

**MINUTES OF THE REGULAR MEETING OF THE
SANFORD AIRPORT AUTHORITY
WEDNESDAY, OCTOBER 18, 2017
8:30 A.M.**

PRESENT: Frank S. Ioppolo, Jr., Chairman
Tim M. Slattery, Vice Chairman
Jennifer T. Dane, Secretary/Treasurer
U. Henry Bowlin
Tom Green (appeared via phone)
William R. Miller
Clayton D. Simmons
Stephen P. Smith
Brett Renton, Airport Counsel
Commissioner Art Woodruff, City Liaison

ABSENT: Clyde H. Robertson, Jr.
Commissioner Brenda Carey, County Liaison

STAFF PRESENT: Diane Crews, President & CEO
George Speake, Executive Vice President & COO
Don Poore, Chief Financial Officer
Jerry Crocker, IT Manager
Marc Gilotti, SAPD Captain
Kristina Gove, Records Manager
Lori Hunt, Executive Assistant
Jacqueline Lauterbach, Leasing Manager
Al Nygren, Property Manager
Lauren Rowe, Communications Director
Jennifer Taylor, Contract Administrator
Rachel Walker, Finance Manager

OTHERS PRESENT: Linda Barker
Derek Bellamy
Sonya Brauer, South East Ramp
Elizabeth Brown, AWW
Krysty Carr, AFA Flying Services
Rich Crotty, Crotty Group
Mary Cunningham, AVCON
David Gierach, CPH Engineers
Cranston Harris, Halbridge
Jonathan Hand, Atkins
Eric Johannessen, Beacon Bay Project Mgmt.
Patrick Mahoney, NAI Realvest
Karen McKinnon, CE Avionics
Paul Partyka, NAI Realvest
Grace Perdomo, Zyscovich
Dan Ping, The Bokey

Greg Smith, MillionAir
Kevin Spolski, Spolski Construction
Bob Turk, City of Sanford Economic Dev. Director

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

The meeting was called to order at 8:30 a.m. followed by the Pledge of Allegiance and introduction of guests.

2. ADVERTISEMENT OF MONTHLY MEETING

Copies attached.

3. APPROVAL OF MINUTES OF THE REGULAR MEETING HELD ON SEPTEMBER 2017

Motion by Board Director Smith, seconded by Board Director Slattery, to approve the Minutes of the Regular Meeting held on September 22, 2017. Vote was taken, none opposed. Motion passed.

Chairman Ioppolo offered condolences on behalf of himself and the Board to Board Director Slattery, regarding the recent passing of his father.

4. LIAISON REPORTS

A. Seminole County

Commissioner Carey was absent.

B. City of Sanford

Commissioner Woodruff stated the last meeting he attended was July 2017, and he noticed the ARFF Department's report of calls they responded to on the airfield. After the meeting, Commissioner Woodruff met with City of Sanford Fire Chief and discussed the number of calls they responded to terminal side. For the month of July the City made twice as many calls to the Airport. They are always looking at where is the City helping the Airport and where can the Airport help the City. Commissioner Woodruff requested further discussion on this matter. Chairman Ioppolo agreed that further discussion was needed between the Authority and the City, although the Authority has to abide by FAA regulations. Commissioner Woodruff updated the Board post Hurricane Irma: downtown remains underwater, all debris has been removed for the first run, and second run debris removal has started.

C. MetroPlan

Board Director Smith updated the Board on discussions regarding the 408 extension into the Bithlo area. The Advanced Transportation and Congestion Management Technology Deployment Initiative awarded 12 million dollars to coordinate lighting systems at street intersections throughout Orlando in conjunction with UCF. He noted there is a possibility of AMAZON's second headquarters being considered for Central Florida.

