

Aiken City Council Minutes

WORK SESSION

July 9, 2015

Present: Mayor Cavanaugh, Councilmembers Dewar, Diggs, Ebner, Homoki, Merry and Price.

Others Present: John Klimm, Stuart Bedenbaugh, Gary Smith, Sara Ridout, George Grinton, Mike Laver, Don Barnes, Royal Robbins, Mickey Anaclerio, Bill Coscioni, Larry Morris, Bud Coward, Doug Huffer, Butch Roberson, John Owen, and Michael Ulmer of the Aiken Standard.

Mayor Cavanaugh called the work session to order at 5:00 P.M. He stated the purpose of the work session was for Council to discuss Municipal Airport issues, including the value of the airport to the community, review of airport capital revenue and expenditures from 2010-11 – 2014-15, review of 5 Year Capital Plan 2016-2020, and the FBO lease.

VALUE OF AIRPORT TO COMMUNITY

Mr. Klimm stated we are here to undertake two or three tasks. First, is to discuss in terms of a long range discussion a presentation to discuss the value of the airport operation not only to the community, but to the region. He said the city has owned the airport since the 1940's. We have made major improvements over the years, and there is another opportunity to receive a very large FAA/State Grant to continue improving our facilities. He said we will be hearing from the Airport Commission members discussing the value of the airport to our region. Secondly, he and Stuart Bedenbaugh will, at the request of Councilmembers, be providing some updated additional information in terms of the actual costs, both direct and indirect costs, of this operation to the taxpayers of the City of Aiken. The unique aspect of this is that he did not think Council had seen in the past a true reflection of all costs associated with any program. The question that has been asked recently is, are we actually subsidizing the airport operation. He said he would contend they would show Council why he has concluded that we are subsidizing this operation, but the reality is that if one reviews any annual budget for the City of Aiken, we are subsidizing a lot of operations that we have deemed to have value in this community.

Mr. Klimm said lastly we would briefly review contents of the existing lease because the issue of a potential extension of the lease will come up in a future discussion about whether or not we are to pursue the significant FAA/State grant that he has mentioned. Don Barnes, Chair of the Airport Commission, will lead the discussion with the assistance of the other Committee members. Also, the Fixed Base Operator, Mike Laver, will make a presentation.

Mr. Klimm stated he and Mr. Bedenbaugh would discuss the budgetary issues. He said we are not present to discuss at length the FAA grant opportunity or the issue of extending the lease, but we will need to follow up in the very near future after we have had an opportunity to digest the information that is to be provided at this meeting. He said in his 30 years of public service he had learned that we can do some truly amazing and creative things in a budget. You can make good things look bad, and you can make bad things look very good. He said you can say things so many times that the people who are reading it actually come to believe it and understand it. However, that does not make the presentation true. The question is whether the City is subsidizing the airport operations. He said he would present some information where the only conclusion can be that the City is subsidizing the operation. He said as said before as one looks through the budget in any given year there are literally dozens and dozens of other operations and programs that we choose to subsidize. He said that is what we do. For the most part, the city is not supposed to be competing in the private sector, and we are not supposed to be in revenue generating activities for the most part. We provide Public Safety and a myriad of services, and we are subsidizing every one of them. The airport is one of those activities that we subsidize. There are some more unfortunate truths about that, and that

is because of its location that our Fixed Base Operator is paying a considerable amount of money every year in taxes, but the unfortunate truth is that those taxes are not coming to the City, and if they were the funding gap that we will be talking about would almost disappear. It is nothing that necessarily is within our grasp to do something about, but it is significant because the FBO is providing taxes. The City is providing the services, and the taxes go to the County. That is a great deal for the County, but not a great deal for the City. We have to keep that in mind as well. He said he would now like to introduce Don Barnes and Mike Laver who have presentations to make.

