

**MINUTES OF THE REGULAR MEETING OF THE
SANFORD AIRPORT AUTHORITY
TUESDAY, FEBRUARY 6, 2018
8:30 A.M.**

PRESENT: Tim M. Slattery, Chairman
Jennifer T. Dane, Vice Chairman
William R. Miller, Secretary/Treasurer
U. Henry Bowlin
Tom Green
Frank S. Ioppolo, Jr.
Clyde H. Robertson, Jr., Board Director
Clayton D. Simmons
Stephen P. Smith
Commissioner Brenda Carey, County Liaison
Mayor Jeff Triplett, City Liaison
Brett Renton, Airport Counsel

ABSENT:

STAFF PRESENT: Diane Crews, President & CEO
George D. Speake, Executive Vice-President & COO
Don Poore, Chief Financial Officer
Jerry Crocker, IT Manager
Thomas Fuehrer, SAPD Chief
Lori Hunt, Executive Assistant
Jacqueline Lauterbach, Leasing Manager
Al Nygren, Property Manager
Rachel Walker, Finance Manager

OTHERS PRESENT: Tom Buchanan, Honeywell
Dave Cattell, NAI Realvest
Roger Chapin, Mears
Justin Edwards, Gale Assoc., Inc.
Mark Galvin, Hilltop Security
David Gierach, CPH Engineers
Geoff Lane, Constant Aviation
Joe Macine, Honeywell
Bill McGrew, GAI
Genean McKinnon
Patrick Mahoney, NAI Realvest
Jeremiah Owens, CPH Engineers
Paul Partyka, NAI Realvest
Chris Reynolds, Gale Assoc., Inc.
Frank Rygiel, Walbridge
Rachel Saunders, NAI Realvest
Kevin Spolski, Spolski Construction

Bill & Bell Stack
Craig Sucich, ATKINS
Bob Turk, Economic Development Manager, City of Sanford

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 and introduction of guests.

2. ADVERTISEMENT OF MONTHLY MEETING

Copies attached.

3. APPROVAL OF MINUTES OF THE REGULAR MEETING HELD ON JANUARY 9, 2018 AND WORK SESSION HELD ON JANUARY 19, 2018

Motion by Board Director Smith, seconded by Board Director Ioppolo, to approve the Minutes of the Regular Meeting held on January 9, 2018 and the Work Session held on January 19, 2018. Vote was taken, none opposed. Motion passed.

4. LIAISON REPORTS

A. Seminole County

Commissioner Carey updated the Board on the Sports Complex activities 2017 and two new events for 2018.

B. City of Sanford

Mayor Triplett updated the Board regarding Mayfair Hotel. The old hotel on Marina Island has been demolished. Wolfy's restaurant has been closed. Mayor Triplett updated the Board regarding the Catalyst site.

COMMITTEE REPORTS

A. EDAC

Chairman Green updated the Board; no recommendations for the Board. Topics of discussion at last EDAC meeting were: L3, Gator Dock and Marine and the hotel.

5. COMMENTS FROM THE PUBLIC

None.

6. PRESIDENT'S REPORT

President Crews updated the Board on current construction projects.

George Speake updated the Board on Enterprise Lease project, Aviation Advisory Committee, Full Scale Triennial Exercise and FAA Annual Part 139 inspection.

Don Poore presented the Financials.

Property Management Report – NAI Realvest: Paul Partyka updated the Board on the Leasing Report. Patrick Mahoney updated the Board on Property Management.

President Crews updated the Board regarding Southern Strategy.

Chief Fuehrer presented a power point presentation regarding analysis of the SAPD in 2017.

7. COUNSEL'S REPORT

Brett Renton updated the Board.

8. AIRPORTS WORLDWIDE REPORT

Elizabeth Brown updated the Board.

9. CHAIRMAN'S REPORT

Chairman Slattery thanked the EDAC Committee as they have been very active with many issues on their plates, vetting a lot of information. Chairman Slattery thanked Board Director Smith for spending time with Walbridge regarding the terminal expansion project. Chairman Slattery thanked the Board Directors for using laptops and the Novus Agenda, and encouraged everyone to go paperless.

