

LYNCHBURG REGIONAL AIRPORT

COMMISSION MEMBER UPDATE

Monday, August 17, 2015

REPORT

AIRPORT POLICE DEPARTMENT FORMALLY REINSTATED AT LYH

As you will recall, it was way back in April of 2014 that the airport was notified by the Virginia Department of Criminal Justice Services (DCJS) that LYH could no longer be designated as an official Police Department, triggering a months-long process of developing and passing new state legislation authorizing its reinstatement. Working with Delegate Kathy Byron, House Bill (2035) was subsequently introduced in the General Assembly in early 2015 with Delegate Byron as Patron in order to authorize the City of Lynchburg to re-establish an airport police department. HB 2035 subsequently passed the House, followed by the State Senate and was signed by the Governor this past March.

The new state law became effective July 1, 2015, but required that the City of Lynchburg establish by local ordinance an airport police department. The City Attorney in turn developed the City Ordinance which went before City Council on July 14, 2015 and – I'm pleased to report – was passed unanimously. So, after 15 months and countless man hours, I'm excited to also report that the airport officially has its Airport Police Department back!

In recognition of this effort, Delegate Byron has been invited to next Monday's Commission meeting to receive a special Lynchburg Regional Airport Commission Resolution of Appreciation for all of her assistance, dedication and leadership in shepherding HB 2035 through the legislative process.

PASSENGER TRAFFIC DOWN IN JUNE...BUT FOR A REASON

June proved to be a challenging month for anything airborne as a steady stream of thunderstorms and inclement weather plagued the mid-Atlantic region all month long. As a result, US Airways experienced numerous delayed flights, along with a higher-than-normal number of cancellations. Consequently, passenger traffic finished the month down by 7.6 percent, although the primary reason for the decline was due to some 16 fewer flights for the month. Nonetheless, passenger load factor continued to hold up well at 82.5 percent for the month.

On a related note, I have included on next Monday's Commission agenda a presentation on a number of relevant air service performance metrics, the results of a recently completed passenger survey, and other current issues affecting service to smaller communities like Lynchburg.

NEW ATCT PROJECT ALMOST READY TO GO OUT FOR BID

Following a final construction document review meeting for LYH's new air traffic control tower (ATCT) on July 29, 2015, the project is now scheduled to be advertised and released for bid on September 2, 2015. Here's the final bid process:

- Pre-Bid Meeting September 12, 2015
- Bid Opening September 14, 2015
- Award of Contract September 18, 2015

Based on the above, we expect to issue a contractor Notice-to-Proceed in October, with construction expected to take approximately eight months. Based on the time necessary to install all of the FAA equipment and go through the Commissioning process, we are estimating completion sometime in August 2016, followed closely by the demolition of the existing ATCT in September.

Commission Member Update

August 17, 2015

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One challenge that remains that has proven to be somewhat frustrating is the required FAA reimbursable agreement for the relocation and installation of the existing navaid, communications equipment and associated cables. With an FAA-supplied estimate of some \$830,000, the total seems somewhat excessive and we continue to attempt to obtain a more detailed breakdown of the intended work. I'll provide a brief update on the status of this agreement at next Monday's meeting.

AIRPORT RECEIVES RECORD STATE ENTITLEMENT AWARD

With the new state fiscal year upon us, the airport received some very exciting news from the Virginia Department of Aviation that the State Entitlement allocation for Lynchburg Regional Airport for FY 2016 would total a record \$2 million this year. The state's entitlement funds are earmarked for air carrier airports, and are capped at \$2 million, so for the first time ever LYH reached the maximum allocation allowed. The higher amount comes at a particularly opportune time considering the gradual escalation in the cost estimates for construction of the new ATCT, let alone the FAA reimbursable agreement.

AGENDA FOR COMMISSION MEETING

The agenda for the June meeting will include an air service presentation and report of the results of my June 18, 2015 with American Airlines route planning and pricing officials in Ft. Worth, along with the latest update on the airport's new air traffic control tower project. In addition to those items, the 2016 Lynchburg Regional Airshow director has requested a slot on the agenda to provide an airshow update to the Commission. As always, if you have any questions regarding next Monday's meeting, please feel free to give me a call at 455-6089, or by cell at 444-3363.