Mr. Barnes stated he was a student of history and has been in aviation and got his pilot's license 53 years ago and has been a student of the railroad. He said he gets around the country a good bit. In his study of history when the country was founded there were a lot of little towns scattered all over the east coast. These little towns had a blacksmith shop, general store, dress shop, etc. As time went on the ones that grew were the ones located on transportation highways or systems like canals, rivers, or major roads. As time went on and the railroad came the railroad replaced the canals and rivers as a primary transportation. As the railroad expanded westward towns would bid on the railroad to get it to go through their town. The towns that got the railroad prospered. The ones that were bypassed just went away and disappeared over time. He pointed out Petersburg north of Augusta. It disappeared in the 1700's. The railroad went to Augusta. He said all the little towns disappeared. After World War II when the airplane came along, the railroad began to subside and airports were built. Those towns that had airports began to prosper. Then the interstates came along in the early 50's, and they changed the transportation system, but the two general principles that have made the difference between the towns that prospered and those that did not was a transportation system and good management of the town.

Mr. Barnes stated Aiken was fortunate to have good management and an interstate that goes almost by the airport and close to the city. He said we have all the key things. He said we need to keep the transportation system—the interstate, the airport and good management—in order to keep Aiken growing. He said he assumed all wanted to see Aiken grow. He said his point is there was a man by the name of Georg Hagel, a German philosopher in the 1800's, who said if we learn anything from history, it is that we don't learn anything from history. The world has verified that over and over again. He said his point is that Aiken's future depends on many things of which two are most important, he felt—continued improvements at the airport and also good management of the City and the County. In 1960 Augusta, Georgia, and Charlotte, North Carolina, were identical size cities. Over the years Charlotte got good management, and saw the airport was a great tool to increase commerce. Augusta, unfortunately, relied on the Masters and Fort Gordon, etc., and they have not had the best management of that town or the airport over the years. Now you can look at the difference between Charlotte, North Carolina and Augusta, Georgia. He said if we don't want to repeat history that has been repeated many times, then we need to look at continuing improvements to the airport. He said Aiken is in a unique position to have good management and a good transportation system. He pointed out that Aiken is the eleventh busiest airport in the state. He said it is the busiest not to have a control tower. He said when he came to Aiken in the 1970s there were two little runways, and a couple of wooden shacks. Mike Laughlin had just gotten the airport and built a terminal. Then the airport went through a stagnant period. In the mid 1980's when Aiken began to grow, the airport began to grow at the same time. He felt there was a correlation between the two.

Mr. Barnes stated if you look at aviation in general, the FAA number is that it is down 23% for the last few years. Other airports will verify that it is down because of the economy. He pointed out that Mr. Laver had said that during the Masters this year, traffic was down 23% but sales stayed about the same or decreased 1% or 2%. That means heavier traffic is coming in to the Aiken airport. He said that is one reason we need improved ramp space. We don't have enough at the present time. The increased traffic has happened in Aiken. We got a lot more traffic from Augusta due to the ILS system. He said that was a great improvement, and we received a lot more gas sales and fuel flow fee because of that. He said that proves the point.

Mr. Barnes stated another thing is that the Accommodations Tax which so many of the facilities in the Parks, Recreation, and Tourism Department need for their subsidy, comes from many people flying into the Aiken Airport. He said he would like to mention two other matters. He said all the Airport Commission members have expertise in aviation and business, and they have a passion for aviation. They have a passion even more for the growth of Aiken. He said the Commission is devoted to being on Aiken's side. He said they have been accused of being too much on the side of the FBO, but they are not. He said what benefits the FBO will benefit the City of Aiken in any case he can think of. He said that is their position at this time with regard to the Aiken Airport. He said we cannot afford to sit on our laurels and say we don't need any more improvements. We need to keep moving forward if we want Aiken to grow. Cities that have encouraged their transportation systems and airport have grown. Others have not. He said that is a lesson of history. He said companies like Bridgestone, Firestone, Pepperidge Farm, Carlisle Tire, etc. will tell you that the airport was a major decision for locating in this area. He pointed out that these companies have brought in a lot of money to this area. He stated when you look at other facilities which are great such as the ballfields, tennis courts, Rye Patch, etc., he wondered if they had brought in to the economy of the city and county the revenue that the airport has.