10. CONSENT AGENDA

- A. Consider approval of Addendum B to Lease No. 2015-23 with WIN4AUTISM, INC. for Building No. 139, located at 2776-86 Navigator Ave., Sanford, FL

- (Warehouse).
- B. Consider approval of the Ground Transportation Pre-Arranged Permit for January 1, 2018-December 31, 2018.
 - C. Consider approval of Addendum G to Lease No. 2011-08 with REAL DEAL STEEL, LLC for Building No. 410, located at 1220 30th Street, Sanford, FL (Warehouse).
 - D. Consider authorization to issue and RFP for 2018 Taxi Cab Contract.
 - E. Consider approval of Addendum C to Lease No. 2014-003 with COTY SMITH For Building No. 298S, located at 3107 Rudder Cr., Sanford (Residential).
 - F. Consider approval of Addendum B to Lease No. 2012-11 with SYNERGY WOOD PRODUCTS, INC. for Building No. 400, located at 3017 Mellonville Ave., Sanford, FL (Warehouse).
 - G. Consider approval of Lease No. 2018-002 with JASON DAVIS d/b/a DAVIS CUSTOMS for Building No. 515-5, located at 2824 S. Mellonville Ave., Sanford, FL (Warehouse/Office).

Motion by Board Director Smith, seconded by Board Director Dane to approve Consent Agenda items A through G. Vote taken, none opposed. Motion passed.

11. DISCUSSION AGENDA

A. Terminal Expansion Project Update

Chairman Slattery stated this item may be one of the largest decisions made this year, and he intended to give every Board Director the opportunity to speak and listen. This item is on the Agenda at his request and he would like to come out of the meeting with a decision.

President Crews stated she has discussed this item with each of the Board Directors, and also sent each Board Director a spreadsheet and memo listing pros and cons. It was decided together collectively as a Board after a recommendation from staff to proceed with this project. The need was there if we were going to continue to grow as an airport. The last thing we want to happen would be to have a potential air carrier want to come here but we can't facilitate it due to lack of infrastructure. The need for the four new gates is essential for our continued growth.

President Crews reminded the Board that the project would be funded with PFC's, and the level of funding for eligibility is determined by the FAA. Whatever is not approved for funding by the FAA, is provided by the SAA and FDOT equally. In this situation PFC application #4 was submitted to the FAA at \$4 per enplaned passenger and included expenses from past projects that were eligible for reimbursement. She advised that the SAA is getting \$1.6 million dollars reimbursed through PFC No. 4 as well as \$1.6 million reimbursement for design of the terminal expansion project, for a total of \$3.2 million that can be put into reserves.

She recalled that the Board had previously approved the contract with Walbridge contingent upon receiving FAA approval at an 80% funding level, and reported that the FAA funded PFC #4 at 82%, although they didn't fund the entire project. Additional justification was requested for a portion of the project including the four gates, passenger boarding bridges and sky walk. President Crews explained that the FAA agrees that we need the gates but needs more justification in the form of a gate use or terminal area study.

President Crews explained that in her memo to the Board she laid out four options. When we first got the decision from the FAA that they were only approving Phases 1, 2 and 3a and we would have to go back out with another PFC application for Phase 3b, she went to the contractor (Walbridge) and asked what it would take if we have to separate this because she didn't know if they would be able to hold it. She needed a breakdown in costs separating Phase 3b from the rest of the project. Frank Rygiel with Walbridge separated the project accordingly and that option is listed in the memo, as Option 1. We could do Phases 1, 2, and 3a; do our study, put in the PFC application, wait to get the response back and then bid out Phase 3b.

There are a lot of unknowns there, we don't know what that bid might come back at for 3b. Frank Rygiel has provided a deduction of \$11 million for Phase 3b, but she has shared with Mr. Rygiel that she didn't feel this amount was adequate.

She also talked to Mr. Rygiel about holding his bid amount for a certain amount of time. Mr. Rygiel responded he could potentially hold it until December 18th at the price of \$60 million and then if we didn't have the answer on the PFC he would deduct Phase 3b from the project with a deduction of \$11 million dollars which she felt was inadequate. We would re-bid the project but wouldn't know what the price would be; this was listed in the pros and cons for Phase 2 as to how this could affect us negatively.

If SAA re-bids the project, it will require a re-design which could be expensive. Jeremy Owens, CPH, has indicated that it might involve bringing more things up to code that are existing, and that alone would require a more extensive re-design.