5. COMMENTS FROM THE PUBLIC

Linda Barker, a resident at 3405 S. Mellonville Avenue, addressed the Board regarding the hazardous conditions at the SR 427 intersection, the need for a separate off ramp to the Airport from the 417, current traffic congestion on Lake Mary Boulevard, concerns with the 1000 new roof tops under construction on E. Lake Mary Boulevard, and commercial large tractor trailer trucks ignoring the signs and using Mellonville Ave. as an access road to Lake Mary Blvd. She noted a suggestion of Dr. Beverly Baird Booth that an additional lane be provided off Mellonville Avenue to Lake Mary Blvd. Ms. Barker also suggested that the smoking area be re-located across from the terminal as a courtesy to non-smoking patrons or that smoking cubicles be provided for the convenience of smokers in the building, that a courtesy van be implemented for Allegiant employees, and that she has requested underground utilities on Mellonville Avenue. In closing, Ms. Barker suggested inviting Joe Lewis with Tavistock to the Airport as this is the perfect area for high scale residential people who want to be located on Airport property.

6. PRESIDENT'S REPORT

President Crews updated the Board on the status of several projects, noting that bids have been received for the Terminal Expansion project, the FIS Inbound Baggage project is 35-40% complete, the Runway Incursion Mitigation (RIM) project is on hold awaiting response from the FAA, and the Taxiway Romeo and Ramp Expansion project was awarded to GLF at the September, to begin January 2018. She reported that the Airport should receive two proposals this week from contractors for the Hurricane Irma damage assessment. Application has been submitted to FEMA waiting for their response as this will be a combination of our insurance and FEMA paying for all of the work that needs to be done. Some immediate repairs have been completed on the T hangars and Global One due to extensive damage.

Don Poore presented the Financials for August 2017.

President Crews stated the FDOT Grant for Land Acquisition is coming close to completion, explaining that the tenant has signed the relocation paperwork and are looking for a home to purchase; they have 90 days to complete the relocation. President Crews referenced the NAI Realvest monthly report that was

submitted to the Board; Paul Partyka was present and introduced Patrick Mahoney, President & CEO NAI Realvest, who is also the head of the property management team. President Crews noted that we are maintaining a great census in non-aviation properties at 99.69% leased. President Crews highlighted community involvement, and the annual Boy Scout Clay Tournament.

Lauren Rowe updated the Board on 75th Anniversary event: invitations have been mailed, event will take place in Terminal B, #1 goal is commemorate the 75th Anniversary of the Commissioning of the Airport, focus is on veterans and staff is working hard to make sure veterans are invited and identified.

George Speake updated the Board on Aviation Day to be held December 9th at the Airport in partnership with Seminole County Public Schools, Seminole State College and numerous Airport tenants.
President Crews updated the Board on the paperless agendas.

President Crews referenced the Police and Fire reports, and addressed Commissioner Woodruff's concerns regarding the number of calls the City is responding to, noting that she will follow-up with Norton Bonaparte. President Crews stated that she and George Speake will be attending the FAC Specialty conference in Orlando this month, also that Mr. Speake will be presenting a session on Wildlife Management at the conference. She referenced a press release that was distributed to the Board from Representative Bob Cortes' office regarding supplies recently sent to Puerto Rico. With the assistance of Allegiant, AWW, the Seminole County Legislative Delegation and staff they were able to help send these supplies on Monday.

Lauren Rowe, Communications Director, presented a media overview. Lauren has been shooting video of the Memorial Committee refurbishing the PV-1 Ventura and conducting interviews that will be part of the 75th Anniversary program. Lauren stated she will be working with our marketing agency EVOK to update the website.

President Crews distributed the aerals.

7. COUNSEL'S REPORT

Brett Renton updated the Board on the FAA Grant Assurance procurement policies, and Jetezy Inc. eviction, and requested the Board pull Consent Agenda item C from the agenda today to be brought back to the Board in November.

8. AIRPORTS WORLDWIDE REPORT

Elizabeth Brown updated the Board on three items: September results were 20% down year over year, were greatly impacted by Hurricane Irma which included pulling all Allegiant flights two days before the storm. Passenger services lower than budgeted due to Interjet not producing another flight and

discontinuation of National Airlines. Regarding air service development, Rhonda Jorn recently attended the World Roots conference in Barcelona, Spain. Elizabeth Brown stated she attended the ACI conference where commercial meetings were held and met with all commercial tenants located here regarding the terminal expansion. The commercial tenants will have an opportunity to refresh their product, working to see how to introduce a better sense of place, Sanford area, Seminole County.

