

MINUTES
WAYNE COUNTY AIRPORT AUTHORITY
SPECIAL BOARD MEETING &
FY 2012 BUDGET STUDY SESSION
August 26, 2011

I. Roll Call

The Special Board Meeting and FY 2012 Budget Study Session of the Wayne County Airport Authority Board was called to order at 10:00 a.m. at the Westin Hotel, McNamara Terminal, Detroit Metropolitan Airport:

Reneè Axt, Chairperson
Samuel Nouhan, Vice Chairperson
Suzanne Hall, Secretary
Mike Jackson
Mary Zuckerman

Excused: Bernard Parker
Charlie Williams

Also Present: See attached sign-in sheet.

II. APPROVAL OF MINUTES

A. Approval of Minutes from July 14, 2011 FY 2012 Budget Study Session

The Wayne County Airport Authority Board FY 2012 Budget Study Session minutes from July 14, 2011 were approved.

Motion by Samuel Nouhan; Supported by Mike Jackson
Motion unanimously approved.

B. Approval of Minutes from July 26, 2011 Board Meeting and Closed Session

The Wayne County Airport Authority Board Meeting and Closed Session minutes from July 26, 2011 were approved.

Motion by Suzanne Hall; Supported by Mike Jackson
Motion unanimously approved.

C. Approval of Minutes from August 2, 2011 Special Board Meeting

The Wayne County Airport Authority Special Board Meeting minutes from August 2, 2011 were approved.

Motion by Suzanne Hall; Supported by Mike Jackson
Motion unanimously approved.

III. NEW BUSINESS

A. Collective Bargaining Agreements with International Union of Operating Engineers

1. Collective Bargaining Agreement – Local 324A (Operating Engineers)

Resolution approving an amendment to the **Collective Bargaining Agreement with International Union of Operating Engineers – Local 324 Operating Engineers “Group A”** for the period of December 1, 2011 through November 30, 2014. The Airport Authority has successfully negotiated a Collective Bargaining Agreement that represents the Airport Authority’s power house and heating/air conditioning superintendents comprising a total of six (6) employees.

Gale LaRoche, Vice President of Human Resources, reviewed the terms of the amendment to the Collective Bargaining Agreement with International Union of Operating Engineers – Local 324 Operating Engineers “Group A”, which has been ratified by the Union.

2. Collective Bargaining Agreement – Local 324B (Operations and Maintenance)

Resolution approving a **Collective Bargaining Agreement with International Union of Operating Engineers – Local 324 Operations and Maintenance “Group B”** for the period of December 1, 2007 through November 30, 2014. The Airport Authority has successfully negotiated a Collective Bargaining Agreement that represents the Airport Authority’s power house and heating/air conditioning assistants comprising a total of thirteen (13) employees.

Gale LaRoche reviewed the terms of the Collective Bargaining Agreement with International Union of Operating Engineers – Local 324 Operations and Maintenance “Group B”, which has been ratified by the Union.

At the request of Reneè Axt, Genelle Allen, Interim Chief Executive Officer (CEO), reported that Groups A and B consist of a total of 19 employees, out of the more than 600 employees of the Airport Authority, and these groups are the last non-Public Safety employees that had not reached agreement with regard to collective bargaining contracts that expired in 2007. Ms. Allen clarified that the Airport Authority management thought it was prudent and fair to negotiate with these groups, recognizing the terms and conditions that were included in the other contracts and these two union groups were willing to extend the terms for an additional three (3) years, expiring in 2014. Genelle Allen further reported that the Airport Authority believes the terms and conditions of the two proposed Collective Bargaining Agreements are reflective of the current economic conditions and recommended the Board’s approval.

In response to the Board’s questions, Gale LaRoche, Genelle Allen and Lynda Racey, Director of Labor Relations, provided additional information in regard to the financial impact of the Agreements, details of the wage package and medical plans, and the rationale for extending the term beyond 2011.

Mike Jackson moved to approve the Collective Bargaining Agreements with Local 324, both Groups A and B.

Motion by Mike Jackson; Supported by Suzanne Hall
Motion unanimously approved.

[Approved Resolution Nos. 11 - 88A & 11 - 88B]

B. Delegation of Contracting Authority to the Chief Executive Officer for New Vehicle Storage

Resolution approving **delegation of contracting authority to the Chief Executive Officer to approve and execute License Agreements** for the use of vacant surface parking lots for new vehicle storage at Detroit Metropolitan and Willow Run Airports during the time period September 1, 2011 through August 31, 2013.