The third scenario, Phase 3, was just to do Phases 1 & 2 with Walbridge using the numbers from the original bid of \$32 million and then re-bid Phase 3; however, this would slow down the project and again require re-design and we don't know what we'd end up with for a final cost. President Crews noted that she felt the cost would be a lot higher in all three of these scenarios.

President Crews stated option 4 was her recommendation that we move forward with the entire project. President Crews explained to the Board she is confident the FAA will approve PFC #5. She can't guarantee that our PFC collection will be what we anticipate it to be because she can't guarantee that Allegiant will be here tomorrow or that something won't happen catastrophically in Central Florida that will curtail air travel. There are a lot of unknowns, but she does know, based

on conversations with the FAA since this decision was rendered and before it was rendered, that the FAA believes the additional gates are needed. Further, the FAA has indicated that they are going to work very closely with us to get PFC #5 approved. If for some reason we decided to wait to do the study, she could go to FDOT, and the FDOT has said they could program Phase 3b because it's eligible and their grants are 50/50. FDOT doesn't have all the funding allocated but they have a portion of it. She noted that she has discussed this with Board Director Green, and based on that scenario, we'd be looking at a risk of \$10 million to do that. And then we could still go back and secure the PFCs for 91% reimbursement for Phase 3B. She noted that she had not talked to the FDOT when the memo went out, and that concept is still not completely refined; however, she believes that the chances of the FAA not approving PFC #5 are extremely remote, almost as remote as us not collecting our PFC's at all.

President Crews asked the Board to approve option 4, which is to proceed with the project at the \$60 million dollar level under Walbridge's bid and we issue an RFP. We do all of those things listed in her proposed motion: to proceed with option 4 to execute a contract with Walbridge for the amount of \$60,642,363.00 to issue an RFP for financing of the entire project, to initiate the study as requested by the FAA (that will not be determined until February 7th), and to prepare & submit application for PFC #5 immediately upon conclusion of the study.

Motion by Board Director Ioppolo, seconded by Board Director Smith, to accept the President's recommendation and proceed with option 4, execute a contract with Walbridge in the amount of \$60,642,363.00, issue an RFP for financing the entire project, initiate the study as requested by the FAA to be determined Feb 7, 2018 and prepare and submit application with PFC #5 at the conclusion of the study.

Discussion:

Board Director Ioppolo stated he appreciated the memorandum and conversations that he and President Crews have had on this topic over the last six to seven months. One of the primary risks here is whether or not we're going to have PFC's at all, and of course that has nothing to do with the current status of the PFC application. That has to do with whether or not we believe our primary air carrier Allegiant, I'm not assigning much risk to that for the purposes of the decision no matter what. The real risk being introduced here to him is whether or not the FAA approves PFC #5. He stated he's never spoken with the FAA on this topic but has a lot of confidence in our management team and the interactions they have had. Felt it's true the FAA is changing the way they evaluate requests to have a better record upon which to survive the challenge of an airline to say we don't want the airport to change these fees. So by requiring us to go through this and others to have a study in place they make their decision less attackable. His feeling is there is a risk here although he believed the risk is an acceptable risk. He believes there are some fallbacks that President Crews has laid out for us, and he feels pretty comfortable that we're going to get both PFC #4 and 5 approved. If we're going to be out in the marketplace talking to people about investing

in our airport, he doesn't see how we cannot be prepared to send the message that we are confident that we are going to continue to grow.

Board Director Smith inquired of President Crews what exactly is involved with the gate study. President Crews responded that it would be either a gate use or a terminal area study, and asked engineering consultant Craig Succich with ATKINS to explain the difference between the gate use study and terminal area study.

Board Director Smith stated he was good with the project and feels confident that we have to get ready for the future.

Board Director Simmons introduced the idea of raising the PFC, stating that he knows no one wants to raise the PFC but that is a possibility. He asked if we get into financial difficulty, can we come back and raise our PFC rate.

President Crews explained that we have committed to the air carriers that we would not raise our PFC fee for this project. Board Director Simmons asked if the air carriers have committed to us any money for this project. President Crews responded she felt it would send out a very negative message and she would not be acting in good faith if she said we can raise the fee for PFC #5. She further stated she thought we'd be hurting ourselves with regards to our air carriers, plus it keeps us at a competitive advantage with a lower PFC.