Mr. Mike Laver, FBO, stated he wanted to show some slides of the beautiful Aiken Airport which is something that the city should be very proud of. He said the airport is something to be very proud of. He showed slides of some of the equipment at the airport, an aerial shot of the airport showing some of the businesses at the airport, and the ramp area. He showed a listing of the businesses at the airport, including two flight schools. He pointed out there are some corporate departments that fly in and out of the airport and use a lot of fuel. He pointed out Victory Aviation Company, Air First Aviation Company, and Carolina Turbo Support is a service center for Mitsubishi and is one of the three major service centers in the world for the Mitsubishi airplanes. He then showed a listing of comments on the area airports. The Aiken Municipal Airport had a total of 16 votes, Augusta Regional Airport 6, Daniel 0, and Thompson 3. He said people love coming into Aiken, and they are provided with excellent service when they are there which is shown in the survey. He pointed out some interesting statistics from the Masters Golf Tournament for 2014-15. He pointed out that Aiken Airport had a decrease in traffic because Augusta Regional opened up parking this year. He pointed out that Aiken Airport is getting bigger airplanes which take a lot of fuel. He said that is why Aiken Airport needs the new facilities. He showed a slide of the ramp area, and pointed out there is very limited ramp space. He said the proposed ramp project would be removing two old hangars and the size of the ramp would be doubled. He showed a slide of the number of airplanes that can be taken at this time which is 18. He pointed out the number of additional airplanes that could be taken at the airport with the ramp extension would be 22. He said we would be able to double the number of airplanes the airport could handle. He pointed out that it takes 20 minutes to tow an airplane from the ramp to the parking area and get back. He pointed out while they are moving an airplane to the parking area two, three, or four, five more planes can come. He said that is why it is so important for them to have additional ramp space where we can park the planes as they land. He showed a slide of the airport which was taken during the Masters week of the ramp area and the number of airplanes at the airport. He said they were parked all over the place. He showed some more slides of airplanes at the airport to give Council an idea of the quantity of airplanes the airport gets. He pointed out the airplanes for Under Armour, Harvey Hubbell, Zurich Insurance from Switzerland, Phil Mickelson, Code Corporation, etc. showing the size of airplanes which come into Aiken. He also pointed out the plane for the Sheriff's Department. He said he gives the Sheriff free rent every year for the plane. He showed a slide giving the property taxes from the businesses at the airport—Victory Aviation \$5,300, Aiken Aviation \$11,400, Air First and Carolina Turbo \$36,000 which all go to the County. He said he would like for Mickey Anaclerio to talk about the customers and how important they are.

Mr. Mickey Anaclerio stated he had been at the airport about a year and a half, and it had been an incredible experience and he had learned a lot about the industry and what goes on at the Aiken Airport. He said he comes from a service part of the industry in the car business. He said he prides himself in being one who likes to meet the customers as they get off the plane. He said he felt that means a lot as he is the first person the people on

the plane see when they get off the plane. He then reviewed his contacts with various users of the airport. He pointed out the Aiken Regional Hospital and the Angel flights. He said Angel Flights are the planes that transport organs for transplant, and a lot come from Atlanta. He said when the Angel flights come in the airport provides support for the pilots, the crews, the ambulances, and the people that work to get the organs and save another life. He said that is a very important service that the airport provides. They also provide for EMS and life safety flights. If there is an accident, the airport is a great resource for emergency helicopters and planes and is involved to help people. He said they have support staff to help these people. They also handle a lot of the law enforcement support. SLED is huge, and they come through with helicopters, and they never know when they are coming through. When the Coast Guard transports the helicopters from North Carolina or Charleston, they fly through and stop in Aiken. He said they have been there also to support the National Guard and the Army.

