

**MINUTES OF THE SPECIAL CALLED MEETING OF THE
SANFORD AIRPORT AUTHORITY
THURSDAY, MARCH 30, 2017**

PRESENT: Frank S. Ioppolo, Jr., Chairman
Tim M. Slattery, Vice Chairman
Jennifer T. Dane, Secretary/Treasurer
Henry Bowlin
Tom Green
William R. Miller
Clayton D. Simmons
Stephen P. Smith
Brett Renton, Airport Counsel

ABSENT: Commissioner Brenda Carey
Clyde H. Robertson, Jr.
Mayor Jeffrey C. Triplett, City Liaison

STAFF PRESENT: Diane H. Crews, President & CEO
George D. Speake, Executive Vice-President & COO
Don Poore, Chief Financial Officer
Jerry Crocker, IT Director
Thomas Fuehrer, SAPD
Lori Hunt, Administrative Assistant

OTHERS PRESENT: Kevin Spolski, Spolski Construction
Greg Smith, Million Air
Joel Knopp, Moore Stephens Lovelace

1. CALL TO ORDER, PLEDGE OF ALLEGIANCE, AND INTRODUCTION OF GUESTS

The meeting was called to order at 8:31 a.m., followed by the Pledge of Allegiance.

2. ADVERTISEMENT OF MONTHLY MEETING

Copies attached.

3. APPROVAL OF MINUTES OF THE REGULAR MEETING HELD ON MARCH 7, 2017

Motion by Board Director Smith, seconded by Board Director Simmons, to accept the minutes of the regular meeting held on Tuesday, March 14, 2017. Vote taken, none opposed. Motion passed.

4. FY 2015-2016 AUDIT PRESENTATION

[Discussed out of order, presented after Discussion Agenda A]

Chairman Ioppolo introduced Joel Knopp with Moore Stephens Lovelace to present the Draft Audit Statement 15-16. Chairman Ioppolo stated the Audit will be presented at today's meeting although the Board will not vote on the Audit until the May meeting. Mr. Knopp stated the final draft of the Audit would be presented to the City of Sanford City Commission at the April 10, 2017 Work Session. President Crews inquired if the Draft Audit could be presented to the City of Sanford before the SAA Board made final approval. Mr. Knopp responded yes there is no issue in presenting the Audit; his company has presented audits in various different forms. Chairman Ioppolo quantified SAA can always ask the City of Sanford to delay the presentation of the Audit.

Discussion ensued regarding the Florida Retirement System. Mr. Knopp explained the Florida Retirement System is a cost sharing plan. Every employer across the state who participates in the plan also shares in any unfunded portion of that liability. As the plan performs, so it impacts the individual employers that participated. FY 16 Florida Retirement Plan the unfunded portion increased which resulted in every employer that participates needing to increase the liability that they record for the plan, that proportionate share for each employer is based on their contributions to the plan. In the Airports case, it's less than 1% participation on a \$20 Billion unfunded amount that comes out to the numbers reported in the statements. The impacts of investments as far as how they perform in the plan are amortized over several years so it is not an immediate impact on the financials, that's where the inferred inflows and outflows come in. If there is a change in assumption or change in discount rate used by the plan that flows in to these deferred inflows and outflows, they are built in to the expense of the next 5-7 years. Actual liability that was calculated at the unfunded portion of the plan as of June 30, 2016, Authority is reporting as of September 30, 2016.

Chairman Ioppolo clarified the last three years the Florida Retirement System Plan has had bad years and lost money, the result is a higher contribution by participants like ourselves, in the years where it makes money it reduces the amount.

Chairman Ioppolo stated he preferred the Board delay voting on formal approval of the audit at this meeting due to the Board Directors only receiving the draft copy less than 24 hours ago. He asked the Board Directors to review the draft audit and contact President Crews, Don Poore or Joel Knopp with specific questions. Chairman Ioppolo stated there had been discussion regarding reserves and setting a benchmark. Mr. Knopp suggested three months or 25%. The Authority uses the word reserve in a broader, less technical fashion; we have a sinking fund and aggregate dollars there. In untouchable funds we have

one month of reserves. We will be able to build that number a bit back up with some of the dollars we will be reimbursed from past projects. Our reserves are used as a cash flow balance when we need dollars because of timing and when things get reimbursed. This will be discussed going forward and Chairman Ioppolo felt 25% of the net operating revenue or three months is a good benchmark since we were proposing to establish a benchmark.

