

MINUTES
WAYNE COUNTY AIRPORT AUTHORITY
FY 2011 BUDGET STUDY SESSION
July 13, 2010

I. Roll Call

Study Session of the Wayne County Airport Authority Board called to order at 8:30 a.m. at the Ford Conference and Event Center, Dearborn, Michigan:

Charlie Williams, Chairperson
Reneè Pipis Axt, Vice Chairperson
Mary Zuckerman, Secretary
Bernard Parker (arrived 9:00 a.m.)

Excused: James Nicholson
Samuel Nouhan
James Settles, Jr.

Also Present: See attached sign-in sheet.

II. FY 2011 Budget Discussion

Genelle Allen, Interim Chief Executive Officer, informed the Board that the Airport Authority staff has been working diligently to prepare a fiscally prudent and operationally sound budget for FY 2011 and that she believes this preliminary budget reflects that effort. Ms. Allen provided an overview of the budget and that it is being presented in two parts; current services and additional mission critical needs. Genelle Allen reported that in FY 2011, the Airport Authority's budget will be impacted significantly by the depletion of the Airport Authority's Passenger Facility Charge (PFC) reserve. The use of leveraged PFCs to offset debt service was the result of a business deal made with the Signatory Airlines over 10 years ago. Ms. Allen further reported that in May 2010, the Airport Authority had projected the negative impact on the FY 2011 budget at \$20 million, later projected the negative impact at \$17 million, and now through the tremendous debt management efforts of the Treasurer, Terry Teifer, the negative impact on the FY2011 budget is now projected at \$9.8 million. Genelle Allen acknowledged that the Airport Authority has managed its expenses, as well as the projected increase in the non-airline revenue, and as result, the negative impact to the airlines of the PFC reserve depletion really will be only \$4.4 million of the \$9.8 million, which is even more phenomenal.

Thomas Naughton, Executive Vice President and Chief Financial Officer, reported that three budgets will be presented to the Board for approval in

September: Detroit Metropolitan Airport, Willow Run Airport and the Westin Hotel. Mr. Naughton focused on the Detroit Metropolitan Airport budget and reviewed the current services operating budget and activity assumptions.

Thomas Naughton reported it is assumed that there will be 621 full-time equivalent positions in the FY 2011 budget and that Genelle Allen is considering some requests for additional positions. Ms. Allen clarified that she is looking at the requests for additional positions and a few existing vacancies in conjunction with the overall organizational structure to make sure that the Airport Authority leverages its in-house talent and avoids any redundancies to ensure its operational efficiency. Genelle Allen reported that she expects to have the actual staff position requests resolved in the next couple weeks. Ms. Allen further reported it is all part of a comprehensive review and the review of the organization structure probably will take a little longer.

Mr. Naughton responded to Ms. Zuckerman's question regarding debt service.

Genelle Allen clarified that, under the current services budget, the Airport Authority will continue some priorities that started in FY 2010 which include enhancing the Small Business Enterprise Program and growing airline services, as well as promoting economic development.

Emily Neuberger, Senior Vice President and General Counsel, provided a historical perspective in regard to the Airport Authority engaging Federal Compliance Consulting to assess Detroit Metropolitan Airport's compliance with both the Americans with Disabilities Act (ADA) and Title VI of the Civil Rights Act of 1964. Ms. Neuberger provided additional background information and reported that to maximize the Airport Authority's compliance with ADA and Title VI and comply with the action plan being negotiated with the plaintiff's in the ADA litigation; the FY 2011 budget includes \$917,000.00 to cover these costs. Bernard Parker asked if the cost included a settlement of the legal action and if additional funds will be required in 2012 and beyond to complete the ADA/Title VI action plan and Emily Neuberger responded that some additional costs are anticipated but how much is unknown at this time. Mary Zuckerman asked what the revenue source is for the \$917,000.00 and Thomas Naughton confirmed it will be airline rates and charges. Genelle Allen reported that the impact on the Airport Authority's Cost Per Enplanement of the ADA/Title VI initiatives will be an additional \$.05.