Genelle Allen reported that the Airport Authority often receives requests from companies to store new cars in vacant parking areas at the airports , which presents a nice opportunity to the Airport Authority to generate non-airline revenue but usually requires a decision to move forward with an agreement with these companies within a few days of receiving the request, and therefore she is requesting that the Board delegate contracting authority to the CEO to approve and execute these types of License Agreements quickly. Ms. Allen further explained that these agreements are done by way of a license as opposed to a lease, without the transfer of any property rights to the companies that store cars at the airports.

Matt McGowan, Director of Landside, reported that the storage of cars has been done in the past at the airports and provided additional information. In response to Suzanne Hall's question how much revenue is generated through the storage, Matt McGowan reported historically somewhere in the range of \$500,000.00 - \$750,000.00.

Reneè Axt acknowledged the Airport Authority's new Chief Executive Officer, Turkia Awada Mullin, and reported that Ms. Mullin has been spending time with the leadership team getting acquainted and also was a looking at additional revenue opportunities. Turkia Mullin remarked that this delegation of authority for new vehicle storage is an example of recognizing opportunities to generate meaningful dollars to the airport and that the Airport Authority is going to look at ways to bring more business to the airport. Ms. Mullin further remarked that she is looking forward to working with the Airport Authority staff, such as Matt McGowan, as they have a lot of great ideas and very innovative thinkers, and just leveraging their knowledge, their experience and the opportunities that they see in relating and executing on those will bring meaningful dollars to the airport.

Motion by Mary Zuckerman; Supported by Mike Jackson
Motion unanimously approved.

[Approved Resolution No. 11 - 89]

C. Paradies-Metro Ventures II, L.L.C. (News, Gifts, and Specialty Direct Opportunity No. 9 Concession Agreement for the McNamara Terminal)

Resolution approving an amendment to the News, Gifts and Specialty Direct Opportunity No. 9 Concession Agreement with **Paradies-Metro Ventures II, L.L.C.**, for the McNamara Terminal to temporarily include two (2) closed bookstore locations (formerly operated under the Borders

brand) in the North Terminal at Detroit Metropolitan Airport. This amendment is to be effective for a period of twelve (12) months from the Date of Beneficial Occupancy, not to exceed August 31, 2012. The estimated annual revenue is \$150,000.00, which is the greater of the Minimum Concession Fee of \$50,000.00 for the bookstore and \$100,000.00 for the newsstand for a total of \$150,000.00 over the twelve (12) month term; or a 10% concession fee percentage of gross sales.

Genelle Allen reported that, since Borders filed for bankruptcy and liquidated and left the McNamara and the North Terminals, Myrna Mendez, Vice President – Concessions and Business Development, was very diligent in engaging in soliciting proposals from the airport's other current retailers and is recommending what is most advantageous from a competitive standpoint. Ms. Mendez reviewed the proposal process and the details of the contract with Paradies-Metro Ventures II, L.L.C.

Mary Zuckerman commented on the significant Minimum Annual Guarantee (MAG) reduction and asked if the term could be shortened to a six month period, rather than twelve months, and Myrna Mendez responded. Reneè Axt remarked that Turkia Mullin is presently looking at the Airport Authority's overall procurement process to be able to respond quickly when there is an opportunity. Ms. Mullin reported that she is currently conducting an overall inventory with the Concession staff. Turkia Mullin further remarked that, specifically on this opportunity, in light of the Holiday season in the coming months at least some of the revenue will be captured, the spaces are not left vacant, and it is not a long-term extension. Ms. Mullin commented that the Airport Authority is going to be very strategic and very proactive in studying what is best practice.

Motion by Suzanne Hall; Supported by Mary Zuckerman
Motion unanimously approved.
[Approved Resolution No. 11 - 90]

IV. FY 2012 Budget Discussion

Genelle Allen reported that since the July 14th Budget Study Session, staff has met with the airlines and all strongly agree that costs must remain competitive, and so staff has diligently been working on reducing costs and has reduced the draft budget by more than \$14 million and will continue to work towards additional cost reductions.