9. CHAIRMAN'S REPORT

Chairman Ioppolo thanked Board Director Green who has been working with staff on perfecting the real estate report from NAI Realvest making it more functional. With regards to the contract with AWW, Chairman Ioppolo stated an agreement was distributed to the Board Directors prior to today's meeting giving them time to review and discuss the agreement with Counsel or President Crews. This agreement will be placed on the November Agenda; it is also being reviewed by the AWW Board for approval. Regarding SANAC Committee, according to Legislation and Bylaws it falls to the Chairman to appoint a Chairman annually and he is appointing Rocky Harrelson who has expressed an interest and desires to step into this role.

Chairman Ioppolo updated the Board; he has met over the last six months with every department of employees at the Airport to express collective appreciation on behalf of the Board and solicit their feedback on how things are. Last week he met with IT/Finance/Administration departments. Feedback solicited included faster computers, more training in Finance. He also met with the Maintenance Department and they requested a new building; their current building is 70 years old, and Chairman Ioppolo asked President Crews and George Speake to facilitate this request within the next year.

Chairman Ioppolo stated at last month's meeting during the President's review he had also wanted to consider a pay increase for her in addition to the bonus approved by the Board. He requested Don Poore and President Crews provide a salary survey and bring it back to the Board this month. A summary of the salary survey was distributed to the Board representing airport presidents in similar markets demonstrating a range low to high, and President Crews' salary is on the low end. Chairman Ioppolo noted if he had to hire someone new today, he believed he'd be paying them substantially more. Based on the market and her performance to date, and conversations with President Crews, he recommended increasing her survey to \$225,000 per year, that still puts her below mid-level salaries for the salary surveys we have and yet it is still an important increase based on the job she is doing and the responsibility she has in the industry.

Board Director Slattery expressed concerns of increasing the President's salary before conducting an overall salary survey; felt we should take care of the employees before increasing the President's salary.

President Crews noted that all departments having known salary deficiencies have been addressed in the past two years, including ARFF, Maintenance, and Operations; further, a salary survey for the entire organization will be conducted within the next few months in preparation for budget planning for FY 2018-2019.

Motion by Board Director Smith, seconded by Board Director Bowlin, to increase President Crew's salary to \$225,000 effective October 1, 2017. Vote taken, Board Director Slattery voting in opposition. Motion passed.

Chairman Ioppolo stated the Board had appropriated \$30,000 to hire a lobbyist for the Airport Authority. In discussions with Mayor Triplett, we thought we could partner with the City and they would also put up \$30,000 and hire a good lobbyist. Mayor Triplett suggested the SAA move this item forward and the City would come in on the back end. The opportunity to put out a RFP would mean that we would not have the value of a lobbyist for this legislative session. Chairman Ioppolo felt this would be a mistake. Hurricane Irma delayed things as the initial committee week was focused on hurricane relief. The new committee session is starting this week and going into next week, there isn't time to delay with a long process.

Chairman Ioppolo suggested in order to implement the decision and make it worthwhile we need to choose that person quickly, and we don't have the ability without calling a special meeting. He requested spending a few minutes talking about the qualifications for the person we'd like to hire and delegate that authority to President Crews to make that selection for a one year lobbyist. Hiring that person a month from now after committees have stopped is a waste of time. He stated President Crews has done an initial review of other RFP's and the language for qualifications. We are also wanting a business development aspect so we choose someone from a substantial firm with a real client list; this wouldn't be a person who reports on things that happen, we would give them an agenda to go and implement.

Board Director Miller stated at the budget meeting this item appeared as a recommendation, and he questioned why all of a sudden this item was being requested. We had gone several years without a lobbyist and he didn't see at that time the need for a lobbyist. He noted that Chairman Ioppolo had assured the Board members there would be an RFP to get a qualified person, and he requested the list of items requiring a lobbyist.