Board Director Simmons stated he was referring to if we need to do this for financing or we need it if travel decreases and we have to find the money some way. President Crews responded we can't raise it midstream; when we did our PFC application for PFC4 it was for \$4, and we wouldn't be able to raise it. Board Director Simmons stated PFC # 5 would be a new PFC application. President Crews replied that technically we could raise the PFC fee for the new application but she wouldn't be doing the honorable thing.

President Crews invited Elizabeth Brown to address the Board with regards to raising the PFC cost because her team deals directly with the air carriers.

Elizabeth Brown stated she thought it speaks to the credibility of this airport and how this project has been pursued all the way along there's been much public comment in a variety of forms that said the PFC will not change. The great question is sensitivity to airlines remember we are dealing with an ultralow cost carrier which is our biggest airline and we are very fortunate to be a hub, one of only 37 hubs in this country to have a major airline here and they are extremely sensitive. We are in a very competitive market we have at least three other airports here that are competing with the same services we are and she thought to increase fees \$.50, that \$.50 isn't worth it for the lost credibility.

Board Director Robertson replied we are very much in favor of keeping our public transportation hub, and stated he is all for the project, liked how it's been presented and is in favor of option 4.

Board Director Bowlin inquired if the gate study is reimbursable. President Crews responded yes. Board Director Bowlin suggested we get the gate study completed in 60 days not 90 days. He felt that would go forward with the FAA showing just how much we are interested in getting this approved so the sooner the better just for completing the study.

Board Director Simmons stated it's going to take time to get the financing anyways so we can be doing this gate study while the financing is going on. Conceivably the gate study, if the FAA says that's all we need, satisfies and then they approve the entire project so by the time we get the financing, we might back where we thought we were when we started.

Chairman Slattery assured the Board ATKINS would be asked to fast track as much as possible. President Crews said she would ask ATKINS to move this forward as soon as possible within their resources. Board Director Bowlin requested ATKINS make this their priority project going forward. President Crews inquired of Craig Succich with ATKINS could they commit to make this a real priority regardless if it's a gate study or terminal area study. Craig Succich replied we can absolutely make it a priority.

Board Director Green stated he was the one that recommended the motion for approval on the \$60 million dollar option so he completely agrees we should pull the trigger, but that was subject to financing and the broker. He was also used to seeing a termination right in construction agreements which would provide the Client (i.e. the Airport) the right to terminate at any point for costs expended. He suggested Option 2 on the memo per his conversation with Diane because he felt we needed some type of out along the way. We don't know now if we go with option 4 and don't get approval you still have to pay \$60 million that means the airport is going to have to come up with \$10 million and in his opinion, that's kind of reckless. All option 2 does is locks down the big number and gives us an out in December where we can pull back; we don't have to exercise, we can still go forward with them. We'll have a lot clearer picture, all it does is allows us to have the decision to pull back the development. Who knows what's going to happen; it just gives us time to pull back and you still have the \$60 million locked down.

Board Director Green questioned whether the \$10 million deduct for Phase 3B should be closer to \$20 million. Inherently you're contracting for the whole project but option 2 gives you the right to pull back in the event of a worst case scenario which we don't have the benefit of time to do for us right now. He also thought Walbridge's number was too high, didn't know how they came up with it. Board Director Green stated he'd be happy to sit down and talk Walbridge through it, but the number is significantly too high in his opinion based on experience.

President Crews replied to Board Director Green that she had a couple of concerns which she shared with him the day before during several discussions. Her concerns are the December 18th date that Walbridge gave us and the Phase 3b deduct number being too low. In talking with Frank Rygiel, he was looking to see if he could push the date any further back. She explained she doesn't like the scenario of having to pull

back because if we don't have the approval by December 18th, that's not something she can control, and then having to rebid Phase 3b when we've already spent \$49 million.

Board Director Green addressed each one of President Crews' concerns. The first one is the December 18th time frame that you put in there. Who knows, we'd be a lot further down the road in December than now and we'd see a clearer picture in the FAA, and we'd say we're going to keep going. We still have the benefit of \$60 million. Nothing's changed if you just say no; we're going to keep going. How does that hurt us?

President Crews replied to Board Director Green that he had asked for that so that if we were rejected by the FAA for Phase 3b, we'd be able to go out. Board Director Green responded no he didn't ask for that, he wants to push it out to the furthest point if we don't have the answer by December 18th then we can still say let's keep going, and we can keep going, but then the Airport will take the risk at that point in time. President Crews stated but we would have had to pay \$49 million for phases that she didn't believe should cost that much.

