

Chattanooga Metropolitan Airport Authority
Chattanooga, Tennessee
August 18, 2008

The Board of Commissioners of the Chattanooga Metropolitan Airport Authority met in open meeting August 18, 2008 at 2:05 p.m. Commissioners Wells, Kilbride, Freeman, Griffin, Lloyd, Vice Chair Hall and Chairman Jacobson were present.

Chairman Jacobson verified a quorum was present and April Cameron verified the requirements of the Sunshine Law had been met.

Minutes

On motion of Commissioner Griffin, seconded by Commissioner Kilbride, the minutes of the June 16, 2008 minutes meeting were approved.

President Landguth welcomed the Chairman and members of the board and thanked them for their attendance.

President's Report

President Landguth reported that CMAA has had several written consents that were approved this past month. First, at the beginning of July, President Bush signed the FAA's continued resolution which freed up the remaining 25% of the airport entire funding for FY 2008. Once the funds were released on July the 3, CMAA had to commit the funds by August 1 in order to secure the monies. Committing funds includes both the bidding of a project and awarding the contract. As a result, CMAA requested the Board approval for an engineering services contract with Faith Group in the amount not to exceed \$39,188, and entering into the construction and installation contract with Isys in an amount not to exceed \$522,166 for the Perimeter Access Control project. Total request for funding is \$561,354. This work is an expansion of the current access control project and critical use for the additional funding.

Second, CMAA requested Board approval for a \$25,000 deductible payment on the aircraft damage claim from the Allegiant incident back in October 2007.

Third, CMAA requested board approval for a 2-year sponsorship contract with First Tennessee Bank for the airport's business center in the amount of \$5,750 annually. This is a continuation of the agreement we currently hold with First Tennessee with a 15% increase in their sponsorship fee.

Fourth, CMAA requests Board approval for an \$80,000 airline incentive program for American Airlines to introduce a second daily flight to Dallas Fort Worth International Airport. The airline will receive \$40,000 the initial year of service which is scheduled to begin in November of this year, and an additional \$40,000 with the start of the second year of service. This additional flight supports westbound connectivity for local travelers who have been impacted by Continental suspension of service.

These four requests were approved in written consent by Chairman Jacobson, Vice Chair Hall and Commissioners Griffin, Kilbride, Lloyd, Veazey and Wells.

Fifth, CMAA requests Board approval on settlement on a lease for the former Target building. The resolution of case was approved by Chairman Jacobson, Vice Chair Hall and Commissioner Griffin, Kilbride, Lloyd, Veazey and Wells.

Finally, CMAA requests Board approval for a new lease agreement for President Landguth's vehicle. In light of the Volkswagen news, we believe it is important to support local economic development. CMAA requested Board approval for a 36 month lease with Village Volkswagen of Chattanooga for a 2008 Touareg in a monthly amount not to exceed the budgeted amount \$500 per month with \$2500 down This request was approved in written consent by Chairman Jacobson, Vice Chair Hall and Commissioners Griffin, Kilbride, Lloyd, Veazey and Wells. All six of these written consent forms have been included in the Board Books and minutes.

We have also included the agreement the CMAA has with the Chattanooga Police regarding the use of criminal justice information.

President Landguth gave the Board an overview of the budget impact of service changes at the Chattanooga airport and what CMAA is doing to address that.

Commissioner Griffin asked if Continental had indicated they would come back if the price of fuel dropped moderated. President Landguth replied that he did not get a good feeling about their return. The general industry trend is contracting, and it appears to be shrinking about 15-20%.

Commissioner Kilbride commented that the CMAA staff presented these financial plans to the Finance committee as they were preparing them. He expressed appreciation for their efforts in cutting expenses with regard to the facility making sure there is no impact on any kind of service or security. He said it was a great plan, and we couldn't have come up with anything better.

Fire Alarm and Suppression Detection Agreement

Terry Hart presented an agreement that encompasses the inspection and testing of the fire alarm and the suppression detection systems located in the airport terminal and airport fire station. The scope of the work consists of quarterly and annual tests of components the support our fire alarms, fire sprinklers, and suppression detection devices. Additionally, the fire detection systems in our terminal will be remotely monitored. The term of the agreement is for three years. It includes an enhancement over our current agreement, by adding the fire station and all airport owned fire extinguishers into the scope of work, while reducing the overall cost to the airport by \$600 per year over their previous contract. Total savings over budget is \$4,600 for the year.

The airport solicited three bids on this project and received one. After meeting all the bid requirements, CMAA staff reviewed the proposal and recommends the agreement be awarded to Simplex Grinnell, our current provider, at a bid price of \$22,200, for a term of three years, beginning September 1, 2008.

Board Action

Mr. Hart requested Board approval for a contract with Simplex Grinnell in the amount of \$22,200 for a term of three years, beginning September 1, 2008. **Motion for approval by Commissioner Kilbride seconded by Commissioner Wells. Motion approved**

Chattanooga Aero Ramp Reconstruction

Mr. John Naylor then stated this request is for the demolition and reconstruction of the Chattanooga Aero Ramp. The current ramp has outlived its useful life and can not be repaired. Grass and weeds have grown through the pavement requiring cutting and weed eating. The project will include demolition and reconstruction of the apron (size 180 feet by 130 feet) to be capable of supporting Design Group II aircraft. The construction will include earthwork, excavation and fill required to provide proper sub grade. The pavement section will consist of 12 inches of stone and 6 inches of asphalt. Installation of ramp lighting is also included in this project.