Respectfully yours,
Mark F. Courtney
Mark F. Courtney, A.A.E.
Airport Director

LYNCHBURG REGIONAL AIRPORT COMMISSION
Monday, August 24, 2015
4:00 p.m.

AGENDA FOR THE COMMISSION

1. Call to Order

CONSENT AGENDA

2. June 15, 2015 Commission Meeting Minutes
3. Lynchburg Regional Airport August 2015 Air Service Update
4. June 2015 Passenger Traffic Report

Consent Agenda Recommended Action: Receive and File

REGULAR AGENDA

5. Report of the Airport Director
 - A. An American Airlines air service performance presentation and report on the outcome of the June 18, 2015 meeting with American Airlines officials in Ft. Worth.
 - B. A report on the outcome of recent discussions with a potential new-entrant airline
 - C. An update regarding certain FAA reimbursable expenses associated with the airport's new air traffic control tower, including exterior design, construction costs and proposed schedule for completion
6. Report by the 2016 Lynchburg Regional Airshow Director
7. Miscellaneous business
 - A. Inquiries and/or comments by Commission Members
8. Reports of airport businesses
9. Hearings of citizens upon Commission matters
10. Adjournment

**MINUTES OF
THE
LYNCHBURG REGIONAL AIRPORT COMMISSION MEETING
June 15, 2015
4:00 p.m.**

PRESENT:

Robert Day
Mike Davidson
Kimball Payne
Bert Dodson
Debra Allen
Lynch Christian
Charles Nowlin

ABSENT:

Don Brown

STAFF PRESENT:

Mark Courtney, Airport Director
Rick Stein, Deputy Airport Director

(1) CALL TO ORDER:

The meeting was called to order at 4:00 p.m.

(2) APPROVAL OF MARCH 23, 2015 CONSENT AGENDA

Mr. Stewart Hobbs confirmed that everyone had received the items from the consent agenda; the March 23, 2015 Commission Meeting Minutes, the June 2015 Air Service Update and the April 2015 Passenger Traffic Report and asked if there were any questions, comments or changes regarding the consent agenda items.

Mr. Charles Nowlin said he was not there last meeting and Mr. Mike Davidson said neither was he.

Mr. Courtney said he was not here last week and his staff had some questions about attendance and he was not here to confirm and make the change but we would make that correction. It was determined that Mr. Stewart Hobbs, Mr. Charles Nowlin, Mr. Mike Davidson and Mr. Bob Day were not in attendance at the March meeting.

There being no further questions, comments or changes, he called for a vote which was unanimously accepted by all and he declared the Consent Agenda accepted with the above changes as presented to receive and file.

(3) REPORT OF THE AIRPORT DIRECTOR

A. A report in recognition of Congressman Bob Goodlatte being selected for the 2015 U.S. Contract Tower Association Congressional Leadership Award

Mr. Courtney said he did not have a lot to add on this item regarding Congressman Goodlatte being selected by the U. S. Contract Tower Association for their annual Congressional Leadership Award. He said it was very much deserved and that he had recommended him and he really did deserve it, having made numerous personal contacts with other Congressmen and committed his staff to assist and made it a priority for his office to weigh in and take the lead. It truly is a leadership award for him, and it very much reflects his outstanding efforts on this issue as well as everything he does in Congress these days. Mr. Courtney said Congressman Goodlatte he has been a great supporter of this airport, and of course his district as well. He

said the Chairman of the U. S. Contract Tower Association, along with the President of the U. S. Contract Tower Association and himself, will be making the award to him next week. He said he would be attending the U. S. Contract Tower Association Annual Conference and Workshop in Washington where we also have time set aside for meetings with our region's Congressional Delegation and U.S. Senators. He said unfortunately Congressman Goodlatte's schedule was too full one Tuesday to be able to have that award made at the association's luncheon on that day so it was planned for Wednesday afternoon. There followed a general discussion.