Board Director Green replied overall we're doing the whole project; let's assume we're doing the whole project in either scenario. Option 2 gives the airport the benefit of waiting until December 18th and in the worst case scenario they can pull back \$10 million or \$11 million which is probably too low but even if it's \$11 million, it doesn't hurt the airport if they keep going with \$60 million. But at least in a worst case scenario if the FAA doesn't approve and whatever happens at the Airport, it doesn't hurt you and you can still go forward and do the whole project.

Board Director Robertson inquired of Board Director Green why would we go forward at that point in time if the FAA didn't approve our request. In other words you want that stop in there for our benefit so why would we go forward at that time if we didn't get approved. You're saying we could go forward but why would we? If we're unsure now, we'd be totally unsure then.

Board Director Green responded that's true, it means we just saved \$11 million bucks. Board Director Robertson stated but we spent \$49 million on what we're all sitting around here trying not to say on maybe \$40 million and they pulled all their profit out and now they've got \$10 million which is really going to cost \$15 million to finish. Board Director Green replied its \$60 million in either event. Board Director Robertson noted that some developers pull their profit out sooner. Board Director Green said all he was saying is how are we any worse off. Board Director Robertson stated it was his understanding that we're making it the last phase that they'll only do if we option it out that way, they'll only have \$10 million left; they'll have to go into what they've already allocated for us. He thought Board Director Green was saying the credit should be more than that. Board Director Green clarified he felt the \$10 million dollar credit is too low. President Crews agreed it is too low.

Board Director Smith requested clarification from Frank Rygiel why Phase 3b is \$10 million opposed to \$21,831,000.

Frank Rygiel responded there are a couple things that basically debunk the high level math and would get you to the \$21 million number. When you look at Phase 3b, which is what's deleted, in reality a substantial portion of Phase 3 is still in the project. The only thing that's really deleted is the sky bridge and boarding bridges. Regarding value engineering, remember you don't have new boarding bridges anymore as we went with re-manufactured boarding bridges. That cut the cost in half. When he first spoke with President Crews, his material cost was at \$6 million. They started to flush out through CPH/Jeremy Owen's help the soft costs and that's how they got to the \$11.2 million. He stated that they very much want to be the Airport's advocate which is why they gave the whole pricing for a year. In this market, that's really tough, but once under contract at the \$11.2 million per the contract language, he is obligated to back up anything above and beyond that. President Crews clarified that she and Frank Rygiel had spoken the night before and he said he would raise the deduct for Phase 3b to \$11.2, and that information had not yet been shared with the Board.

Frank Rygiel pointed out he can't come back in December and the Airport say we didn't make December 18th. He clarified how they came to December 18th was because going into 2019 that's where the material was really going to hit a substantial increase. They eliminated the holidays and back tracked to achieve December 18th. If you go past that point, he can't come back and say its \$30 million bucks now because he'd have to back that up. He can't justify 60-70% in escalation based on rough numbers, and if he had to guess, he'd say add 5-7% escalation after December. He discussed the re-design that CPH touched on, that there is an unknown to that credit because if you pull that piece of the project out, it's not simply eliminating the scope, there is redesign that has to go in the front half to make that happen so there are assumptions that the \$11.2 Million is based on.

Board Director Green stated right now the \$11.2 Million the Airport can contract for the \$60 million construction project and then up until December 18th, they get the FAA approval, lose an airline or whatever, we can pullout to get the \$11.2 million back. So basically we're contracting the whole \$60 million. We want to do the whole project, not a question of that, it is more that we make the decision by December 18th of 1) just keep going and then it's the \$60 million, option 4; or 2) pay Phase 1 and things go to hell and a hand basket, for lack of a better description, and we pull back and we don't get hurt.

Chairman Slattery stated hurt is relative because once we do decide that we want those gates, you can't buy them for \$11.2 million and that's the hurt that we would endure.

Board Director Green stated more information will be available in December, you can sit down and talk about if it's going to cost \$15 million, that decision can still be made then with more information. If you keep going, it's the same as thing as option 4, but it gives you the benefit of more information, more recent information, FAA approval, and then you just say, given all that and the cost, it's going to cost us double of what is in there so we're just going to keep going. How can that hurt us.