Chairman Ioppolo responded he felt this was an important item to discuss. This week for example we found out through the Florida Airports Council who lobbies on behalf of all the airports in Florida, that an item is making its way thru the legislature that would create a competitive disadvantage with how certain funds are allocated to certain airports. If we choose to do nothing, that could go through. Items come up on a regular basis, this is one of them. Also we've been trying for two and a half years to get legislation passed to make trespassing on airport property a felony. Right now if you trespass on airport property you get walked to the door and you can come and do it again, through is no penalty.

We've written that bill, but there is no one to shepherd that through the legislature. In addition to that, there are dollars available or could become available for business development and other projects, FDOT grants that we want to be competitive for, in addition to whatever the City may have or want to have.

Board Director Smith inquired of Commissioner Woodruff if this has been discussed with the City since we are working in conjunction with the City. Commissioner Woodruff responded the City has for years had a legislative lobbyist who just reported what was going on, then discussed the need for a state lobbyist. The City decided to leave the lobbyist funding in the budget and then at the joint meeting when it was brought up, the Mayor brought up the idea of partnering with SAA.

Chairman Ioppolo clarified this is something we should have and if it has to wait until next year we could, although his preference would be to move forward. Board Director Simmons inquired of Chairman Ioppolo what procedure we are considering moving forward. Chairman Ioppolo stated he didn't think we had time, he was going to have President Crews make that decision a one year contract; she is the President, and she executes contracts all the time on behalf of the Airport.

President Crews stated her plan is to meet with 4-5 firms; she has been looking at RFP's and has a pretty good list of qualifications as well as a scope. She is not looking at a lobbyist for just legislative purposes, looking for someone to help with business development as well who has general lobbying capability. As the Chairman said, Mr. Speake and I only heard about this issue Friday and we've already had a call with the president of FAC. It's a revision of Florida Statute 332, and it absolutely would put us at a disadvantage to other airports, takes us with 50/50 funding to compete with someone who is getting 80/20 funding from FDOT on certain projects. We have a stake here that needs to be safeguarded. We've already enlisted the assistance of several other airports that are of like mind to us; the person pushing this is an airport director in the Panhandle and he's already gotten someone to sponsor the bill. We just need to make sure we address this quickly and get it stopped before it gets any traction. President Crews noted she has already had conversations with Scott Plakon and Representative Cortes regarding this matter.

Chairman Ioppolo noted one of the challenges is sometimes you'll defer your legislative agenda or lobbying to a trade group like Florida League of Cities or Florida Airports Council, the problem is the guys with the voices that are the loudest in the organizations are typically the people who write the biggest checks. President Crews stated this isn't the first time we opposed legislation that FAC was sponsoring, that they have not taken a position but are considering support. It goes to their Board in November, we have a conference call with them October 30th and they will decide then if they are putting it on their legislative agenda.

Motion by Board Director Smith, seconded by Board Director Dane, to allow President Crews to move forward and choose a lobbyist in conjunction with the City of Sanford. Board Director Green made a friendly amendment that the cost of our portion not exceed \$30,000. Chairman Ioppolo restated the motion: delegate the authority to select and engage a lobbyist on behalf of the Airport Authority for an amount not to exceed \$30,000 to work in conjunction with the City. President Crews inquired before she discussed this with Mr. Bonaparte, in the event the City chooses not to participate, does the Board wish her to continue alone with our \$30,000. Chairman Ioppolo stated if they agree to work for \$30,000. Board Director Bowlin felt we are far more at risk if this goes through and we need to have latitude as circumstances unfold to move this thing forward. President Crews clarified what is being proposed is that we would remain at 50/50 grant funding and other airports that are commercial service airports in the state of Florida who have under 500,000 enplanements, including Daytona and Melbourne, would go to 80/20. Chairman Ioppolo felt by November 7th President Crews would have a good idea from the City of Sanford if they are wanting to participate, could we bring this item back to the Board to discuss paying more on our own. Board Director Slattery stated he despises lobbyists but understands they are a necessary evil in today's world; he asked that President Crews hold them as accountable as possible, that he doesn't want to throw money in a hotel, he wants results and occasional reports. Vote taken, Board Director Miller voting in opposition. Motion passed.

Chairman Ioppolo clarified at the November Board meeting the AWW contract would be discussed, and the lobbyist readdressed if necessary. At the end of that meeting, the election of board officers would take place.