B. A report on upcoming meetings/discussions with incumbent and potential new-entrant airlines

Mr. Courtney said that as far as air service development is concerned, the focus is primarily on maintaining the quality of the service that we have as well as trying to see opportunities for adding new airline service in the future. However, at this point it appears as though the only option in the near term that we have for new service will be with Allegiant Travel Company, although this is unlikely. He said a conference call with Allegiant is scheduled for the 29th of June as they have been expressing some interest in continuing to agree to have meeting and updates about the possibility of Orlando non-stop service as they have out of Roanoke. He said they still are perplexed why they have such difficulty in Virginia, given that they have failed in both Newport News and particularly Charlottesville. Mr. Courtney has done a number of analyses on why Allegiant did not succeed in Charlottesville and why Lynchburg would have a better chance, which is the reason they are continuing to speak with us. There ensued additional discussion.

Mr. Courtney said he has a meeting this Thursday with the Director of Planning of American/US Airways, who is in control of all Route Planning and scheduling for Charlotte and Dallas/Fort Worth Airports. He said he was also meeting with Tim Lyon, the Managing Director for Pricing and who was the Pricing Director with US Airways who gave us our very competitive airfare structure.

Mr. Hobbs asked where they stood on improvements on equipment.

Mr. Courtney said that was on the list of things to talk about with American. He reminded the Commission that he reported in the fall that Piedmont was selected by the new American to receive twenty 50-seat Embraer regional jets from Envoy (formerly known as American Eagle) and one of the reasons they are distributing some of Envoys aircraft is because of pilot shortage and other issues that American Eagle had. He went on to further discuss the issue.

He said American was going to start taking delivery of the Embraer regional jets January 16, 2016. He said he was going to talk to them about how the Canadair regional jets that used to serve Lynchburg are being used to backfill at other airports due to the pilot shortage, and that Dash 8-300s are being assigned to Lynchburg.

He said that American has indicated that there is going to be one Dash 8-100 that will be retired because it has reached its number of cycles this year, but American has officially taken the position that they are going to continue to operate the remaining 100's and 300's for the foreseeable future. He said the question is if we'll get any of the Embraers. He said our schedule still shows two CRJ's per day when booking two months out, but as time draws closer, the jets are always replaced with Dash 8s. Mr. Courtney said he wanted to confirm what American has said, that the two jets are the preferred schedule, and they want to leave it in the system but as they get closer they are not able to fulfill that and they have to replace it with Dash 8 300s.

He said on the surface it rather looks like a bait and switch but that is not their intention. He emphasized that maintaining the competitive fare structure that we have is critical. He reported that in May we were down about 8% in total seat capacity which was a little disconcerting but it was partly because of this number of aircraft, the availability of aircraft and crews. Not surprisingly we were down 7.5% in enplaned passengers but our load factor was up to 85.5% which was 0.8% higher than May 2014. He said that was encouraging and it is good to go into a meeting with 85.5% load factor for your most recent month. He said we can certainly make the case for being able to support more flights and more seats even if it is a matter of frequency.

Mr. Courtney said he just attended the AAAE Annual Conference in Philadelphia that was held last week and there were a number of speakers, one of which was Bill Swellbar, who is a research engineer in MIT's International Center for Air Transportation. Mr. Swellbar and the Regional Airline Association President who also spoke both confirmed that the industry will still see contraction and reduction in the number of frequencies and the number of aircraft in the regional fleet; however, the size of the aircraft is going up. 70-seaters are going to be the replacement for many of these smaller aircraft in the future and airports need to support about 500 passengers per day to make the cut. Mr. Courtney said that even though we only have 300 seats now, we certainly could support 500 passengers per day. He said our most recent leakage study that was done by our consultant Meade and Hunt shows that we still have about 50% leakage primarily to Roanoke and Dulles. We have a lot to sell but we just have to ensure they understand that we are making a good, strong contribution to the American System.

Mr. Courtney said we are still running about 8 – 10% international travel, and that business travel is leaking, but leisure travel has bumped up a bit and not just because of the fares. He said there had been some complaints lately about our fares being high. He said what he would confirm in the meeting on Wednesday is that we are generating advanced bookings and high load factors, and we are selling out of all the lowest fares. This makes another good case as to why we can support larger aircraft, and perhaps get some regional jets back and maybe a few 70-seaters. There followed a general discussion.