Mr. Anaclerio said one of the base customers is the subcontractor for SCE&G. They are a subsidiary of the company Roto Blade. They stop and get fuel. This company flies a helicopter, and they look at the huge power lines and poles all over the state. One of the big industries is the equestrian industry. He said the polo people come to Aiken, and they use the hotels and restaurants downtown. He said he knows because he is the one talking to the people when they get off their planes. He said the Wild Turkey Federation which is based in Edgefield, uses the airport and they stay in Aiken. The golf people use the airport. He said a lot of jets come from all over the world and these people play golf at Sage Valley. He pointed out one particular one from Ireland who stayed at the Willcox Hotel. He said they need fire service at the airport, and he works very closely with Public Safety. He said their number 1 fire protection is Center Fire Department which is just outside the airport. He said because of their insurance from Ireland they have to have fire trucks on the field for their landing and take off. He said they also have golfers who come to the airport and play golf at Palmetto Golf Course.

He pointed out people know that Aiken is not a commercial airport, but they know that the airport can handle up to Global Express, the Challengers, and Gulf Streams. He said there is a Challenger from Verizons that comes to the airport. They come in and pick up a member of the board who lives in Aiken. He said they buy fuel when they come. He said they have gotten to know the pilots for the Bridgestone planes. One of their planes broke down one time and Aiken was able to put the plane in a corporate hangar and had a mechanic get parts and fix their plane. He said their pilots stay at the Willcox. He said Costa Farms is another good customer of the airport. They fly out of Miami. He said they deal a lot with plants. He said you will see Costa Farms on the tags on plants at Lowe's and Home Depot.

Mr. Anaclerio stated Planet Fitness had a lot of planes coming into the Airport when they were renovating the building to open their fitness center. He said the corporations like to have an airport that can provide service so they can get in and out without hassle. He said the airport provides rental cars and support in making hotel reservations. Mr. Anaclerio stated he had reviewed some of the stories and customers that come to the airport. He said he had been through a Masters Week. He said he felt they handled things very well during the Masters Week, but there were a lot of planes coming through in a short period of time. He said it was a great experience.

Mr. Anaclerio stated he felt the proposed project is the natural succession after the ILS to expand the area for the big planes that come into the airport.

Mayor Cavanaugh asked about the Sheriff's helicopter and what they use it for. Mr. Anaclerio stated the Sheriff's plane is small and it goes low and slow. The reason is that it can hover around an area. It is a very light weight plane, and it does not take a lot of fuel. They have looked for Alzheimer's patients, convicts, run aways, drugs, etc. The Sheriff's Department got the plane through a grant. He said the plane is well used and is probably used four to five times a week. He said Mr. Laver actually gives the Sheriff's Department the rental, and they buy fuel. He said it is for the community that Aiken Aviation supports the Sheriff's airplane.

AIRPORT REVENUE AND EXPENDITURES

Mr. Klimm stated he would get to the budget. He said there is probably a level of frustration on the dedicated Aviation Commission's part because we are instituting budget review for them which we have not done for others. He said we are mindful of that. He said the point is that we really need, and it will be seen in next year's budget package, a significant shift in our accounting methodology so we can come to better understand true costs. He pointed out on page 13 there is a five year perspective. The second point of frustration of some of the Aviation Commission members is that if they review this analysis, it appears that we are not giving due credit to the millions of dollars that are coming in FAA and State Grants over a lengthy period of time. He said the answer is that it depends on what lens you are looking through. If you are looking through the airport then something like the required 5% State match is seen as revenue coming to the airport. However, if you are wearing a lens of a City Council member, then you see it as an expense as you have to come up with the 5% and identify where the money is coming from. He said this is an analysis, not coming from the airport, but coming from City staff in terms of the approach. He said the 5% match as far as we are concerned is not revenue, but it is an expense as we have to come up with the 5%. He said he wanted to clarify that. He said he was sure there is frustration on some's part that it does not appear that we are giving due credit to the hundreds of thousands and millions of dollars that the Airport Aviation Commission and FBO have gotten for us over the years. He said there is a five year analysis. He pointed out for example fiscal year 14 you have the demonstration of revenues and expenses that are detailed thereafter in the documents. He said there is revenue of \$46,000 and expenses of \$97,421. In that fiscal year City Council is obviously subsidizing the airport operation by a significant amount. He said, however, if we were getting the taxes that are being paid by the businesses and property owners at the airport property, there would be a very minimal subsidy. He said maybe we could charge the Sheriff \$30,000 a year to park his plane at the airport. He said that is probably frustrating to Mr. Laver. He is paying the taxes and the city is providing the services, and the County is getting the money.