10. CONSENT AGENDA

- A. Consider approval of Addendum E to Lease No. 2009-49 with WAYNE DENSCH DEVELOPMENT COMPANY for Bldg. 423 located at 1900 E. Airport Blvd. (Hangar)
- B. Consider approval of Addendum H to Lease No. 2009-47 with AVOCET CAPITAL, LLC., for one half of Bldg. MOU-550, located at 550 Don Knight Lane, Sanford (MOU)
- C. [Removed from Consent Agenda by Counsel] Consider approval of the Indemnity Agreement, Deed Restriction agreement and Conditional Limited Release of Claims Agreement between the SAA and the Crane Group Companies Ltd. (Gator Dock & Marine)

Motion by Board Director Smith, seconded by Board Director Simmons to approve Consent Agenda items A and B. Vote taken, none opposed. Motion passed.

President Crews clarified for the Board regarding Consent Agenda item A (the Wayne Densch Development Company) that the Board has been very explicit wanting to make sure there are increases, but the situation here is they

are going to be vacating the hangar because it is no longer needed, but they need time to vacate the hangar so they signed the lease extension with a clause in it that allows them out within a certain time period and notice.

11. DISCUSSION AGENDA

A. Presentation by Zyscovich: Executive Summary – Hotel Feasibility Analysis

Chairman Ioppolo stated today we have Grace Perdomo, the head of the Zyscovich team that is working on non-aviation property analysis, and former Mayor Crotty, and explained that they have started working with us on the hotel aspect. Given today's market and the importance of bringing a hotel to the Airport sooner rather than later if it makes financial sense and we feel it does, he and President Crews have been working with a number of different individuals in the community to talk about different hotel opportunities that may or may not present themselves and different structures as to how we as an airport can proceed.

The first airport deal we approved and then eventually had to terminate was a traditional structure of someone else will build it, we have a lease, they will pay us the lease and a certain percentage and that's how we make our money. But that's not the only way to do it if you're willing to take some more risk; for example you can do it like MCO did with the Hyatt. It's within the terminal, they own the property and they built it and instead have a management company to run it. Rather than getting 3-5% they pay a management fee 20% all in range and make 80% of the profits. The risk associated with that 80% is if you don't make enough money to pay your management company, you have to pay your management company. He and President Crews have looked at a number of different items, spoken with ten different groups over the last six months that have expressed an interest. They met with Eric Johansen with Beacon Bay Development, specializing in hotel consulting, added that level of expertise to the Zyscovich proposal to analyze what's there, present a feasibility study on whether or not a hotel makes sense here, the form that might make sense and some recommendations to the Board as to proceed.

President Crews stated the feasibility study was necessary before we can talk with hoteliers. We were very fortunate to avail ourselves of the expertise of Beacon Bay and we appreciate the flexibility of Zyscovich to do a sidebar to the initial scope.

Grace Perdomo, Zyscovich Architects, introduced her team. Eric Johannessen, Beacon Bay will present the overview of financial analysis related to hotel development. Ms. Perdomo presented a power point presentation covering planning and design considerations specific to site selection for hotel development. Eric Lift presented an overview of hospitality market assessment.

Eric Johannessen, Beacon Bay Project Management stated his company is a Winter Park based hospitality project management firm. His company helps

owners, renovate, build or in this case develop hotels all over the USA. His expertise is design and construction, helps gets things going from entitlements to opening. When approached by the SAA, partnered with people he knew, in this case the Litt Group and the Brush Company. Mr. Johannessen presented the financial analysis.

Board Director Smith inquired if the Board is to consider this as a standalone project, financing-wise would it hurt our capabilities of doing future projects. Chairman Ioppolo responded he is sure it would have an impact on our feasibility or financial standing what we could or couldn't borrow at that time

President Crews addressed Board Director Smith's comments, and stated it's a good segway in to the later discussion item regarding the hiring of a financial advisor. As we move forward with more development which is the purpose of the Zyscovich engagement to start with and bringing in NAI Realvest to put to market their plan, all of that is going to take financing, that's why we need to have this specific financial services to advise us.