Tom Naughton, Executive Vice President and Chief Financial Officer, thanked Dina Reed, Director – Financial Planning, and her staff for their hard work on the budget. Mr. Naughton reported there were a number of changes made to the

budget, and that about \$14.6 million was cut out of airline revenues, and he provided a summary of the changes. Tom Naughton stated that at the July 14th Budget Study Session an increase of \$35 million in airline costs was recommended, and the revised budget now reflects a \$20 million increase in airline costs. Mr. Naughton further reported that non-airline revenues were increased by \$1.2 million, \$6.9 million was cut out of the operating expense and debt service was reduced by \$6.5 million, totaling about \$14.6 million.

Tom Naughton reviewed the 2010 Airport Council International (ACI) report of financial and other information for airports across the country. Turkia Mullin commented that our airport is one of the newest in the country and should be one of the most efficient. Ms. Mullin further commented that the Airport Authority will work on becoming the number one Asian route for Delta, open the gateway to India, and maximize the opportunity to bring international traffic and the airlines to our airport. Turkia Mullin also reported that the Airport Authority is working on a bid for a national cargo company at the airport. Ms. Mullin commented that there is huge opportunity to capture more non-airline revenue through increased passenger traffic, both domestic and international, and discussed why the Airport Authority's focal point is to be one of the top three most competitive airports from a pricing standpoint in the country, and that will drive more airlines, more enplanements and really drive the revenue base.

Tom Naughton reviewed the operating budget and the 2010 ACI Operating Expense Per Enplanement Report.

Reneè Axt acknowledged that staff's diving in and rethinking the information is helpful to the Board and helps put into context where the challenges are and how do we make the impact to get airlines to invest with us, specifically on the connecting opportunities. Turkia Mullin commented that we have a beautiful airport, a very efficient airport and there is no reason why we cannot capture more of the international market and that is going to be the target and focus on how we are going to drive the per unit cost down. Ms. Mullin further commented that the staff has done an outstanding job reducing the shortfall from \$35 million by \$14 million, and the charge is to close that \$20 million shortfall to nothing because we cannot continue to pass that down to the airlines.

Mary Zuckerman commented that the challenge is to opening up our minds, and Delta's, regarding competition and that it may not be all bad because of the fixed infrastructure issue. Mr. Naughton responded that staff has had that discussion with Delta and suggested that it is in their best interest long-term to add service here and the easiest expansion is through connecting traffic. Ms. Axt commented that some Board members have met with Delta and that full understanding of the connecting and hub opportunity is part of the solution and that Mary Zuckerman's comments are spot on as far as where we need to push our partners to invest in us.

Samuel Nouhan commented that this Board is engaging in a process open to the public with the Airport Authority administration that has never occurred before with any other Board, and through this process the public and stakeholders at the airport have come to learn the Board's thought processes, as well as the approach to fiscal management which is consistent with the Board's statutory mandate to be responsible for the management and operation of the airport and there has been a real revelation of the budget planning, as well as the setting of priorities here at the airport through this process. Mr. Nouhan further commented that the any of the critics who may question the Board's efforts to be transparent, can refer to the minutes, transcripts and other public records that are available from the budget planning sessions in 2009, 2010 and 2011, because every year the process gets more open, more deliberative, more informative and sheds more light on what this Board is doing to try to improve the climate for the airlines, to improve the satisfaction for travelers and to enhance the role that the airport plays in Southeast Michigan. Mr. Nouhan commended Tom Naughton and the Airport Authority administration for entering into that kind of collaborative effort with the Board to use the budget planning process as a vehicle for addressing a lot of issues at the airport and for making overall improvements.

Tom Naughton clarified that cost matters and cost per enplanement is key when airlines look to make decisions on where they want to add service, whether it is new routes or expanded service, and if the airport wants to compete there needs to be some changes in the way it operates. Mr. Naughton suggested, to his colleagues, that the challenge is to cut an additional \$20 million, 10% of operating expenses, and if successful the budget would be flat year-over-year in terms of airline revenues, and that is the challenge to undertake between now and the end of September. Tom Naughton further clarified that he is not sure that it can all be implemented by the end of September but hopefully will come back to the Board with a plan where the Airport Authority could effectively be able to cut \$20 million out of the operating budget over the next six or twelve months, whatever it might take. Mr. Naughton challenged the senior management team to look deeper and find additional ways where we can right-size to a position where it is competitive and will attract new entrants into our airport.

Suzanne Hall commented that sometimes you have to invest money to save money as well and requested that staff look at the operational costs of the Smith Terminal and bring a plan for a more efficient facility for the administration and asked that it be presented to the Board in the next 30 to 60 days. Ms. Axt provided the historical perspective in regard to the administration building and that the stakeholders did authorize the Board to move forward and the Board approved a contract to authorize renovations of the Berry Terminal. Ms. Axt further reported that the Board was then presented with a large critical maintenance problem that needed to be addressed and was more pressing than the administration building, so it took it off the table. Ms. Axt concurred with Ms.