Mr. Klimm stated if we focus on fiscal year 13-14, as an example, there are expenses of almost \$100,000. That is outlined on page 17 where you have the actual expenses which are seen every year in the budget. He said what they have not seen are the indirect costs. He said this is in its infancy as to how we are identifying. This is kind of like a primer to cost accounting, but we have looked at wages and benefits and talked to all the departments and got a flavor of how much time, for example, Mr. Grinton's employees are spending on airport work, the Finance Department is spending time in processing paper work, and Mr. Bedenbaugh is acting as our Airport Manager. He said the detail is in the packet that Council can go through later. He pointed out that on the analysis on page 13 one can see that we are subsidizing the airport operation every year. He said he would make the point once again that this is not unusual. He said if you look at other operations that we are involved in, we are subsidizing the operation, and you don't know the indirect costs or the subsidy would probably double or triple. He said the city gives money to a lot of causes and a lot of activities and Council has not historically seen the actual cost of those services because we have not demonstrated the indirect costs from the taxpayer to the operation. He said if one thought the city was not subsidizing the airport, the bad news is that we are. He said, however, we are subsidizing a lot of things. He said if you listen to the presentation of Mr. Barnes, Mr. Laver and Mr. Anaclerio, you can make a value judgement as to whether or not it is worth the subsidy that we are providing.

Mr. Klimm stated Mr. Bedenbaugh is going to talk about the capital plan and refresh the memory of the terms of Mr. Laver's contract as the FBO. He said the significance of that is that we as a community are at a threshold where we need to make a decision whether we are going to go ahead and apply for funding. He pointed out as Mr. Laver had said there is a major project that is before us which includes the aprons in the amount of about \$2 million. He said it is a major project of \$2 million coming into the community. It is more jobs. It is improving our asset in a significant way. It is improving our operations as Mr. Anaclerio stated. The complication is that we also have several hangars that need to be repaired. The question is do we think in the first instance that fixing the apron is

meritorious, and if so should we go ahead and apply for the grant. And secondarily, are we in agreement that the aging hangars need to be replaced, and if so, how are we going to do it. He said he felt we are very fortunate that we have an FBO that stepped up and offered the possibility of helping us finance that, but if we did that he is obviously asking for consideration for extension of a lease. He said he was assuming if he needs to go to a bank, he needs to show a lease extension longer than the lease that he is holding to justify the personal expense on his behalf. If we don't want to take Mr. Laver up on his offer, then the second question is do we want to fix our hangars and do we want to finance our self and then charge the users back over a period of time. He said we are not here tonight to get into that, but we are just mentioning it, asking that you think about that and we will ask for a work session during the next Council meeting to finalize that decision. He said he did not think it would be fair to Council tonight with all the other discussion to impose a decision that is so important.

