

Finance Committee Meeting Minutes  
May 11, 2018

The meeting was called to order at 10:06 a.m. by Dr. Chin.

**I. Roll Call:**

In attendance: Dr. Shiu-Kai Chin, Mr. John B. Johnson, Mr. William P. Fisher, Ms. Beth Rougeux, Mr. Patrick Mannion, Mr. Ken Kinsey, Ms. Christina Callahan, Mr. Trent Amond, and Ms. Linda Ryan

**II. Approval of Minutes from the Previous Meeting:**

Mr. Mannion made a motion to accept the minutes from the previous meeting and Mr. Fisher seconded that motion. The minutes were unanimously accepted by the Committee.

**III. Old Business:**

Terminal Improvement Project Financial Update. Mr. Amond sent the Finance Committee a packet relating to Terminal Improvement Project. The first item is the completion date of the LeChase Contract. The current completion date is November 24, 2018. This is in conflict with the NYS Grant agreement that says the project will be finished by October 31, 2018. LeChase has provided a couple of different options for an acceleration package which would move the completion date to match the NYS DOT's completion date. Ms. Callahan mentioned that for the acceleration contract, we would relocate the airline and rental car companies. Once relocated, the contractor can assume control of the majority of the airport which helps them tremendously with the terrazzo floor. This will allow them to replace big sections of the terrazzo and they will not have to work around the current tenants.

The first proposal provides that LeChase will make their best effort to meet the October 31, 2018 date, but does not change the November 24, 2018 substantial completion date currently in the contract. This proposal includes \$283,886 of direct costs, overhead and profit. It also includes early completion incentives of \$100,000 (original contract based on 10 days at \$10,000/day) and \$210,000 (change order based on 14 days at \$15,000/day). The total cost to LeChase to accelerate the substantial completion date to October 31, 2018 is \$593,886. The second proposal actually changes the substantial completion date in the contract to October 31, 2018. The cost of this proposal is \$1,262,500 and it excludes work performed by others (e.g., elevator contract, curtain wall, etc.) The cost does include a \$300,000 contingency to be used by LeChase to address previously unidentified issues. Any unused dollars from the contingency would be credited back to the Authority.

Dr. Chin reviewed that if we don't have a hard completion date, then we run the risk of not being reimbursed by the NYSDOT. If we are not complete by October 31, 2018, they will stop reimbursing us and possibly can request the payments back that they had already made. The cost to speed the process up is dwarfed by the risk we run of not being

reimbursed. Mrs. Callahan also mentioned that in addition to having a firm completion date, management is in favor of this because we have to make the conditions better for our tenants and passengers. Mr. Johnson asked if the NYS DOT was aware of the additional accelerations costs and Ms. Callahan said they are and they are waiting for a call from her today with the Board's decision as to which proposal we are choosing. Mr. Fisher asked how we got to a completion date of November 24, 2018 when we (The Authority and C&S Engineers) knew that it needed to be completed by October 31, 2018. He noted if C&S was the Bid Maker and had this information beforehand then they are at fault. He questioned why aren't we looking at them to recover some of our losses. Ms. Callahan said that the schedule that C&S prepared took us through advertising the bid, bid openings, and execution of contracts which was on schedule until December 8<sup>th</sup>, when we received only 1 bid from LeChase that exceeded two estimates by almost \$20,000,000. We, as management, were not comfortable with awarding a bid to a single bidder that was above budget. We presented to the Board the reasons we thought contributed to the increased bid and we believed it was due to the accelerated work schedule and a lot of construction work in the area. Mr. Fisher believes that we need to have a conversation with C&S Engineers about this. Ms. Callahan mentioned that during the bid process that there were 8 contractors that pulled the bid documents who had every intention of bidding. Then, the Expo Center was awarded and the bidders and contractors slowly pulled out one by one. Mr. Fisher believes we need to satisfy the flying public and stay true to the completion date we promised. Mr. Fisher asked if the grant maker has weighed in on this decision. Ms. Callahan mentioned that they would like us to lock in the completion date of October 31, 2017. Mr. Fisher wanted to know how much profit is built into this and Ms. Callahan said that this would be a great question for the LeChase team in executive session of the following Board Meeting. The reason for executive session is that we will be discussing amending a contract. Mr. Johnson asked if JWA concurs with the accelerated completion date and Ms. Callahan said JWA concurs to lock them into the 10/31 date. Dr. Chin asked was the increased cost within our borrowing capacity? Mr. Amond explained our projected reserves are currently around \$3 million, this payment would take them down to \$1 million.

To summarize, the Finance Committee recommends that we secure the 10/31/18 completion date because the costs of doing so outweigh the millions of dollars we may have to pay if we do not get reimbursed. The Committee contemplated the no change alternative and it was not a viable option. Mr. Fisher made a motion to authorize the Executive Director to amend the contract with LeChase so that the completion date is accelerated to 10/31/18. Mr. Mannion seconded that motion. The Finance Committee unanimously agreed with the motion.

#### **IV. New Business:**

Mr. Amond reviewed the second draft of 2018-19 Operating Budget. On the revenue side things are stable. Last year the airline rates vs. the budgeted rates were less than we budgeted so we have done a good job of getting the job done but being fiscally responsible. There are relatively few changes. We added new service from Frontier and Allegiant. The projection is a 10% growth in passengers. On the expense side, we keep tweaking the budget to reflect actual expenditures. We increased the budget for snow removal because

we have exceed our budgeted cost by thousands each year, the budget number has been bumped up to \$800,000 this year. We have included 2 new positions. One is an Operations worker to make sure we are in compliance with FAA Part 135 requirements. We have also included a Public Safety Position that will focus on Ground Service Transportation Regulations including licensing. We included for existing employees a salary increase pool that would represent both ongoing merit and cost of living adjustments as well as the flexibility to adjust compensation from the Steve Baldwin Report as well as the ACI-NA survey data that we receive each year. The piece that is dedicated to this would not be spent until it is reviewed by the HR Committee but it allows the HR committee to do what they decide they want to do in that area.

Mr. Amond went over the Airline rates and charges. Frontier has indicated they will come in as a Non-Signatory Airline. Allegiant has inquired about becoming a Signatory Airline. The Non-Signatory premium rates are 15% premium over the Signatory rates and they pay a per turn fee. A Signatory Airline will choose one preferential gate for the year which costs about \$75,000 - \$80,000 for a specific gate. Signatory Airlines take part in reconciliation credits where they can get money back at the end of the year which Non-Signatory Airlines cannot. The Airlines have the choice to pick which category they would like to be in.

Mr. Amond touched briefly on the Capital Budget. This is a limited Capital budget. These ACIP funded projects are submitted to the FAA and 90% is paid by the FAA, 5% by the local and 5% by the SRAA. Under the local projects there are 5 items. The SRAA wanted to keep these to a minimum in light of our depleted reserve funds. The last is the non-discretionary projects such as Air Service Development, etc. Mr. Amond went over the 10 year Capital Improvement projects.

Mr. Amond touched on the second draft of the "Financial Overview for Board Members". He noted that it is in the packet and it is Finance Committee information that should also be provided to the Board and new members and if anyone has any suggestions or doesn't understand anything to please let him know.

Mr. Mannion made a motion to adjourn the Finance Committee Meeting and Mr. Fisher seconded that Motion.

**V. Adjournment:**

Mr. Mannion made a motion to adjourn the meeting and Mr. Fisher seconded that motion.

The meeting was adjourned at 11:01.