Board Director Bowlin felt we have generated a lot of interest in non-aviation development and with all the property along Lake Mary Boulevard. We need to push this forward and come up with some direction sooner than later, because if we don't do it, somebody else is going to do so on a parcel that we don't own.

Board Director Dane noted these sites don't include the site the last hotelier was considering and these sites are much more exciting to her to see the potential for development.

President Crews stated when the former hotelier came to us, we showed them these sites, but the hotelier thought that the site they chose was most advantageous for them. Chairman Ioppolo stated this is the benefit of data driven decision-making; the guys who know the feasibility study the best looked at what they had that they could do and said these sites are where we recommend you do it.

Board Director Slattery stated hotel operations are as risky as can be, no bank even finances hotels because they fail so rapidly and so often. He would have to be convinced that our financial ability could withstand the severe drop in occupancy and even then to risk 14 million dollars eating up some of your borrowing ability to expand the airport, he'd have to be convinced that's the right direction for us. He agreed with having control, but hotels are high risk.

Board Director Green agreed those three are the best sites to consider, and he also agreed with Board Director Slattery; he is conservative being a developer. It is hard and risky and he sees their numbers, only wishes it was that easy because then everybody would be doing something like that, versus doing a ground lease where you are going to own the building in thirty to forty years, and in thirty to forty years you are getting the income, plus you get the building back and your risk lowers. In addition the cost on the surface seemed low, not being a

hotel cost guy. He thought it's something to be considered, but there are a lot of risks not implied here that really need to be evaluated.

Board Director Bowlin agreed with the financial side, although this Board has a tendency to study something to death, and we need to move whether we do a ground lease or construct the building, but we need more data and need to request it quickly.

Board Director Simmons referenced the Orlando Airport with the Hyatt and noted we aren't the Orlando Airport, our passengers don't stay here, they get on a bus and go to Disney. He felt it's optimistic to say that 40 people per day would stay here. The value of the building is not a value to us, we own the property and can't sell the property or the building; if we built that building and the economy turned down and we couldn't put heads in the beds, we would be absorbing the loss. If we do a ground lease, let somebody else come in and take the risk, operate it, if they can't make a go of it, we still have our ground and the building. He would have to be really convinced before agreeing to anything but a ground lease. But he agreed with Board Director Bowlin we need to move, we have had overwhelming data to support, and suggested we get busy on a ground lease.

Board Director Smith inquired if there are clients out there that are willing to do the ground lease scenario, or do we have a hotel company looking at what flag they can sell us as an airport. Chairman Ioppolo was sure there is, we have a number of different means. Chairman Ioppolo requested having a full blown discussion now that we have some background, and asked Zyscovich and Beacon Bay to give us a build versus ground lease analysis scenario and talk about pros & cons in more detailed fashion giving us the ability to make a decision possibly in November.

Chairman Ioppolo suggested the Board allow him and President Crews to work with our consultants and come back with a specific recommendation. We already have a hotel company that wants to work. Board Director Slattery requested in the presentation they add a stress test to the different variables of the financials, so he could see where our breakeven is, where we start making money, how long so we can really see the big picture. Chairman Ioppolo responded he would put Board Director Slattery in touch with the consultants to make sure what you consider a stress test is done to your liking. Director Green requested getting this information in advance, at least a few days. Chairman Ioppolo stated because we weren't asking the Board to make a decision today but we will absolutely get this to you in advance and if that happens at the December meeting, the newly elected Chairman can present it.

Chairman Ioppolo updated the Board regarding the property swap discussions a few years ago with the County where they were unable to come to the table with the conditions we had placed; the more we had conversations with them the more we realized they wanted to put the free stuff on our property and the revenue generating stuff on their property. We eventually suggested that wasn't going to go forward. We have had continued conversations with Chairman

Horan and Mark Hefferin who is a developer. They have considered perhaps looking at our land and the County land adjacent to the sports complex as almost a joint development project. We would develop all of that with a sports complex hotel and figure a revenue share for it.

Eric Johannessen assured the Board he would be able to address all requests by the next Board meeting.