Hall's comment in regard to a plan for the administration building but further commented that every cost center that is driving the airport's expenses needs to be rethought and believes this should be revisited at the appropriate time. Reneè Axt remarked that she thinks the Board at that time was left with a little bit of misdirection. Turkia Mullin responded to Ms. Hall's request in regard to a plan for the administration building and agreed to do an economic analysis of the options and report back to the Board. Tom Naughton reported the Smith Terminal has to come down to accommodate future growth projects, that it is currently the preferred site for a new FAA tower and the FAA would like to construct and start designing in the next several years, and it is also on the footprint of a future expansion of the North Terminal.

Mary Zuckerman forewarned Tom Naughton and staff that as much focus that is being put on the cost cutting side also needs to be put on the revenue growth side as well. Turkia Mullin responded that Ms. Zuckerman's point is well received and that is why a cargo facility is going to be one of the priorities. Mr. Naughton responded that Ms. Zuckerman's point is well taken and staff certainly understands the balance.

Reneè Axt commented that staff has done a tremendous job over the last 30 days and has set the stage where we need to be and what is important for the future of the airport. Ms. Axt reported that it has been decided that the September 8th Budget Study Session is not necessary and that the next Board meeting will be September 29.

Tom Naughton reviewed health insurance costs, retirement costs and debt service and responded to the Board's questions. At the request of Suzanne Hall, Mr. Naughton confirmed that staff met with the airlines on August 18th and that they are acutely aware of the impact this has on their rates and charges and that they knew it was coming. Mr. Naughton further reported that the airlines appreciate the efforts that have been made so far but also encourage staff to take additional measures to lower the North Terminal costs and keep them competitive.

Samuel Nouhan asked if moving the Airport Authority administration to the North Terminal is still being considered to contribute to the cost sharing and Mr. Naughton responded providing additional information.

Tom Naughton reviewed the operating expenses by cost center and responded to the Board's questions. Mr. Naughton reported that Travel and Leisure did a study using FAA data of the 35 busiest airports and Detroit was mentioned as the 10th safest airport, and that there were only 3 large airports in the top 15-- Houston, Minneapolis and Detroit. Suzanne Hall asked what makes the other airports safer than ours and Mr. Naughton provided additional information and

responded that there are incidents that occur on the airfield and that Travel and Leisure came up with some ranking based on the type of incident over a five-year period. Turkia Mullin commented that the Airport Authority will look at the next generation of equipment, such as GPS and satellite that will help in the airfield operation. Tom Naughton further remarked that the most important factor is the way that the airfield is laid out and the fewer intersections you have the less likely you are going to have an incursion.

Dina Reed reviewed the administration cost center in terms of increases and salaries and wages.

Tom Naughton reviewed Willow Run Airport's operating expenses. Mr. Naughton commented that they are very pleased with the revenue growth at Willow Run Airport and believes there is great potential to grow this even further in the coming years.

Mr. Naughton reported the projected cost per enplanement at Detroit Metropolitan Airport is \$10.84, which may be a little too high to remain competitive, and that is their challenge over the next few weeks.

Suzanne Hall reported that Delta provided the Board members with an extensive packet on strategies for reducing the impact of rising costs and she is interested in the Airport Authority's perspectives with regard to the short-term strategies, particularly the \$1 per day increase at the McNamara Parking Deck. Tom Naughton and Reneè Axt responded providing additional information in regard to the airport's parking rate. Mr. Naughton further remarked that he did not think it is the right time to increase the cost to park at the McNamara Parking Deck. Ms. Hall requested that staff provide the Board with their perspective of Delta's recommendations and Mr. Naughton agreed. Turkia Mullin responded that she also has been meeting with Delta and some of the suggestions are wonderful and the Airport Authority will fast track to incorporate those because they will generate non-airline revenue. Ms. Mullin further remarked that staff will look at alternatives to maximizing the parking revenue but not by increasing the fees, and she does not believe that is the answer.

Samuel Nouhan confirmed with Mr. Naughton that at the next regular scheduled Board meeting on September 29th, the final budget will be presented with any additional cost reductions. Suzanne Hall confirmed with Ms. Axt that the September 8th Budget Study Session is cancelled.