Board Director Bowlin replied you are forgetting the \$11.2 million is shored up with 50/50 FDOT grant funding, and the \$3.2 million that will be added into reserves. So if we get the 50/50 FDOT funding, it cuts the 11.2 million down to ½ and then we have

\$3.2 million that really reduces that hurt. Board Director Green responded we'll know that then and we'll build it out, but we don't know for sure FDOT will come up with 50%.

President Crews clarified we know that FDOT can program it. Right now, the FDOT programmed amount for this year is \$5.3 million for this project, and she believes they have around \$3 million for next year.

Board Director Green stated we will know that more at the end of the year. He stated again, that he's struggling understanding why we wouldn't lock the whole deal down and have a unilateral right with more information to pull back that's all.

Board Director Ioppolo summarized he wanted to make sure that he had good information the first time, so the only difference between option 2 and option 4 is a unilateral right on behalf of the Authority to not do the gates and thereby reduces exposure by \$11.2 million so in either case we're locking down our number. What we're hearing from the Board is those 4 gates are important to our strategic development as we go forward therefore we want to commit to them. Board Director Green replied we are committing to them.

Board Director Ioppolo stated he wasn't disagreeing with Board Director Green, he's not sure there is a material difference to his point other than gaining an escape route if we need it. Board Director Ioppolo doesn't believe we would use it. He stated sitting here today he would have no problem committing to the full cost and doing the gates because he believes that's the right business decision and we can finance to it. But there really isn't a difference between the two options where we gain the right, the only downside if we exercised it we'd save ourselves \$11.2 million but we would have overpaid in the prior portions of the gate. The option we're giving ourselves is a lifeboat, if you will, to not to have find a way to finance the \$11.2 million.

Board Director Green responded in the end 4 is still an option.

Chairman Slattery clarified the financing, stating we're going to borrow x amount of dollars for the whole project and we're going to start it way before December. He inquired of Don Poore or Mark Galvin, if we borrow the full amount and then decide not to do Phase 3b and not have to borrow that extra money, what does that cost us.

Mark Galvin responded they're going to have to develop a financing plan right off the bat that funds the whole project. The question then becomes do we borrow \$60 million. You might end up having to hold back the money, and if it turns out you don't move forward on the project, use the money to reduce the debt. You're still obligated no matter what to pay for the project out of the Airport's general fund.

Chairman Slattery inquired the expense to borrow the full amount? Board Director Ioppolo responded a sum less than \$11.2 million.

President Crews stated that when you're talking about going with option 2, and the exposure is just that you don't do the \$11.2 million, but she stressed that the exposure is greater because you'd be stuck paying almost \$50 million for something that her

calculations show should be closer to \$39 million, in fact \$38.8 million, so we'd be overpaying for Phases 1, 2,3a. That's another difference between almost \$39 million and \$49 million so it's another \$10 million of exposure that we would have.

Board Director Ioppolo inquired is there any difference if we don't exercise the escape hatch and go to execute both? President Crews replied there is no difference.

Board Director Ioppolo stated the only question is whether or not there is a benefit to having a sole escape route that's value is something less than \$11.2 million because there is a cost to financing in there, but it may be \$10 million. If we choose not to exercise it, we're not paying anymore but following the project through to the end. President Crews replied if we don't exercise the option it's the same as option 4. Chairman Ioppolo replied so what we're doing is gaining an additional option?

President Crews responded that it is an option that would put us in a position where we're paying over by \$10 million for the first Phase if we exercise it.

Board Director Ioppolo inquired but if we chose not to, if the resolve in the room is we're not going to exercise it but we simply want an escape route we get the same value, the same contract, the same financing there's no change?

Chairman Slattery asked Frank Rygiel to address Board Director Ioppolo's question.

Frank Rygiel explained obviously there is a disagreement on the \$10 million overage, and he would not be advocating for the full project if he was making \$10 million. And they're definitely advocating for the project. The \$11.2 million is the number that they gave based on the assumptions. You've got to remember Walbridge is fine with locking that in until December 18th, and if you want to pull back to \$11.2 million that's fine. Also you have to remember you'd have the re-design cost, so you're paying the designer to take it up to current code then they'd also have to reprice the project to the new code as well because you're in under an older code. CPH is more qualified to answer that, but that \$11.2 million is going to be eroded at that December point which is why he believed President Crews was pushing for the full option.

