

MEETING MINUTES
GERALD R. FORD INTERNATIONAL AIRPORT AUTHORITY BOARD
August 31, 2016

A quorum being present and in accordance with notice being duly given, Chair Morgan called the meeting of the full Authority Board to order on August 31, 2016 at 8:32 a.m.

Board Members Present: Roger Morgan, Floyd Wilson, Jr., Steven Heacock, Ted Vonk, Birgit Klohs, David Slikkers, and Richard VanderMolen – 7

Absent: None

Also Present:

Phil Johnson – Acting President and Chief Executive Officer
Robert Buchanan – Airport Attorney
Brian Picardat – Vice President and Chief Financial Officer
Tom Ecklund, Engineering and Facilities Director
Lisa Carr – Public Safety and Operations Director
Dan Villalobos – Ground Transportation Supervisor
Tara Hernandez – Marketing and Communications Director
Casey Ries – Civil Engineering Manager
Lisa Belt – Human Resources Director
Lisa Rauch – Office Manager
Roy Hawkins – Planning Engineer
Myron Huebner – Engineering Technician
Robert Wilson – Maintenance Manager
Joel Burgess – Properties Manager
Dave Wills – Police Chief
Joe Dancz – Firefighter Captain
Jim Munslow – ATCT
Stan Felder – Felder Communications
Matt Zeilstra – Financial Supervisor
Cal Brinks – Kent County Purchasing
Susan Sherman – Community Relations Coordinator
Curt Pullen – Herman Miller
Brad DiFiore – Ailevon Pacific
Rick Fiddler – Amway Aviation
Jeff Dykstra – Amway Aviation
Lisa Verhil – Experience Grand Rapids
Jim Rooney – Southwest Airlines
Drew Helder – Drew Helder Technical Consulting
John Oliver – Citizen

8-1 Approval of the Agenda

Mr. Slikkers added one item to the agenda – a public opinion resolution to the FAA. The agenda was approved and adopted with the addition of item 8-10(a).

8-2 Public Comment

None

Mr. Morgan asked Curt Pullen to present his update before the Air Service Update and Catchment Study Report.

8-4 Capital Campaign Update – Curt Pullen

Mr. Morgan introduced Curt Pullen, Chair of the Airport's Capital Campaign.

Mr. Pullen mentioned that he sits on the Regional Air Alliance Board with Ms. Klohs. He indicated that when the idea of this project came along, the Board decided to build a campaign, raise awareness within the community, and seek some sponsorship opportunities in order to raise financial support for the project.

The total cost of the project is \$45 million and \$25 million of those funds will come from the Airport, leaving approximately \$20 million to raise in sponsorships. There are about 60 target organizations on the list that the members have been meeting with to describe the project and to offer sponsorship opportunities. To date, \$41.1 million has been raised for the project.

Mr. Pullen indicated that there are approximately 30 more meetings that will take place and \$3.1 million to raise to make the target goal. There is an ask list of \$8.5 to \$9 million against the remaining 30 companies which makes the goal very achievable.

Mr. Morgan thanked Mr. Pullen and the Committee for their efforts on the project. It is important that the Airport has a relationship with the business community and it has the potential to position us as a regional asset.

8-3 Air Service Update & Catchment Study Report – Brad DiFiore

Brad DiFiore from Ailevon Pacific is the Airport's Air Service Consultant who assists in recruiting and retaining air service. He is here to give an Air Service Update to the Board as well as provide information on a recent Catchment Study.

Mr. DiFiore presented the following key points of the Air Service Update:

- Four Carriers Dominate the Domestic Market
 - ✓ In 2016, four major airlines (American, Delta, United, and Southwest) currently control 81% of the revenue in the domestic industry. All other airlines together control less than 20% of the industry.

- Unit Revenues are Beginning to Fall
 - ✓ Over the last four years, there has been a trend of unit revenue increases; however they are starting to decline. This has been masked by low fuel prices so carriers are still doing very well and recording record profits.

Mr. DiFiore discussed air service related to the Gerald R. Ford International Airport:

- There are 21 airports served year-round from GFIA and three seasonal airports.
- Mr. DiFiore indicated that there are several destinations we would like to serve that we continue to pursue (Boston, Cancun, LA, Miami, JFK, Phoenix, Salt Lake City, San Francisco, Seattle, DCA, and Toronto).
- Most of the growth at GFIA over the past ten years has occurred in leisure markets (Florida, Phoenix, Las Vegas, etc.) and business markets are flat.
- GFIA has outperformed the nation over the past seven years.
- Traffic continues to rise while average fares are declining. Over the last five years, average fares have been steady resulting in a healthy market.
- Airlines have indicated that GFIA is performing very well and they are extremely pleased with the market.
- Total seats over the last three years are up 6% over the third quarter.
- Delta commands 43% of GFIA revenue share.