V. Public Comment

Reneè Axt opened the floor for Public Comment at 11:35 a.m. No public comment was received. Public comment was closed at 11:35 a.m.

VI. Next regular meeting of the Wayne County Airport Authority Board will be Thursday, September 29, 2011 at 1:30 p.m. at the Ford Conference and Event Center in Dearborn.

VII. Adjourn

Meeting adjourned at 11:36 a.m.

Motion by Mike Jackson; Supported by Suzanne Hall
Motion unanimously approved.

ATTENDANCE RECORD

Meeting of: Wayne County Airport Authority Special Board Meeting & FY2012 Budget Study Session

Date/Time: Friday, August 26, 2011 – 10:00 a.m.

Place of Meeting: The Westin - Detroit Metropolitan Airport

NAME	MAILING ADDRESS	REPRESENTING (Company, Community, etc.)	TITLE/POSITION	PHONE NUMBER
Joni Mehall	LC Smith-Mezz	WCAA	Authority Affairs Manager	(734) 247-7370
Kristy Exner	LC Smith-Mezz	WCAA	Authority Affairs manager	(734) 247-2223
Andrea Valentini	LC Smith-Mezz	WCAA	Paralegal	(734) 247-7105
Jennifer Williams	10250 Middlebelt Rd	WCAA	Deputy Chief of Police	734 942 5366
Emily Perry	L.C. Smith - Mezz	WCAA	Admin Mgr	247 7133
Janet Baxter	LC Smith	WCAA	See Dir	942 3747
Mike Evans	Station 100	WCAA	Deputy Fire Chief	942 3736
Mark Zinkivach	LC Smith	WCAA	Financial Analyst - FPA	734-247-7460
Wendy Sutton	Smith	WCAA	Real Estate	734 247 7233
Marge Basrai	CC Smith	WCAA	Controller	734-247-6721

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NAME	MAILING ADDRESS	REPRESENTING (Company, Community, etc.)	TITLE/POSITION	PHONE NUMBER
Vicki Marple	Smith team	WCAA	FPA	—
WAYNE SIKELAK	WCAA	WCAA	DIRECTOR - PLANNING, DESIGN & CONST.	734-247-7371
Joe Coimbra	WCAA	WCAA	Dir. ASD	
MICHELLE PLATWICK	WCAA	"	Cost/Comm Relations	734 942-1503
Ali DiB	L.C. Smith	WCAA	Dir./Facilities	734 942-3676
MATT MCGRAW	WCAA	WCAA		
MV ASA	WCAA			
Dina Reed	WCAA	WCAA	Dir. FP&A	955-5704
DIA PEACE	united here	united here	Pr.	313-480-0294
Abeer Khattab @ Linonia		CTS Companies	Manager	

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NAME	MAILING ADDRESS	REPRESENTING (Company, Community, etc.)	TITLE/POSITION	PHONE NUMBER
Sean Brosnan		WCAA	Dir. EMD	
Sheinta Callaway	Procurement	WCAA-Procurement	Sr. Solicitation Mgr	
Lynnda Bacy	WCAA-UR	UR		
Ronald Hulke	WCAA-HR	HR		
Afraces	weaa	weaa		
Ken Symonik	WCAA	WCAA	Dep. Dir. Financial Ops	
Micah County	WCAA	"		
Istokur Rahman	WCAA	"	VP - Internal Audit	7-7365

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NAME	MAILING ADDRESS	REPRESENTING (Company, Community, etc.)	TITLE/POSITION	PHONE NUMBER
Rod Evans	WCAA	WCAA	BUSINESS DEVELOPMENT COMPLIANCE OFFICER	955-3885
Mike Bangs		AFSCME Local 1862	VP	313-680-8277
David DiMaria	WCAA	Willow Run	Director	
Gale Laroche	WCAA	WCAA	VP HR	734-942-3728
Bob Koller	C&S Engineers		Managing Engineer	734-953-2571
Emily Newberger	LC Smith-Mezz	WCAA	sr VP & General counsel	734-942-3825

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NAME	MAILING ADDRESS	REPRESENTING (Company, Community, etc.)	TITLE/POSITION	PHONE NUMBER
Ron Engel	2605 Port Lansing Rd Lansing, MI 48906	Meacham & Hunt	VP	517-321-8339
SCOTT WINTNER	WCAA	WCAA	MGR	734-955-3745
ROBERT GIACOPETTI	WCAA	WCAA	ANALYST	7-3685