He stated they have committed to the \$11.2 million and in reality when it's shown the nuts and bolts of that, you'll see how that makes sense. That is not an inflated number. There is \$6 million in material cost, roughly another \$6 million in soft cost and management. The big thing to remember is that deleting Phase 3b only eliminates about a month on the project, so everybody including the subcontractors are out here the full duration whether you do it or not. That's where the cost savings comes in because they're out here and can do or not do that work, but they're still running the same amount of general conditions across the board.

Board Director Smith inquired if we wait until December to pull the trigger on the 4 boarding bridges, what's the lead time on the actual re-furnished bridges. Mr. Rygiel responded they would have to commit to delivery by the end of 2018. Board Director Smith asked if that would fit into our timeframe for the overall project and those bridges would be in on time. Mr. Rygiel responded that's when they came up with December

18th that is very much a final date. If the Airport says alright, go, at that point, they can put everything in with it. As the general contractor, they have not looked at the design component, they've only made assumptions off of what they think is to be done if the Airport backs that out of the project. He noted that CPH should really touch on that impact.

Board Director Miller stated when he spoke with President Crews, the thing that bothered him were the "what ifs". When he heard a Board Director make a motion that talked about the risk factor and it's there. Last month, the Board basically approved this. We talked about risk factor, that's business, you assume risk. But those elements that are not clear with FAA and FDOT, President Crews was very expressive to him saying she can't guarantee FDOT is going to give us the maximum that we can expect out of them. And the elements that we have with FAA, what happened to us right now with having to do this study? What's to say that something else might change in the next 6-9 months that could cause another interruption or something more serious than this? Option 2 again helps him cover his concerns to see if anything else does come up. We may not get answers to certain things by December 18th, but from day one it seemed like this project was on a path that we had to get it done and get it done now. Way back he asked the question and we have a timeframe in 2027 when we run out of room for gates, a projection. And we're sitting here today trying to save this project, move it ahead and having heard the way Board Director Green has presented relative to timing, not the figures; he couldn't see why we wouldn't support option 2 to give us that opportunity.

Board Director Dane inquired do we need permission from the FAA to even build these gates or just to get the funding? President Crews replied we use PFC's. Board Director Dane asked so either way we're allowed to build the gates we can spend our own money or their own money.

Board Director Dane stated she spoke with President Crews and obviously defers to her because of her knowledge with the FAA and all her experience, she felt pretty confident about option 4. But after hearing the conversation today she had a better understanding about option 2 and the out. She stated she's all about the risk, doesn't have a problem with us taking a risk, but did like the idea about being a little more conservative when we're talking about spending \$10 or \$11 million and saving \$10 or \$11 million dollars. Even though she totally understands that we're paying 28% over the cost for Phase 1, 2, and 3a. To Board Director Green's point why wouldn't we exercise option 2 because it does give us an \$11.2 million out? If the bottom falls out, you pull the trigger on option 3b. She's at that point thinking we don't have an airline carrier worst case scenario and we're in a pile of stuff \$11 million and at that point we're in so much trouble it doesn't even matter. We aren't going forward and might have overspent \$10 million or \$11 million but we saved the \$11 million going forward. Again she supports the \$60 million and expressed some concerns with President Crews regarding spending that much money yesterday, but now is okay with that. She again stated that she doesn't understand why we wouldn't exercise option 2 just to give us an out. She felt it's the fiscally responsible thing to do with Federal money and our money basically.

President Crews addressed the Board stating she understands what each of them are saying because it is a very complex situation that we're dealing with right now we all want to make the best decision. To Board Director Green, she said she has so much respect for, this is an area in which he has a lot of experience, but she can't get past looking at our greatest exposure and if Walbridge's numbers were different, then she would agree with him. She'd say why wouldn't we do that because what have we got to lose. However, in this case, she feels our exposure is greater because we could be stuck paying \$49 million for a \$38 million project. And then it isn't just cutting our losses and leaving \$11.2 million on the table because we aren't going to do that part of the project. We'd be overpaying for the part of the project that is done. If everything works out and we move forward, then everything is fine, we're paying \$60 million on option 2, and option 4 paying \$60 million. But that edition of Phase 2 is different because she thinks it gives us greater exposure from the liability standpoint because we're overpaying.

Board Director Green stated he worries about the next \$11 million; all you're doing is postponing the decision. He thinks it's reckless on the Airport's behalf not to have an out in there that we've got. If we have it in there, it can only be to our benefit and then we can talk about other things then. You're looking at the overpaying of Phase 1, 2, 3a; we're looking at the additional \$11 million we have to spend to commit to do it. You could have had an out when we're sitting there in December on the next \$11 million.