Jon Hypnar presented the Airport Authority's Preventative, Corrective, Deferred Maintenance and Replacement Program. Mr. Hypnar emphasized this program is absolutely critical to the ongoing operation and health of Detroit Metropolitan Airport and its passengers and that all of the items discussed are required and mandatory in order to comply with its operating certificate and other regulatory requirements. Jon Hypnar further clarified that all of these items are absolutely required to maintain the security and safety of this airport and to preserve and maintain the operational effectiveness of the facilities. Mr. Hypnar reported that

the Airport Authority is proposing a 5-year program and it will cost approximately \$50 million.

At the request of Board members Axt and Zuckerman, Jon Hypnar and Thomas Naughton provided additional information regarding the revenue source for the Preventative, Corrective, Deferred Maintenance and Replacement Program.

Genelle Allen clarified the following additional costs to the FY 2010 Cost Per Enplanement of \$9.61: ADA/Title VI component is an additional \$.05, current services/PFC depletion would add \$.28 and the capital maintenance and replacement program would add an additional \$.57, for a total of \$10.51 for FY 2011.

Mary Zuckerman expressed her concern that the Airport Authority does not have the revenue based on today's current reality to support all of the items included in the Preventative, Corrective, Deferred Maintenance and Replacement Program and requested the staff to again prioritize these items and determine what is absolutely needed versus what items in the right economic times are good to do.

At the request of Charlie Williams, Thomas Naughton provided additional information regarding the three discretionary funds that are available to the Airport Authority to pay for capital expenses. Mr. Williams requested a summary of the Airport Authority's money in, money out of the Airport Development Fund and how it is being allocated and Genelle Allen agreed to provide it.

Reneè Axt commented that she was surprised that these critical mission needs were not presented to the Board last year when the Board approved the renovation of the new administration building and now that these items need to be addressed; where else is there opportunity to find savings and other areas to grow revenue. Genelle Allen concurred with Ms. Axt these are definitely key issues and they will be looked at when reviewing the whole organizational structure. Reneè Axt asked if there were any items that could be deferred and Jon Hypnar responded that the original list of critical mission needs was larger and it has been reviewed time and time again and everything on this list is absolutely critical to both safety and security, to meet regulatory requirements or operational necessities. Mr. Hypnar emphasized that all of the items listed are absolutely required in order for the Airport Authority to move forward at a level of risk that is found acceptable. Genelle Allen expressed the concern, that unless the PFCs and enplanements change dramatically, it is only going to get worse and if the Airport Authority keeps deferring these needs, the cost will escalate year-over-year. Thomas Naughton confirmed that the list of critical mission needs was larger and concurred all the items listed should not be put off and provided additional information regarding the PFC gap.

Bernard Parker also expressed his concern that this is the first time he has learned of the critical mission needs. Thomas Naughton responded to the concerns expressed by both Ms. Axt and Commissioner Parker, that in fact these

critical needs were presented to the Board at last year's Budget Study Session, but the program was titled differently as Roads, Roofs and Bridges, and the Board directed staff not to fund these last year.

Genelle Allen and Thomas Naughton responded to Bernard Parker's questions regarding the overall critical mission needs list for the 5-year program and budget. Mr. Parker asked about the Cost Per Enplanement in comparison to other airports and Thomas Naughton responded that Detroit Metropolitan Airport is still competitive and is in the middle range with other airports comparably sized. Mr. Naughton reported that Airports Council International conducts the Cost Per Enplanement surveys and the Airport Authority had just received the preliminary results of last year's survey, and Mr. Naughton agreed to provide that information at the next Board Study Session.

At the request of Mary Zuckerman, Thomas Naughton and Emily Neuberger provided the history of the business deal in regard to the use of PFCs. Ms. Neuberger clarified the business deal is included as part of the Airport Use and Lease Agreement with the Signatory Airlines and dates back to the mid-1990s.

Bernard Parker remarked that the possibility of increasing the PFCs was discussed at the recent AMAC conference in New Orleans and he recommends it should be looked into and asked that the Board be kept updated on this issue.

Bernard Parker remarked that Wayne County has hired an outside consultant to assess their work force and it resulted in some consolidation and changes that saved Wayne County money. Mr. Parker recommended that the Airport Authority do the same and assess the work force to ensure it is operating in a most efficient manner.