Grace Perdomo addressed the Board and stated they will continue with this analysis of their work and focus not only on completing the hotel analysis, but they would be also looking at industrial office and retail as part of their first phase of the Zyscovich team together with AVCON, to present at the December meeting.

B. Status Agreement for the Operation and Management of the OSIA
Terminals and Parking Structure

(Addressed under Chairman's Report)

C. Terminal Expansion Bid Response

President Crews stated the terminal expansion project was out to bid for over two months. The mandatory pre-bid meeting had great response, with four potential respondents that met the criteria. We received two bids, Hensel Phelps and Walbridge. Of the two respondents, Walbridge was the lowest responsive bidder; they met the criteria and qualified. Their bid was \$65 million, 30% over the engineer's estimate of \$50 million. The President of CPH, David Gierach, was present to address the large shortfall and discuss alternatives.

David Gierach addressed the Board. Mr. Gierach stated the lowest bid was 15 million dollars above their estimate. Recently the market has become competitive. At the time the project was put on the street, they had 12 different contractors interested, after the pre-bid meeting there were four contractors that appeared to meet the experience requirement for bidding on the project. They were notified 30 days after the meeting that one contractor had backed out and a second contractor was concerned with whether they would be able to meet the experience requirements and they backed out as well.

The estimates were developed using the RSU published catalog of pricing data based on historic data in the region. They looked at ENR which has price adjustments for labor and materials. Mr. Gierach stated the market is showing a decrease in competition as the contractors and subcontractors are busy. GOAA recently bumped their budget (for their new terminal) from \$1.6 billion to \$2.4 billion, and the I-4 ultimate project is a 2.3 billion dollar job. Those two jobs locally affect subcontractors, labor and materials. Recently a number of bids have received much less competition, lucky to get a bidder or two, sometimes none. Prices are substantially over the estimate. We've recently had 4 major hurricanes and major recovery will be taking place. Congress just approved 40

billion dollars for hurricane recovery. Also, this project had a three year scope; when you look out a year or two down the road, the contractors are very uncertain about labor and material costs; the suppliers aren't holding their prices for 2-3 years.

Mr. Gierach outlined several options for the project: 1) Go to FAA and try to obtain the funding; he does not recommend this option, felt the pricing is too high and could obtain more competitive pricing; 2) Negotiate with the low bidder, identify value engineering items, and identify possible scope reductions. Meet with staff and the Board and determine if items could be eliminated off the project. There is no reason not to negotiate with the low bidder; 3) Break the project into phases; and 4) CM or CM at risk project.

Mr. Geirach stated their recommendation at this time would be to have a Board member assigned to work with them along with Airport staff, AVCON, CPH staff and the contractor to see if they can develop a project the Board and SAA feel comfortable with.

President Crews thanked Mr. Gierach for going thru the options. She stated changing the scope and taking some things away from the scope is the one thing she would be opposed to. We have spent a long time looking at this and didn't feel we've been frivolous in our decisions. We included certain elements in the project to make it a cut above a bare bones project, to complement the airport and make sure it is part of what we want to be going forward. President Crews stated she was in favor of negotiating with the lowest bidder and would be part of those conversations.

Board Director Bowlin suggested considering having CPH go back thru their cost model, add escalators and come back with another number for a three year project under one contract. He stated he is opposed to the phasing option, and noted that he has never seen a project come in at the bid amount (\$65 million); it will be 75 million before it's over with the change order scenario that goes along with these type projects. After getting the number, consider going back to the lowest bidder or rebid.

Board Director Smith felt CPH missed the mark horribly, and by going to the phase type bidding, we will open the door to a wider group of eligible contractors because the bonding requirements would change and possibly bring the numbers down. With regards to phasing it out, we are assuming some risk but felt with the more competitive nature of the bidding, it should bring the prices down over time.

Board Director Simmons stated he was not in favor of changing the scope. He flew out of Sanford to Flint, Michigan this summer, and it was culture shock. The comparison between the airports was amazing, Flynt is beautiful and modern; it dates Sanford.

Board Director Green stated we are 30% over budget; we try to build these things around expectations and it's disappointing. In his experience, they go back to the general contractor and at least they have the opportunity to look at areas where they can value engineer, come up with alternative suggestions to lower the cost.