Mr. DiFiore discussed the Catchment Study. A Catchment Study is a look at where passengers come from and what airport they use which comes from ticketing data:

- There are 11,362 passengers that fly out of the Detroit primary area each day. There are 2,196 passengers that fly out of the Grand Rapids primary area each day and only 121 in the GRR secondary area (north). Lansing is included in the Detroit catchment area because Detroit gets over 60% of the tickets purchased in Lansing.
- Grand Rapids has improved its capture of the primary catchment area by two percentage points since the last report was conducted three years ago which is very good. This is a result of increased service in and out of Grand Rapids. However, there are still approximately 500 people per day who buy tickets within our primary catchment area who are choosing other airports.
- The strong local capture rate drops off quickly with distance. Grand Rapids captures 74% of the primary area but only 18% of the Kalamazoo primary area which is down one point since 2012. Mr. DiFiore believes this is due to United's service in Kalamazoo in 2015.
- However, the Kalamazoo primary catchment area generates more GFIA traffic than the Grand Rapids secondary area.

- Eighty-eight percent of GFIA traffic comes from the Grand Rapids primary and secondary territories (7% from Kalamazoo primary and 4% from Detroit primary).
- Ms. Klohs asked what percentage point is considered good for an airport our size. Mr. DiFiore believes Grand Rapids is doing really well and is at a good percentage rate. We are a big city but relatively isolated which makes it beneficial for us.
- Grand Rapids has improved its pull from Lansing and Muskegon. We get 8% of Lansing generated traffic, up one point from 2012. We get 68.5% of Muskegon generated traffic, up nine points from 2012.
- Nonstop service dramatically improves catchment rates, almost 10 points higher in the primary area and 6 points higher in the secondary area.

Looking Ahead:

- GFIA's DNA is that of a strong and robust business market combined with a growing leisure side.
- Retention rates are improving, but more nonstop service will improve local retention and grow the share of the Kalamazoo and Lansing markets.
- Southwest's successful network transformation at GFIA will continue to be a big priority.
- Allegiant offers the best potential for continued leisure market growth.
- Expect small Regional Jets to continue to be upgraded to larger aircraft over the next few years.
- The next round of new destinations will be higher-hanging fruit due to market size and/or distance.

Ms. Klohs asked what our weak spots are if the economy were to turn for the worse. Mr. DiFiore indicated that those destinations that are the furthest away would be at the most risk.

Mr. Heacock asked about the potential for flights to Mexico. Mr. DiFiore indicated that flights to Cancun would be very likely if GRR had customs and border facilities or if there was pre-clearance in Cancun.

Mr. Morgan thanked Mr. DiFiore for his report.

8-5 Consent Agenda

- a) Approval of Airport Board and Authority Board Minutes – July 27, 2016
- b) **Resolution 16-25: Terminal Precast Concrete Maintenance – Construction Contract**

- c) **Resolution 16-26:** Gateway Transformation – Construction Change Order No. 6
- d) **Resolution 16-27:** North Lot Reconstruction – Change Order No. 1
- e) Travel
- f) Reports
 - Project/Construction Report
 - Project Status Report
 - Public Safety and Operations Report
 - Aviation Activity Report
- g) Bills for Approval

Motion by Mr. Vonk, supported by Mr. Slikkers, that Consent Agenda items a – g be approved. Motion carried.

Mr. Morgan jumped ahead to agenda item 8-10 (a) as this is a roll call vote and Mr. Wilson needs to leave early:

8-10a Letter to the FAA

Mr. Slikkers indicated that recently the government opened up the FAA Passenger Facility Charge (PFC) issue for public comment. In knowing how inequitable the current charges are, Mr. Slikkers believes there is an opportunity to make the Board's voice heard. He reached out to Mr. Johnson and David Turch, our lobbyist in Washington, D.C., to see if this merited a response which it does. The more effective we can be over time; we have a small chance to change the fee.

David Turch drafted a letter for us and Mr. Slikkers asked for a resolution that supports the increase of a PFC charge. The resolution will include a statement in the last paragraph asking for an increase in the amount of \$8.50, consistent with ACI and AAAE's recommendations.

Motion by Mr. Slikkers, supported by Ms. Klohs, to approve a Board Resolution to be sent to the FAA in support of increasing the Passenger Facility Charge.

Motion carried: Yeas: Heacock, Klohs, Slikkers, Vice-Chair Vander Molen, Vonk, Wilson, and Chair Morgan – 7
Nays: 0

8-6 Grant Offer Acceptance – Master Plan

Motion by Mr. Wilson, supported by Ms. Klohs, to accept the FAA grant offer for the proposed Master Plan Update (Federal project 3-26-0039-5316). Motion carried.

8-7 Grant Offer Acceptance – Various Projects

Motion by Mr. Wilson, supported by Mr. Slikkers, to accept the FAA grant offer for various proposed projects (Federal project 3-26-0039-5416). Motion carried.

8-8 Gateway Transformation Sponsorship – Alticor, Inc.

Ms. Klohs indicated that this is the first of the sponsorship agreements expected to come to the Board.