Discussion ensued regarding a pension line item in next year's budget.

Board Director Slattery addressed the upcoming terminal expansion and borrowing monies. Don Poore stated the CFC's will be unencumbered revenue so we can pledge the CFC's & PFC's to fund the terminal expansion. Board Director Slattery spoke of determining the best rate possible for reserves; if we don't have staying power he suggested that we address and fix that problem, not just over a one year timeframe. Don Poore stated we are in the process of building up our reserves.

Board Director Dane inquired if we are building up reserves to use for capital expenses or as a nest egg. Don Poore responded part is a nest egg that is for the Board's discretion as we go forward. If we plan to do a capital expenditure that needs to be brought to the Board. Chairman Ioppolo clarified the use for our reserves is a way of balancing cash flow needs; it is misleading that we call it a reserve. We use it and a portion of those funds which is the one month's reserve. As a benchmark, we should have at least 3 months reserved (25%), and we can be in that position quickly because we will be getting reimbursements back from the PFC's and monies we just received from AWW.

President Crews explained that part of the PFC application involves getting reimbursed for past projects; this will give us additional funds to go towards the benchmark. Mr. Poore further stated the PFC reimbursement is monies we've already spent and now we are getting back approximately \$2 million dollars. President Crews stated when we do a project and get an FAA Grant, the FAA pays 90%, we pay 5% and FDOT pays 5%; we are having to use our cash for our 5%. When we do a PFC application, we put in for reimbursement on all of those previous projects where we paid 5%.

Chairman Ioppolo clarified when we look backwards on it 95% from Federal & State and additional 5% back in PFC's, it's essentially a push. Board Director Simmons asked where the check for \$1.89 Million from AWW will be booked. Don Poore responded it is already booked in the reserve account. President Crews stated an additional check of \$238,000 had been received from Cambata Aviation which was also placed in reserves. Don Poore stated \$1.1 million was paid out of our pocket for Terminal Expansion Design and we will be looking to get that back in the PFC application upfront. President Crews explained that reimbursement will not happen in one day. Board Director Slattery advised when you go out looking for funding, to make sure you have highest liquidity position possible. President Crews inquired of Board Director Slattery if he would like to

meet with Don Poore at the time we apply for the funding as she felt it would be beneficial.

5. COMMENTS FROM THE PUBLIC

None

6. PRESIDENT'S REPORT

[Discussed out of order, presented after FY 2015-2016 Audit Presentation]

President Crews updated the Board on the following:

The Golden Eagle Dinner for the Boy Scouts will be held Thursday April 6, 2017 at the Westin and if any of the Board Directors are interested in attending to please let her know.

President Crews stated she is working on contract negotiations with Zyscovich and NAI Realvest. Several meetings have been held with Zyscovich, working on changing their first proposal to work with SAA's funding and time frame. There are two phases of Zyscovich program. Phase I includes project analysis, visioning planning and the visioning planning process. Initially they said 5-9 months and that doesn't work with our schedule for funding because we budgeted \$200,000 and theirs says not to exceed \$250,000. They are going to make it work over a nine month period not to exceed \$250,000. Phase II is implementation; they have now come back and agreed to have that on a success fee basis for an 18 month period.

Board Director Green felt Zyscovich seemed like a visionary with master planning as their skill set, but questioned if they will actually get people to build without conflicting with NAI Realvest who will be doing the same thing. President Crews responded that she is working with Rich Crotty's group as it is the entity that will be working to market and bring back potential tenants, to develop the property. Zyscovich is going to meet with her and NAI Realvest to discuss timing and coordination to define the scopes so there is no overlap. President Crews expressed she has had that same concern; wants to ensure their individual scopes are distinct and separate so there is no overlap.

Chairman Ioppolo stated the way we've approached it is Zyscovich and Crotty look at this more as an economic development engine and opportunity as opposed to just a simple "I have property, do you want to lease it do you want to develop it". As part of the Zyscovich team, Crotty will be charged with that economic development portion and tracking folks and making sure that the vision plan that we end up with is actually implemented at market properly. This role is something Rich Crotty is used to with his prior work thru Innovation Way which turned in to Medical City. The resources of NAI Realvest will be more focused on the existing office park, and as the office park changes thru the plan we come up

with NIA Realvest, will be charged with implementing the management aspect of the Commerce Park. We've looked at Zyscovich and Crotty as more economic development and a common theme to develop the Airport's assets rather than the more tactical if I lease this parcel or that parcel, how am I going to push the rents.