President Crews responded she is worried about what she's using Federal money for, and Board Director Green concurred.

President Crews suggested that they take it out of that context and not talk about Federal money as this is money from our passengers, our PFC's are directly from our passengers, people that use this airport. We're user fee based and she knows we talked about federal funding, but everything we do here is user fee based, so it's coming out of your pockets and mine and all the people we know. She doesn't want to overpay, doesn't want to take a chance we're overpaying for part of this project.

Board Director Green said we're not talking about overpaying we're talking about an option in the agreement that gives the Airport the right in the worst case scenario to pull back, we're already contracted. It's the same deal as option 4 with the exception of the Airport gets the benefit of at least it's choice to make a decision if by December 18th everything goes south on us and saves the airport \$11 million dollars. He didn't understand why we don't want to do that.

Board Director Robertson stated because some of us feel like that if we do that then we have not represented the public in their best interest because we overpaid by \$10 million dollars on a project, and then we should all be fired, President Crews should be fired. He said to Board Director Green I know you're worried about overpaying that \$10 million, you told them their numbers aren't right.

Board Director Green replied that decision can be made in December; the Board can convene on it.

Discussion ensued regarding the contract being contingent upon financing.

Board Director Ioppolo stated when he came in today he was very much in favor and is still in favor of spending the \$60 million dollars. He was very much on this side of the fence, let's do the \$10 million, bite the bullet, but having sat through the conversation, he didn't think we lose anything by going to option 2. Again, practically speaking, we're going to commit to the entire fund, we're going to go through the financing and get the amount of money we need to do the project. He didn't sense that there are five votes around this table to do anything other than the full project. He thought the way that President Crews and Board Director Green were talking about it is very instructive to him. The out gives him the ability to save \$10 million dollars in the event that the wheels come off and it's the only thing it does. He didn't think we're going to ever have to exercise it and if we do, we may have paid more. We may not have paid more than we should have for this but the point is at that moment in time if we're at that point, it means Allegiant is gone, it means we don't have passengers, it means we won't be able to meet our funding in other places. He thought it puts us at the exact same place we're going to go through and get all these things.

Chairman Slattery concluded he spent quite a bit of time with Diane and Don and believes it comes down to confidence, confidence that we have staff, the private partner to grow this airport into those gates that we know we need. He believes the wheels could come off and change the world but we still have an airport that we have capacity to sell even if the wheels come off. If Allegiant decides to leave us, we're going to go find their replacement and we're going to have capacity. He believes the need to have that capacity is so great that we should take this risk, and added that you all know I'm very risk adverse.

Chairman Slattery felt without this capacity, without this direction and all of us in the same boat moving in that direction, he believed we're too wishy washy on this and we need to commit to Diane and to Elizabeth to grow this airport and that's our goal. Not to have escape routes, not to be wishy washy on whether or not we believe that the world's not going to come to an end. He recognized this is a huge decision but fully believes that PFC #5 will be approved and we will be down the road. If it's not, then we'll pay for it ourselves out of our cash flows but we'll have a better airport and we'll be able to sell to other carriers despite what the FAA says or Allegiant or anybody else and that's what's important to him.

Board Director Simmons called the question.

Board Director Miller voiced his objections to the Chairman's use of the words "wishy washy" in referring to the Board on this item.

Motion by Board Director Ioppolo, seconded by Board Director Smith, to approve the staff recommendation and proceed with option 4, execute a contract with Walbridge in the amount of \$60,642,363.00, issue an RFP for financing the entire project, initiate the study as requested by the FAA (to be determined Feb 7, 2018) and prepare and submit application for PFC#5 upon conclusion of the study. Vote was taken, Board Directors Dane, Green and Miller opposed. Motion passed (6 - 3).

Chairman Slattery thanked everyone recognized this is a very stressful decision, and stated he did not mean to offend anyone, appreciated their input and candor, we will support the Staff's recommendation.

12. COMMENTS FROM THE PUBLIC

13. OTHER BUSINESS

14. REMINDER OF NEXT BOARD MEETING (MARCH 6, 2018)

15. ADJOURNMENT

There being no further business, the meeting adjourned at 10:56 a.m.

Respectfully submitted,



Diane H. Crews, President & CEO
/lh