand for flights by the majority of passengers.

After further discussion, a resolution was proposed recommending to the Board an immediate increase in landing fees for 2015 of between 25-35%. Of those members present, 7 voted for the resolution and 2 voted against stating that they could not support any increase until the Town proved that it was really making the major repairs to the airport and rebuilding 4/22 as a runway. Bonnie Krupinski and Gene Oshrin who had voted against the resolution felt that John Shea would have joined them in opposition had he been present. On the other hand it would be assumed that David Gruber who was not present but been advocating an increase in this range would have voted for the resolution as would have Andrew Right.

The meeting then moved on the second issue of how to adjust the landing fees among models. Jemille Charlton distributed four sheets showing different alterations of fees by models using 2014 aircraft landings and generally based on weight but with different revenues per pound among different groups. When asked which of the four the meeting should focus on, Jemille Charlton wanted the meeting to use the set which showed a total on the third line at the top right as \$1,987,316.

Arthur Malman noted that these sheets included “estimated revenue” from based as well as non-based aircraft. Bonnie Krupinski asked if this represented a policy change and Jemille Charlton explained that it was just simpler to present it this way given the time pressures and the revenue loss from based aircraft was not substantial. Arthur Malman asked what percent of potential landing fees revenues were from based aircraft and it was suggested about \$150,000 for 2014.

Arthur Malman reiterated that prior airport management had rationalized the very low fees for the lightest class of helicopters on the mistaken assumption that the lightest helicopters were being used primarily for training. Subsequent discussions had revealed that this was not the case and the large

increases for these models reflect the correction of this mistaken assumption. There was some discussion about whether there could be some accommodation made for these models when in fact used for training. Upon further discussion it turned out that these training flights were all originating at Islip and other airports rather than HTO and, in addition to the difficulty of manually keeping track of the uses of landing craft, there did not seem to be any policy reason to encourage additional helicopter landings at HTO when true training flights could land at other facilities with the same teaching experience.

It was noted that the chart that was prepared increased the fixed wing as a group by 31% but helicopters as a group by only 20%. The chart would need to be redone to increase the helicopter group by a similar 31%. Arthur Malman felt that ultimately the percentage of each class increase should be the same and reflect the percent chosen by the Board --but meanwhile the committee members could try to fine tune the allocation among models to result in roughly the same overall collections among helicopters and among fixed wing as was actually collected in 2014 .

The meeting adjourned at 1:00 PM

Respectively submitted, Arthur Malman