Thomas Naughton reported the next steps in the budget process are to provide a similar presentation to the Signatory Airlines by August 1, conduct another FY 2011 Budget Study Session for the Board on September 9, and then the Board will be asked to approve the final budget at the September 23 meeting. Mr. Naughton confirmed the staff will continue to work on the enplanement forecast and projection and see what can be done to further reduce operating costs. Thomas Naughton remarked it is critically important that the Board provides the Airport Authority staff with their feedback. Mr. Naughton clarified that Genelle Allen and the team believes these critical mission needs projects present an unacceptable risk if not addressed.

III. New Business

A. Employment Agreement of Interim Chief Executive Officer (CEO)

Charlie Williams reported that, on behalf of the Board, he had worked with Emily Neuberger, the Airport Authority's General Counsel, to prepare the Employment Agreement of Interim Chief Executive Officer, Genelle Allen.

Mr. Williams clarified it is basically the same contract as her predecessor, Lester Robinson, except that it includes reversion rights back to her former position with the Airport Authority.

Bernard Parker moved approval of the Employment Agreement of Interim CEO as presented to the Board.

Genelle Allen expressed thanks to the Board for the approval of her Employment Agreement.

Motion by Bernard Parker; Supported by Renee Axt
Motion unanimously approved.

[Approved Resolution No. 10 – 50]

IV. Chairperson's Comments

Charlie Williams welcomed the new Interim Chief Executive Officer, Genelle Allen.

Mr. Williams remarked that the budget has a lot of challenges and he was impressed the way the Airport Authority team has come together and presented it to the Board.

Charlie Williams asked staff to review the correspondence Delta Air Lines sent to the Board members regarding the Airline Incentive Program and provide a response for the issues raised.

V. Public Comment

Charlie Williams opened the floor for Public Comment at 10:45 a.m. No public comment received. Public Comment closed at 10:45 a.m.

VI. Next regular meeting of the Wayne County Airport Authority Board scheduled for July 29, 2010 at 1:30 p.m. at the Westin Hotel.

VII. Adjourn

Meeting adjourned at 10:46 a.m.

Motion by Bernard Parker; Supported by Renee Axt
Motion unanimously approved.

ATTENDANCE RECORD

Meeting of: Wayne County Airport Authority FY 2011 Budget Study Session

Date/Time: July 13, 2010 - 8:30 a.m.

Place of Meeting: Ford Conference & Event Center, 1151 Village Road, Dearborn

NAME	MAILING ADDRESS	REPRESENTING (Company, Community, etc.)	TITLE/POSITION	PHONE NUMBER
CINSY SINGER		WCAA	Authority Affairs	734-942-1519
Loni McCall		WCAA	Authority Affairs	734-247-7370
Gale LaLoche		wcaad	VP of HR	734-942-3728
MARK DEBERN		WCAA	PUBLIC SAFETY	734-942-3609
Mike Evans		wcAA	Deputy Fire Chief	734 942 3736
ROB GIACOPETTI		WCAA	FINANCIAL ADVISOR	734 247 6805
Michelle Cooper		WCAA	Financial Analyst	734.945.8777
Debra Sieg		WCAA	Deputy Security Dirct	734-942-3746
Bina Reed		WCFA	FP&A	734.955.5706
MARC KEMPER		DELTA	REG-DIR	612-727-6596

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Myra Norder	WCAA	WCAA	VP CARE	
Michael Conway	WCAA	WCAA	Director Pub Affairs	734 942-3558
WELSH STEPHANIE	WCAA	WCAA	Director	734
Emily Newberger	WCAA	WCAA	Risks mgmt sr VP + General counsel	942-3749
Angela Graves	wcaa		Director/Maint	
MATT McGOYAN	wcaa		Dip. Landside.	
Joseph J. Talbot	WCAA	WCAA	Diversity - HR	
David DiMuro	WCAA	WCAA	William Run	
Sam Run	WCAA / X			
Andrea Valentini	WCAA	WCAA	Paralegal	

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Ali DIB	WCAA	Facilities & Infrastr	Director	734 942-3676
Magg Gasari	WCAA	WCAA	Comptroller	734 247-6775
TOM MCGARTHY	WCAA	PLANNING DESIGN & CONST	DEP DIRECTOR	955 8882
PETER GARGIULO	WCAA	PRDC/STRAT MGT	INTERIM VP	955-5705
Dianne Walker	WCAA	Amfield	Director	9423571
Synda Davis	WCAA	ILR		