President Crews stated she would send the Board Directors updated information received from Zyscovich. Regarding NAI Realvest President Crews stated she is reviewing the contract revisions and Board Director Miller has participated in those discussions. A planned conference call is scheduled between the two entities to begin joint dialogue.

President Crews updated the Board with regards to the Hotel development. SOIA is moving forward and has received approval from Hilton on the revised concept site plan where the hotel is closer to the road and parking is to the rear. Civil engineer is working on the site plan for submittal to the City; initially thought that process would take 28 days. President Crews stated she is having a conversation with Robert Miller later today and will obtain a date from him when he envisions the site plan will actually be submitted.

Board Director Green inquired if SOIA has a commitment letter from the bank. President Crews responded she will follow up with Robert Miller, noted that he has the term sheets and she will find out if he actually has the commitment letter.

President Crews relayed good news; prior she had reported potential problems on the hotel site, primarily the water line that traverses the site needed to be relocated. President Crews distributed a site plan of the preferred relocation and accompanying cost estimate. She reported that recently she and George Speake met with the City of Sanford who is proposing to construct a new fire station. During discussion she and Mr. Speake stated their preference would be to use an airport parcel much like the Seminole County fire station on the north side of the Airport property. There would be no cost to the City and in doing so would give us added benefit of them being on site with more rapid response for the non-aviation areas, or when we have an emergency medical call for people arriving on a flight or waiting to depart.

During discussions regarding the proposed fire station President Crews had asked the City of Sanford about the possibility of relocating the hotel's water line at either no cost or shared cost since we are working with them on a site for the new fire station. She reported she had just received a letter this morning acknowledging the City will relocate the water line for us and will work with the developer to do that. A second issue on the hotel site is a power line that will need to be relocated. President Crews stated she had a meeting yesterday with FPL on an entirely different matter regarding several items, including solar power and a media event for FPL's ongoing hardening project involving new power pole installation. FPL wanted to have a media event at the same location as the hotel because they planned to install some new poles in that location. During the

meeting, moving the service on the Hotel property was discussed; there will be a cost but FPL will work with developer to minimize those costs.

Chairman Ioppolo stated at the May Board meeting the hope is to bring the NAI Realvest and Zyscovich agreements to review together and make a determination to vote on those items. President Crews stated she would also be bringing to the Board a formal request from the City of Sanford to use the site for the proposed Fire Station. The proposed lot is 2-2.5 acres, approximately 10,000 square feet, currently located inside the perimeter fence; the fence will have to be relocated. President Crews restated the advantage that it is 1.5 mile away from the terminal, whereas the closest station at present is along Airport Boulevard next to the bowling alley. The proposed lot is on the North side of Marquette; east of Red Cleveland Boulevard and she doesn't foresee the lot being used for anything else. The City of Sanford has the funding for the building, and will construct the building. The fire station is much needed due to a lot of redevelopment occurring along Lake Mary Boulevard, including currently 1000 planned homes to be constructed.

President Crews discussed the new FPL program to promote solar power which provides visibility for community impact. She and George Speake met with FPL representatives and identified an area at ground transportation in front of the VIP area for this purpose. This particular area was not included in the terminal expansion project for a face lift, but this program will allow FPL to provide that improvement. FPL will consider the feasibility of doing the entire area, although initially felt the area east to west could be done. The solar area will create power, the power generated would not be given to the Airport but we would receive a rental payment from FPL for the space. President Crews stated they also identified other additional areas for consideration, primarily in Parking Lot F. There are solar "trees" that provide shade and would be a nice enhancement to the parking lot. President Crews stated her intention is return to the May Board meeting with renderings for Board discussion.

7. DISCUSSION AGENDA

- A. Discuss completion of audit, and modifications and adjustments to terminal agreements.