C. An update regarding design elements of the airport's new air traffic control tower, including exterior design, construction costs and proposed schedule for completion

Mr. Courtney said we are in the final design phase of the Tower project and everything is continuing to be coordinated with the FAA. He said this project it is not completely self-contained as it involves air traffic and several different departments of the FAA, so it is pretty complicated. He said our latest projection by the engineer for construction costs is showing the Air Traffic Control Tower building itself as being \$1.8 Million, which Mr. Courtney still believes is high. After factoring in the cost of the generator and other equipment, the estimate is up to \$2 Million. He said what really adds to the cost is that we are responsible for all of the equipment to outfit the tower. He said our old tower has FAA equipment and that FAA originally provided it and they maintain it. However, the policy of the FAA for Contract Towers is that if a new tower is built, then the sponsor (the Airport) becomes responsible for purchasing the equipment as well as maintaining it. This is a result of their continuing emphasis on reducing funding for Contract Tower program.

Mr. Hobbs asked who maintained it, and Mr. Courtney replied that we do through a contract with some outside company; it does not have to be the FAA.

Mr. Courtney said just to outfit it with the ATC equipment you are looking at an estimate of \$280,000 but of course this is all eligible but that eligibility is based on what grant funds are made available to Lynchburg.

Mr. Bert Dodson asked how much the maintenance costs were.

Mr. Courtney said he had been hearing different numbers in the neighborhood of \$10,000 - \$20,000, but we also have to remember that the new tower will be much more efficient, utilities will be much lower and we will not have the kind of maintenance costs that have been just astronomical. There ensued additional discussion regarding funding for the tower and other issues regarding the new tower.

An in-depth discussion took place regarding the outside appearance of the new tower. Mr. Courtney said the Commission did not have to make a decision but he would like to know if there were any styles that everyone absolutely hated.

Mr. Hobbs asked what the completion date was and Mr. Courtney said he did not have a firm completion date, only a start date, but estimated somewhere around next summer for the completion of the construction with an anticipated six weeks to two months for it to be outfitted.

(4) REPORT OF THE AIRPORT FINANCE MANAGER

A. A follow-up report regarding the proposed \$1 increase in daily parking rates for public parking at the airline terminal at Lynchburg Regional Airport

Commission Action: Make recommendation to City Manager

Mr. Courtney said Mr. Campbell was not able to be present. He passed out some handouts and referred the Commission to the Revenue History and Projections spreadsheet. It showed the history of the gross revenues and highlighted the trends in terms of the airport portion of our parking lot revenues. Ever since December we have seen decreases in our revenues year over year, which pretty much mirrors the decreases we have seen in terms of passenger declines throughout the first half of the year combined with the fact that we are seeing only a slight decrease in business travel. He said business travelers tend to park and come alone to the airport resulting in more cars, whereas leisure travelers tend to have more people, so that is why parking revenue is a little bit higher in some cases than our passenger traffic declines. He said that for 2015, Mr. Campbell is projecting \$534,000 in parking revenue; basically flat from the year before.

He said the next spreadsheet shows the parking lot revenue projection based on the \$1 increase. He said the price increase at the Economy Lot that will equal the rate at the long term or economy parking at Roanoke and Charlottesville. He said even with an increase of \$1 on our Close-In Lot, the rate will still be considerably lower than the rate at both Charlottesville and in particular Roanoke. There followed additional discussion.

Mr. Courtney said that we believe the increase is necessary to anticipate what has been a leveling off and probably even a slight decline in our overall parking lot revenues to the airport. Additionally, we need to be able to fund some of the capital improvements that we need. He then went on to further discuss the issue and a general discussion ensued.

Mr. Hobbs asked Mr. Kim Payne, City Manager of Lynchburg if he needed a recommendation and Mr. Payne said he would welcome it.

The motion was made, seconded and accepted by all with the exception of Mr. Burt Dodson, who opposed, and Mr. Payne, who abstained.

Mr. Hobbs said the motion carried.