The first request is for approval to award a construction contract to Talley Construction for this work. CMAA received three bids on this project After meeting all of the bid requirements, Allen and Hoshall has recommended awarding the construction contract to the low bidder, Talley Construction. CMAA has reviewed the Engineer's recommendation and is in agreement. The bid price was \$348,103.58. Funding for the construction is 90% state funding, with the remaining 10% to be paid by CMAA.

The second request is to approve Task Order 19 with Allen and Hoshall in the amount of \$49,500 for engineering services associated with the Chattanooga Aero Ramp project. The request is for the performance of all engineering services to include:

- Construction Administration/Management
- On-site Inspection Services
- Submittals/shop drawings/as built drawings
- Survey
- Quality Assurance Testing

Funding for the engineering services is 90% state funding, with the remaining 10% to be paid by CMAA.

Commissioner Lloyd asked if the new ramp would be the same size as the current ramp. Mr. Naylor said it would be slightly larger.

Commissioner Kilbride asked how long this project will take. Mr. Naylor replied that it would take approximately 35 days.

Vice Chair Hall asked if design group two aircraft is specified in the lease. Mr. Naylor replied that he did not know that, but the ramp and hangar doors are designed for group two aircraft and other types of aircraft won't fit in the hangar.

Board Action

Mr. Naylor requested Board approval for a contract with Talley Construction in the amount of \$348,103.58 for the demolition and reconstruction of the Chattanooga Aero Ramp. **Motion for approval by Commissioner Freeman, seconded by Commissioner Lloyd. Motion approved.**

CMAA requests Board approval for Task Order 19 with Allen and Hoshall in the amount of \$49,500 for the engineering services associated with the Chattanooga Aero Ramp demolition and reconstruction. **Motion for approval by Vice Chairman Hall, seconded by Commissioner Kilbride. Motion approved.**

Commercial Property

Ms. April Cameron reported to the Board that BB&T Huffaker & Trimble solicited quotes from eight insurance providers including Chubb, CAN, Affiliated FM, Zurich and the incumbent, Travelers, for renewal of CMAA's commercial property policy. They have recommended acceptance of a renewal quote in the amount of \$50,966 from Travelers to provide coverage for all CMAA property, currently valued at \$44,240,201. The renewal premium represents an 8% decrease from last year's premium. This policy will become effective September 1, 2008 and includes coverage for property damage of airport owned buildings as well as business personal property, business income, and rental income with a deductible of \$10,000.

Ms. Cameron introduced Arch Trimble, III, who indicated to the Board that Traveler's Insurance had done a great job for the airport.

Board Action

Ms. Cameron requested Board approval to accept the renewal of property insurance coverage valued at \$44,240,201 with Travelers in the amount of \$50,966 for a term of one year commencing on September 1, 2008. **Motion for approval by Commissioner Griffin, seconded by Commissioner Kilbride. Motion approved.**

Flood Policy

BB&T Huffaker & Trimble received a renewal quote from The Hartford in the amount of \$10,764 for CMAA's Flood Policy. This amount represents a 1% increase from last year's premium. The policy covers only the terminal building in the event of a flood with building and contents coverage of \$500,000 each with deductibles set at \$5,000.

Commission Wells asked if there was a mold rider on the policy. Mr. Trimble replied that mold was excluded on most policies, but the idea of a rider could be explored. Commissioner Wells asked if the airport was in the 100 or the 500 year flood plain. Mr. Tremble replied that it was his understanding that part of the terminal was in the 100 year flood plain.

Board Action

Ms. Cameron requested Board approval to accept the renewal of flood coverage valued at \$500,000 building and contents with The Hartford in the amount of \$10,764 for a term of one year commencing on September 1, 2008. **Motion for approval by Vice Chair Hall, seconded by Commissioner Kilbride. Motion approved.**

Commercial Automobile

BB&T Huffaker & Trimble received a bid to renew our Commercial Automobile policy effective September 1, 2008 in the amount of \$22,237, a decrease of 15% from the prior year. The automobile policy covers the actual cash value of 19 CMAA vehicles that are driven both on and off airport property. The coverage includes general liability, medical payments, uninsured motorists, and comprehensive and collision damage.

Comprehensive deductible is set at \$250 with collision at \$500. Although other companies were solicited, including Safeco, Zurich, and Chubb, the incumbent, Travelers, was the only quote on the automobile policy since the other companies will not write a monoline business auto policy without also writing the property or general liability.

Vice Chair Hall asked if the small trucks used for ground handling were covered by this policy. Ms. Cameron replied that the trucks are covered.