[Discussed out of order, presented after approval of Minutes]

Chairman Ioppolo stated the audit had concluded between the Authority and AWW. The original contracts were originally executed in 1994. In order to streamline and simplify the contracts, conversations were held with AWW Board, staff and counsel for both parties over the last several weeks. This resulted in SAA receiving a true up payment, contract extension for one year, privilege fee increased to 12.5% now determined at gross level. Additionally SAA is guaranteed an annual payment \$750,000, rules to work collaboratively on non-

aviation projects, also assurances to the air carriers this would not affect them financially.

Mr. Gouldthorpe stated this is a merger of two complicated, now obsolete agreements. The airport has undergone massive transformations since the 1980's when it was a charter airport. The new agreement resets the operational reality of the airport and also establishes more precision to our relationship. Goal is to make the airport bigger; we don't need complexity built in to the relationship that adds to the complexity of a growing airport. He stated he is eager to reset the relationship and move forward.

Chairman Ioppolo stated there are new structures around our real estate relationships, more structure around marketing relationships which will result in more involvement in marketing of the airport as a destination. The new agreement will formalize what was an informal arrangement with regards to our input with marketing to the air carriers. President Crews stated we will also have a bigger role in the local branding and marketing. Chairman Ioppolo stated we will be more inclusive of AWW when speaking with FDOT and FAA to use all resources and influences to get the most we can. Chairman Ioppolo stated functionally at this meeting the Board will agree to the business terms of the agreement to assist AWW in meeting a deadline with their Board. Chairman Ioppolo requested a general consensus approval of the business terms represented in the term sheet which had been distributed to the Board subject to final contracts which will be distributed in advance of the May Board Meeting.

President Crews inquired of counsel for SAA and AWW respectively would May be a realistic timeline to present the final contract to the Board. Mr. Renton responded June would be better due to numerous agreements and several tri-party agreements that need to be reviewed. AWW Counsel, Deidre Macbeth, concurred. President Crews commended Executive Vice President & COO George Speake and CFO Don Poore who have worked very hard and spent many hours of time on the audit. In addition President Crews thanked counsel who has made themselves available to her at all hours of the day, even during their vacations, nights and weekends. Additional thanks to Deidre Macbeth, counsel for AWW for her tireless work on the process.

Chairman Ioppolo opened up the floor for discussion and comments.

Board Director Smith inquired of Counsel the statement relative to the triparty agreements. Mr. Renton stated the Airport has a number of tri-party agreements, for example all of the concessions agreements, the Airport approves and sign along with OSI/OSD depending on which terminal they are located. Other examples include Starbucks, and the rental car companies Mr. Gouldthorpe stated the change to a singular entity will result in a change to all three-party agreements. He noted that a list needs to be compiled of enabling administrative functions to get the contracts in to one and the concession agreements are a big part of that.

Board Director Slattery thanked Chairman Ioppolo for donating his life for the past several months and requested staff police the new agreement daily so we don't have to go through the stress again. Board Director Slattery also stressed we need to build our relationship back to where it was with AWW. President Crews stated she didn't address the Chairman's role and was very remiss; she has thanked him personally for his investment of time and availability. She further stated part of the process going forward will be to hire a contract administrator; this will be the most effective way to oversee this contract. The hotel and other large contracts will also benefit from that type of dedicated oversight.

Board Director Green thanked President Crews for communicating with him during the process, made it easier to come into the meetings with information.

Motion by Board Director Smith, seconded by Board Director Dane, to approve operation and management agreement restructure term sheet dated March 29, 2017, subject to the final terms and conditions set forth in the final agreements that are expected in June. Vote taken, none opposed. Motion passed.

Mr. Gouldthorpe thanked Chairman Ioppolo and the Board for re-arranging their schedules for the special meeting; he also thanked them for their flexibility helping AWW in achieving their internal deadline. Board Director Smith thanked Mr. Gouldthorpe for being open to all the changes. Chairman Ioppolo asked Mr. Gouldthorpe to extend his thanks to the AWW Board who was also involved in helping us find the right resolution. He noted that they flew down for 2 ½ days and that was very helpful.

8. COMMENTS FROM THE PUBLIC
9. OTHER BUSINESS
10. REMINDER OF NEXT BOARD MEETING (MAY 2, 2017)
11. ADJOURNMENT

There being no further business, the meeting adjourned at 9:41 a.m.

Respectfully submitted,



Diane H. Crews, A.A.E.
President & CEO
/lh