(5) MISCELLANEOUS BUSINESS

A. Inquiries and/or comments by Commission Members.

Mr. Hobbs asked if there were any inquiries or comments by Commission Members.

Mr. Charles Nowlin asked about the status of the Virginia Aviation lease negotiations.

Mr. Courtney said we are still moving through the final reconciliation of the differences between some of the terms and conditions as well as the new rent.

(6) REPORTS OF AIRPORT BUSINESSES

Mr. Hobbs asked if there were any reports of airport businesses.

Mr. Dave Young said they held the Freedom Fest a few weeks ago and they had about 1500 folks attend and that it went very well. There followed a general discussion as Mr. Young proceeded to mention several other events that had taken place since the last meeting and other events pending. He then said that they were about 47% up in new students this year from what they were last year.

Mr. Dodson asked how many students they had all together.

Mr. Young said that flying this year they had about 300. There ensued a general discussion.

He then said everything was on track for the Air Show.

(7) **HEARINGS OF CITIZENS UPON COMMISSION MATTERS**

Mr. Hobbs asked if there were any questions or comments from the citizens present.

Mr. Larry Weatherford thanked Mr. Hobbs, the Commission and Mr. Courtney for having the notice regarding the prohibition of weapons in the terminal reviewed and posted. He pointed out that in the news recently a man came into the Atlanta terminal armed with an AR15 and a hundred rounds of ammunition to escort his daughter to an airline. When the man was challenged by the police, he said he brought the weapon in because he could. Mr. Weatherford commented that there is evidently no prohibition against weapons in the airport terminal in Georgia as there is in the Commonwealth of Virginia.

Mr. Hobbs asked if it was a Virginia Law and Mr. Courtney replied that it was a Virginia State law. There followed a general discussion.

(8) **ADJOURNMENT**

There being no further business, the meeting was adjourned.

Lynchburg Regional Airport Commission

Effective August 2015

AIR SERVICE UPDATE

Summary The number of daily departure seats Sunday through Tuesday is 250; there are 300 daily departures seats Wednesday through Friday, and 287 on Saturday. The daily departure frequency is six Wednesday through Saturday, and five Sunday through Tuesday.

Carrier Profile	<u>Airline</u>	<u>Destination</u>	<u>Departures</u>	<u>Seats</u>	<u>Equipment</u>
	US Airways	Charlotte	6 or 5	300/287/250	DH3
AIRPORT TOTAL:			6	300	

US Airways During the month of August, there were five departures on Mondays and Tuesdays, and six departures on Wednesdays through Fridays. Five departures were scheduled for Sundays and six for Saturdays. All flights in August were 50-seat DH3s with the exception of one 37-seat DH8 flight on Saturday. The September schedule will be the same as August's except there will only be four scheduled departures on Sundays, instead of five.

Destinations Served	<u>Non-Stop</u>	<u>Departures</u>	<u>Total</u>
	Charlotte	6	6 (W, Th, F, Sa)
	Charlotte	5	5 (Su, M, Tu)

Aircraft Types	<u>Aircraft</u>	<u>No. of Departures/Day</u>
	DH8 Dash 8	1 (Saturday)
	DH3 Dash 8-300	6 (W, Th, F, Sa)
	DH3 Dash 8-300	5 (Su, M, Tu)
	CRJ	0 Daily