Board Action

Ms. Cameron requested Board approval to accept the renewal of our Commercial Automobile policy with Travelers in the amount of \$22,237 for a one-year term commencing on September 1, 2008. **Motion for approval by Commissioner Freeman, seconded by Commissioner Kilbride. Motion approved.**

ABG Caulking Lease

Ms. Cameron requested approval to execute a Lease Agreement with ABG Caulking for approximately 1,701 square feet of building space located at 5904 Pinehurst Avenue. ABG Caulking has occupied the premises since 2003 and the facility has been used solely for the purpose of operating a caulking contractor business. The Premises are leased in an "AS IS" condition whereas ABG Caulking bears sole responsibility for all maintenance, routine upkeep, and repair of the building. The term of the agreement is for one year with rent paid in advance on the first day of each month. Based on a fair market appraisal conducted of the facility, the rent has increased from \$535.00 per month to \$1,026.56 per month.

Vice Chair Hall asked if the tenant bears responsibility for the roof and HVAC. Ms. Cameron replied in the affirmative.

Board Action

Ms. Cameron requested Board approval for a one year lease with ABG Caulking effective July 1, 2008. **Motion for approval by Commissioner Wells, seconded by Commissioner Griffin. Motion approved.**

Ultimate Cycle and Scooter

Ms. Cameron then stated that CMAA requests board approval to enter into a lease agreement with Ultimate Cycle and Scooter for the building and associated land located at 103 Jubilee Drive. This property was originally leased to Kelly Cadillac and later assigned to Carolex Properties and operated as an auto dealership maintenance facility by Prebul Auto Group. Carolex Properties no longer has a need for the property; as such, Ultimate Cycle and Scooter, LLC wishes to enter into a lease with CMAA in order to operate a power sport retail and repair business. This business currently located downtown Chattanooga and employs 10 staff members. The organization is owned and operated by three partners:

- Charlie Wade - retired state police officer and secret service agent who holds a master's degree in administration

- Cindy Wade - retired computer software consultant for a fortune 500 company who holds a master's degree in information technology
- Langdon Christian-retired executive from Coca-Cola Bottling Company who holds a master's degree in business.

Ultimate Cycle and Scooter maintains two revolving lines of credit and has access to over \$1 million in approved "on-demand" funding. They have no public debt, and maintain no leverages with other companies.

CMAA has a new lease for the facility which incorporates the following changes to the original agreement.

- The lease term is for five years and will expire on August 31, 2013.
- New lease includes an annual escalation to the rental rate based on changes in the CPI.
- The new rental rate will be \$3500 per month versus the \$2970 CMAA currently receives.
- CMAA will no longer be responsible for maintenance of the roof and HVAC units located at the building.
- New lease includes a one year termination for cause provision.
- No rental payment will be due for the first 60 days of the agreement to allow for modifications to the facility.
- New lease includes a surety provision which requires the Lessee to obtain a surety in an amount equal to the value of one year of rental payments.
- New lease includes a provision allowing the Lessee to hold events on the Premises in an effort to promote the business.
- New lease includes a provision requiring Board approval for any changes made in the ownership of the LLC.

Ms. Cameron introduced the Wades, who spoke briefly to the Board regarding their business.

Commissioner Kilbride asked for more clarification on what type of events would be held on the property. Mr. Wade said the events would include food, beer sales and vendors, but that it would not be a party – just a local event similar to Nightfall.

Chairman Jacobson asked where customers would test drive the vehicles. Mr. Wade replied that mechanics did most of the test rides, and customers would not be test driving the vehicles on the property. He indicated when his employees did test drive vehicles on Jubilee Drive, they would adhere to the posted speed limit.

Commissioner Wells asked what level of liability insurance would be required. Ms. Cameron replied that it was \$2,000,000.

Vice Chairman Hall asked if Ultimate Cycle carried insurance for the liquor liability. Mr. Wade replied that he brought in a third party vendor who is insured for liquor liability at \$2 million, and he was not aware of a complaint over \$1 million in the industry. Mr. Trimble recommended that CMAA be named as an additional insured by the third party vendors.

Vice Chair Hall thanked the Wades for their attendance at the meeting.

Board Action

Ms. Cameron requested Board approval to cancel the agreement with Kelly Cadillac and Carolex Properties and enter into a lease agreement with Ultimate Cycle and Scooter for the building and associated land located at 103 Jubilee Drive under the terms specified in the lease. **Motion for approval by Vice Chairman Hall, seconded by Commissioner Freeman. Motion approved.**

Vice Chair Hall noted that the enplanement numbers were holding up, despite the turmoil in the industry. He encouraged staff to continue talking with the airlines about expanding service to the airport. President Landguth indicated CMAA would continue dialogue with the airlines.

Mr. Naylor gave a brief report on the status of the master plan forecast, saying that all requested information had been submitted to the FAA, and CMAA anticipated a response within the next 30-45 days. Vice Chair Hall asked if staff was tracking the FAA study regarding the Atlanta Airport's capacity situation. Mr. Naylor indicated CMAA would continue monitoring the study.

Chairman Jacobson thanked the Board members and then noted the hard work of the staff in maintaining fiscal discipline without raising rates on airport tenants. He encouraged staff to continue developing alternative sources of revenue to offset the turmoil in the industry

The Chattanooga Metropolitan Airport Authority board meeting adjourned.