Board Director Miller stated as he sat in on several meetings, he recalled original figures thrown around were \$43-\$45 million. During development of the project, as things showed themselves, discussion ensued, and adding/changing certain elements in the drawings had a cost impact. Given that the increases were the things we did during the process to enhance the expansion program, a lot of thought and discussion went into that, and this is where President Crews is solid in her decision not to back down on any of these items. With regards to phasing the project and go back and bid those out, history has shown him in development you will pay that increase and that figure will be up to 75 million if you do it that way. Board Director Miller requested more information with regards to going back to the FAA for additional funding.

President Crews addressed Board Director's question of additional FAA funding.

Chairman Ioppolo stated he is not averse to rejecting all bids and starting the process again. The phasing process has some interest because it expands possibility of more competition although it increases our risk. He requested more information regarding phasing. Walbridge has put a lot of work into this and has an excellent reputation; he felt we should go back and talk to them. He wants to look at the phasing piece again, he would be interested in awarding part of the project or rejecting them all and rebidding on a phasing process.

Board Director Bowlin inquired does Walbridge feel there is room to bring this number down. Frank Rygiel, with Walbridge, responded that they and CPH can hammer out the details of the project, open the book and more efficiently attack the project, reduce the time which would reduce the cost, and look at some different building systems to incorporate. Mr. Rygiel further noted that they quickly addressed the project since the bidding process and found 5 million dollars they can re-do, felt confident in that environment they can help the SAA achieve those goals.

Chairman Ioppolo requested Board Director Smith be the Board representative to meet with Walbridge along with CPH, President Crews and Staff.

Board Director Smith inquired with the increase in cost of this construction if it was to go up at the 65 million dollar mark, what is this going to cost us over the construction cost. Don Poore stated he did a preliminary look at \$71 million, and the cost would be less than an additional one million for us but also depends on how fast the PFC's come in, a total of \$8-\$12 million dollars in interest.

In summary, Chairman Ioppolo stated Board Director Smith will work with President Crews and Walbridge to see if we can value engineer and determine

what is available to break that price down. Also what would it look like if we built this in phases? In the event we need to address the scope, how we might do that, either reduce scope overall or time the project with a phase approach.

D. Consider Approval of Contract with Financial Advisor for Terminal Expansion

President Crews stated (with regards to the terminal expansion financing) the need for a financial advisor has arisen because the Dodd-Frank legislation, banks can't both be our lending institution and give us financial advice. Dodd-Frank legislation prevents banks from both providing financial advice and then participating.

Don Poore stated he has met with three separate financial firms, and a contract has to be signed before advisors can speak with us. Mr. Poore explained that the cost of the advisor is per engagement as detailed in the agenda memo; we could have had him on retainer but that option was stripped out. This way we can engage him further down the road if we're interested in a hotel. Mr. Poore introduced Mark Galvin, First Southwest.

Motion by Board Director Smith, seconded by Board Director Simmons to execute the contract to engage First Southwest and authorize President Crews to execute the contract. Vote taken, none opposed. Motion passed.

12. COMMENTS FROM THE PUBLIC

Linda Barker stated flight crews require 24 hour room service; if a hotel has no amenities, we would be in a bad position. With the sports complex, people are going to drive to the Burger King, they are going to drive to the sports complex, you have two different type of hotel concepts. She has seen hotel properties in New York that share the same parking lot and the same van. As far as location, Lake Golden would be great if you had a foot bridge because you will pay more for a room at an airport property hotel as opposed to having the inconvenience of getting on the van and driving 10 minutes. She would like to see a hotel west of Cameron with a frontage road on airport property, semi-private, so you don't have to deal with traffic. She would love to see SunRail go from the airport and have a hotel easily connected to the SunRail to go downtown. She also noted that rental car rates are higher at this airport than OIA.

13. OTHER BUSINESS

14. REMINDER OF NEXT BOARD MEETING (NOVEMBER 7, 2017)

15. ADJOURNMENT

There being no further business, the meeting adjourned at 11:32 a.m.

Respectfully submitted,

Diane H. Crews

Diane H. Crews, President & CEO
/lh