LYNCHBURG REGIONAL AIRPORT AIR TRAFFIC REPORT FOR JUNE 2015

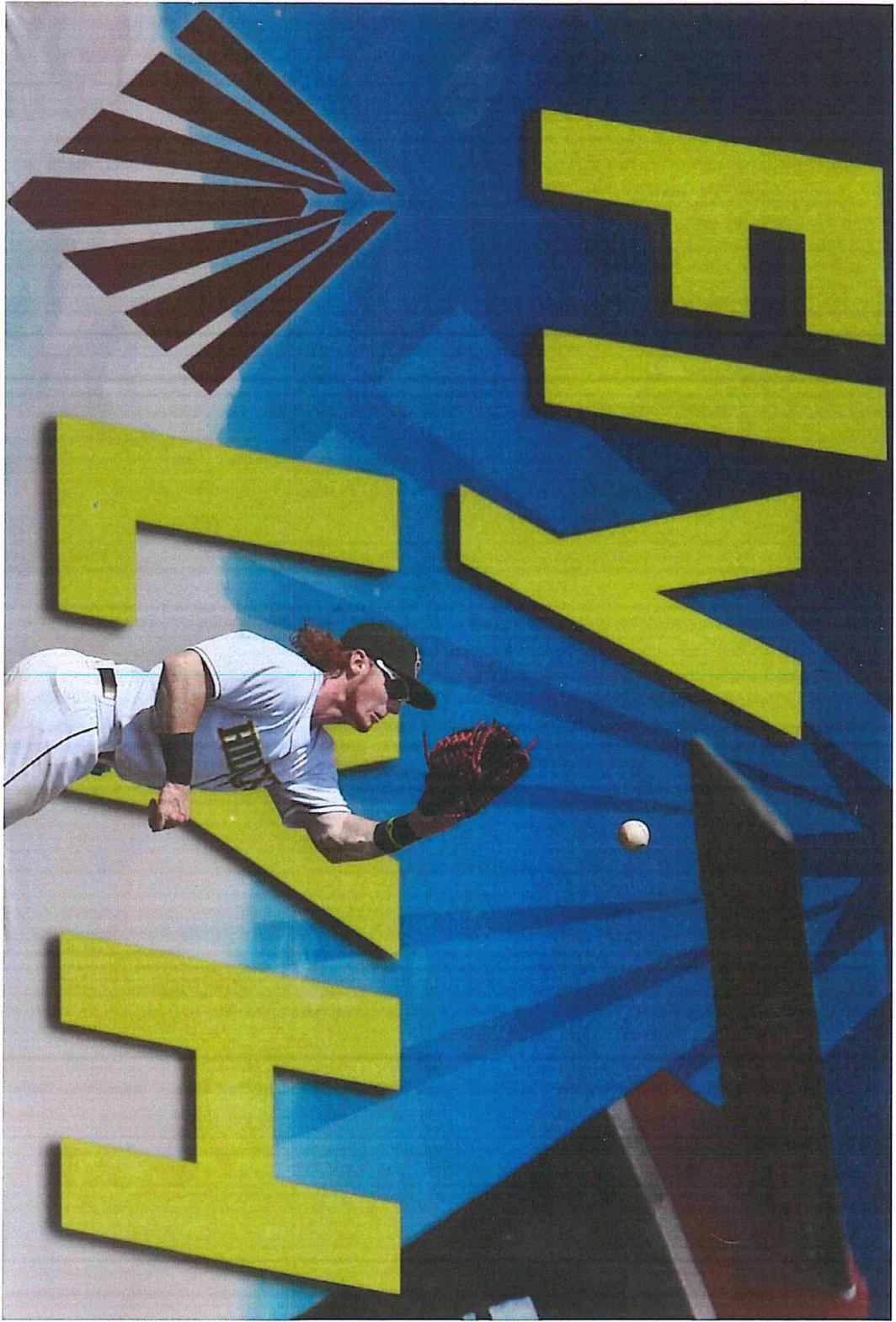
	MONTH			YEAR TO DATE TOTALS			PERCENTAGE CHANGES		
	Jun-15	May-15	Jun-14	2015	2014	2015	Jun-15 May-15	Jun-14 Jun-15	15 YTD 14 YTD
AIRLINE PASSENGERS (REVENUE ONLY)									
ENPLANED									
US Airways - Piedmont	6,552	6,717	6,157	35,612	24,185	-	-2.5%	6.4%	47.2%
US Airways - Air Wisconsin	-	-	785	-	13,651	-	#DIV/0!	-100.0%	-100.0%
US Airways - PSA	-	364	123	1,439	1,375	-	-100.0%	-100.0%	4.7%
Charter	-	-	-	-	-	-	-	-	-
TOTAL ENPLANED	6,552	7,081	7,065	37,051	39,211	-	-7.5%	-7.3%	-5.5%
DEPLANED									
US Airways - Piedmont	6,475	6,580	6,131	36,063	25,130	-	-1.6%	5.6%	43.5%
US Airways - Air Wisconsin	-	-	754	-	13,113	-	#DIV/0!	-100.0%	-100.0%
US Airways - PSA	-	431	126	1,696	1,236	-	-100.0%	-100.0%	37.2%
Charter	-	-	-	-	-	-	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL DEPLANED	6,475	7,011	7,011	37,759	39,479	-	-7.6%	-7.6%	-4.4%
TOTAL AIRLINE PASSENGERS	13,027	14,092	14,076	74,810	78,690	-	-7.6%	-7.5%	-4.9%
AIRLINE FLIGHTS									
NUMBER OF DAILY SCHEDULED DEPARTURES									
US Airways - Piedmont	3	3	3	39	35	-	0.0%	0.0%	11.4%