Motion by Ms. Klohs, supported by Mr. Wilson, to approve a Gateway Transformation Sponsorship Agreement between the Gerald R. Ford International Airport Authority, and Alticor, Inc. Motion carried.

8-9 Retiree Health Care Savings Program Funding Plan

Mr. Heacock indicated that the Authority took over a program from the County that helps with retiree healthcare costs. It comes to us underfunded and staff is recommending that we fully fund the program to remove the liability.

Mr. Morgan asked if this would create a post retirement liability for the Authority. Mr. Heacock indicated that it would not.

Motion by Mr. Heacock, supported by Mr. Wilson, to approve the Retiree Health Care Savings Program Funding Plan recommended by staff. Motion carried.

8-10 MERS Blanket Service Credit Purchase Agreement

Mr. Heacock indicated that under this plan, employees have the right to purchase additional years of service. There is no cost to the Authority. Without this motion, all requests would be required to be approved by the Board. This blanket approval allows the President & CEO to executive requests after individual review.

Mr. Morgan asked how many years employees are able to purchase. Ms. Belt indicated that there is a maximum of five years an employee is able to purchase.

Motion by Mr. Heacock, supported by Mr. Wilson, to approve the attached resolution authorizing the President & CEO to execute requests for additional service credit under Plan Sections 18 and 19, provided such requests comply with the terms and conditions of Sections 18 and 19, and the Board's Policy for Uniform Application of Plan Sections 18 and 19. Motion carried.

8-11 President and CEO Report

Mr. Johnson presented the President and CEO report:

Personnel

- Robert Kreps will retire as Finance Supervisor on September 1. Russ Towne will retire as Firefighter in September. Myron Huebner will retire as Engineering Technician at the end of October.
- We are currently recruiting for Firefighter, Law Enforcement Officer (two openings), Firefighter Captain, Engineering Technician, Financial Supervisor, and Assistant Building Maintenance Supervisor. We will also be recruiting for our seasonal Maintenance workers who will start in the fall.
- Mr. Johnson introduced Matt Zeilstra who will be temporarily filling in as the Financial Supervisor. He also introduced Joe Dancz as the new Fire Chief, who was formally our Fire Captain. He was a Firefighter for 20 years and a Captain for 10 years.
- The Airport has a program to recognize excellent customer service and is available for Airport employees as well as contract employees. We are extending the program to tenant employees. There are two employees that will be recognized in the coming months from Swissport and Delta.
- Mr. Johnson introduced James "Boomer" Rooney, our new Southwest Station Manager. Mr. Rooney told a customer service story which involved our staff. Ms. Hernandez helped staff at Southwest to coordinate movement of passengers get to their destination after the airline had technical difficulties. Mr. Johnson indicated that the team worked together and these efforts continue to make GRR the best place to fly from. He thanked Ms. Hernandez, Mr. Rooney and the Southwest team for their efforts.

Projects

- The Gateway Transformation Project continues to move along well. Currently, the International Room is being renovated. Work continues on Concourse A on flooring, restrooms, and skylights and they are making great progress.
- Interviews have begun for the Master Plan update and the first Advisory Committee meeting will be scheduled soon.
- We are proceeding with the Viewing Area project as all issues have been resolved. Bids are due September 12 and construction will begin next spring.

Passenger Statistics

- The Airport has set a record for July for the busiest single month in history and we will have another record year for 2016.

Public Relations

- The State is conducting passenger surveys today in the terminal building as part of their state-wide study of the value that airports bring to the community.
- We are partnering with Kent District Library to trial a free library book program. There will be kiosks on each of the Concourses where passengers can pick up a book or drop off a book. Library staff will come out to make sure books are periodically updated.
- Airport Police have started bike patrols this summer. There are a limited group of trained officers who patrol parts of the terminal, curb front, and garage. If successful, we may expand in the future.
- Mr. Johnson thanked Mr. Picardat for another successful golf outing.

Legislative

- Authorization has been given to spend money but there are currently no Appropriation Bills for 2017. When Congress returns, they will have 17 legislative days to approve the Appropriation Bills before October 1.

Miscellaneous

- Field Maintenance has received their new paint truck. Work that took one week in the past is now taking only four hours.
- The next Legislative and Finance Committee will be held September 20.
- The next Operations and Marketing Committee will be held September 21.
- The next Authority Board meeting will be held September 28 in the Ford Room. Ms. Rauch will query the Board members as to their availability on September 28 as three members will be at a conference.

8-12 Other Business

- Ms. Klohs indicated that they had a great Regional Air Alliance meeting yesterday and the Board continues to be very interested and supportive of the Airport.
- Mr. Heacock thanked Mr. Pullen for his presentation this morning. He is impressed with the Alliance and their work with the Airport.
- Mr. Slikkers indicated that a big reason for the Airport's success is the leadership that Mr. Ryks provided as well as his relationship with the community.
- Mr. Morgan thanked Alticor for partnering with the Airport.

8-13 Adjournment

The meeting was adjourned at 9:40 a.m.

APPROVAL: _____
David Slikkers, Recording Secretary to the Board

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