US Airways - Air Wisconsin	3	3	3	-	23	-	0.0%	0.0%	-100.0%
US Airways - PSA	0	0	0	2	-	-	#DIV/0!	#DIV/0!	#DIV/0!
Charter	0	0	0	-	-	-	#DIV/0!	#DIV/0!	#DIV/0!
Total Daily Scheduled Departures	6	6	6	41	58	-	0.0%	0.0%	-29.3%
NUMBER OF CANCELLED DEPARTURES									
US Airways - Piedmont	5	3	7	39	35	-	66.7%	-28.6%	11.4%
US Airways - Air Wisconsin	0	0	0	-	23	-	#DIV/0!	#DIV/0!	-100.0%
US Airways - PSA	0	0	0	2	-	-	#DIV/0!	#DIV/0!	#DIV/0!
Charter	0	0	0	-	-	-	#DIV/0!	#DIV/0!	#DIV/0!
Total Cancelled Departures	5	3	7	41	58	-	66.7%	-28.6%	-29.3%
NUMBER OF ACTUAL DEPARTURES									
US Airways - Piedmont	161	157	148	903	624	-	2.5%	8.8%	44.7%
US Airways - Air Wisconsin	0	8	18	-	334	-	-100.0%	-100.0%	-100.0%
US Airways - PSA	0	0	3	39	29	-	#DIV/0!	-100.0%	34.5%
Charter	0	0	0	-	-	-	-	-	-
TOTAL ACTUAL DEPARTURES	161	165	169	942	987	-	-2.4%	-4.7%	-4.6%
AIRCRAFT OPERATIONS (Landings and Takeoffs)									
COMMERCIAL AIRLINE	492	474	503	2,692	3,065	-	3.8%	-2.2%	-12.2%
GENERAL AVIATION	7,645	9,573	8,903	47,309	58,477	-	-20.1%	-14.1%	-19.1%
MILITARY	130	85	231	649	1,187	-	52.9%	-43.7%	-45.3%
TOTAL AIRCRAFT OPERATIONS	8,267	10,132	9,637	50,650	62,729	-	-18.4%	-14.2%	-19.3%



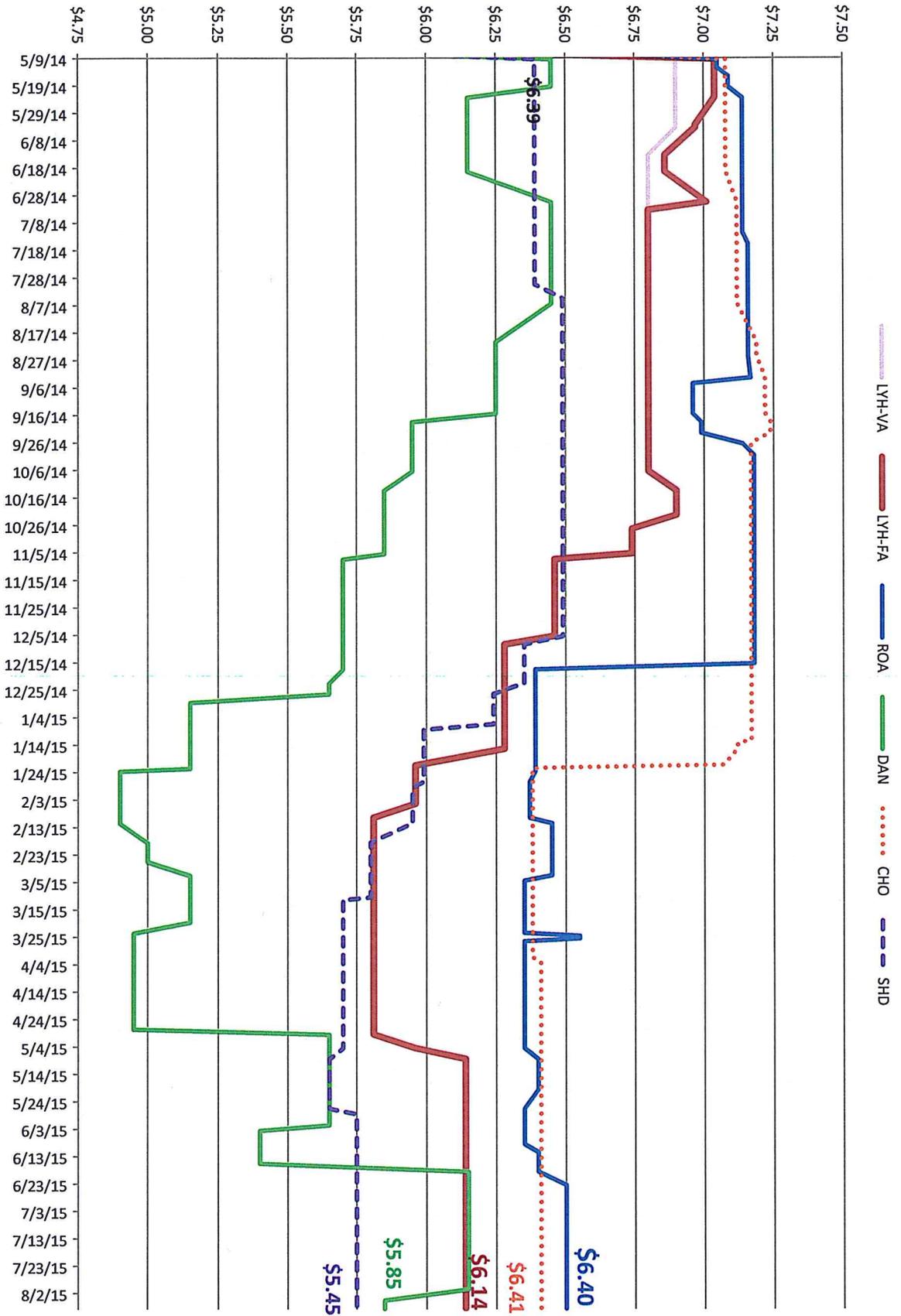
LYNCHBURG REGIONAL AIRPORT TRAFFIC STATISTICS FOR JUNE 2015

JUNE	PIEDMONT				AIR WISCONSIN				PSA				TOTALS			
	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor
<i>DHC-8-200</i>	-	-											-	-		
<i>DHC-8-300</i>	153	7,650											153	7,650		
<i>DHC-8</i>	8	296											8	296		
<i>CR7</i>									0							
<i>CRJ(50 SEAT)</i>	-	-	6,717		0	-					0					
Total	161	7,946	6,552	82.5%	-	-	-	#####	-	0	0	#DIV/0!	161	7,946	6,552	82.5%

Year-to-Date	PIEDMONT				AIR WISCONSIN				PSA				TOTALS			
	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor
<i>DHC-8-200</i>	-	-											-	-		
<i>DHC-8-300</i>	825	41,250											825	41,250		
<i>DHC-8</i>	78	2,886											78	2,886		
<i>CR7</i>									8	536			8	536		
<i>CRJ(50 SEAT)</i>	-	-			0	-			31	1,550			31	1,550		
Total	903	44,136	35,612	80.7%	-	-	-	#####	39	2,086	1,439	69.0%	942	46,222	37,051	80.2%



100LL Fuel (through August 7, 2015)



Jet A Fuel (through August 7, 2015)