CAPITAL PLAN

Mr. Grinton stated attachment C in the agenda package is the five year plan projection. He said the shaded area is the current year. He said 2014 is the year for the grant that we signed last year and that we are actually working on which is the design bidding of the apron project. The 2015 grant follows the Federal fiscal year so the end of September is when they complete their grant. They have reserved money for us in the Discretionary Funds of approximately \$2 million to help with the funding. In the previous year we had submitted an estimate of this grant. He said basically each year in December we will provide an update of the five year capital plan which will go from 2017 – 2021. We will prepare a preliminary application for the next year's project. He said we could talk about the projects if Council is interested on what are the future plans for the airport. He said this is the document for the apron expansion. He said this is the document we used for developing bids. Mr. Grinton distributed a sheet showing the plans. He said the blue is the base bid. This is the portion of the project that will get us the airport apron expansion. The FAA will give us a full match of this money. They supply a 90% grant. The SCAC will provide a 5% match, and the city as owner of the airport would supply a 5% match. That is where the basic funding would come from. Whatever that cost is the city would have to provide a 5% match. The 5% will depend on what is actually spent and actually costed to determine exactly what the city will be responsible for.

Mr. Bedenbaugh stated the State Aeronautics Commission will be providing 5% of the match. He said he did speak with the Executive Director of the State Aeronautics Commission, and that is still in the plans for this fiscal year to contribute their 5% share of the project.

Mr. Grinton stated where the project gets into additional spending is when you remove the two old hangars that are in the section of the apron that exists today, in order to expand it to its maximum area, we need to replace those hangars or in effect will be evicting about a dozen airplanes, and then they won't have a place to hangar. The project as it is set up will be to eliminate the hangars. He said we have been trying to come up with a plan to provide those spaces. He said what is seen in the yellow is construction for a T-Hangar. We already have just north of the blue and two corporate hangars, space for another corporate hangar already prepared. He said we need to prepare a space for an additional T-hangar. When we started this project, the FAA rules were actually giving us funding for a taxi lane to access the hangars, but since we have started the FAA has changed their interpretation, and we are no longer able to include the taxi lane construction as part of the grant. He said it needs to be part of the project, but isn't going to be part of the reimbursement that FAA will provide us. The red area is an added alternative for further improvement of the area that we have. He said he would say that the yellow area is a very high priority for our project, with the red area being a lesser priority. The challenge we have is to come up with a funding opportunity for replacing the hangars. When we talked about this challenge Mr. Laver, as FBO, did offer to replace those hangars which are probably a \$600,000 to \$750,000 expense, if he was able to renegotiate a contract so he could amortize his costs over 25 years. It is actually kind of a bad business deal for him when you think about it because he is basically spending that money just to keep the same rent that he has today. He said he felt his offer expresses the commitment that Mr. Laver has to the airport with some of the things that

he has been doing in the past investing and improving the airport and other extra things that he does to keep going. He said that was a means by which we could finance the objective of replacing the two hangars so that the airport would not be kicking out 12 planes. Another option is for the City to do just that. He said we could come up with a cost estimate, and he could come to Council and say he would like \$750,000 to build two hangars. We have the opportunity to use our Entitlement Grant funds from the FAA. He said we get \$150,000 a year. Normally that goes into the pot to pay for projects. For example, this year with the apron expansion the \$150,000 will go next year toward some of that money. The FAA puts \$150,000, our Entitlement Grant, plus the Discretionary money, in one pot. It is part of the \$2 million grant. He said the \$150,000 Entitlement Grant is included in the \$2 million grant. They do that every year they are doing a project for us. They assume that is the base, and then they will add Discretionary money to complete the project. The City would be responsible for 5% of the cost of the project.

Mr. Grinton said in a year when we do not have a project, the money basically banks so we can go two, three years, etc. and after two years we will have \$300,000 in the FAA bank, and we will have another \$150,000 for the next year. Then we can do a major project that they are willing to fund up to \$450,000. The FAA considers revenue projects the lowest priority they have. The apron expansion is considered a safety project which is the highest priority they have. That is why they have found the \$2 million for the project. We compete with all the other airports in our region to obtain the money. This year we were able to justify the up to \$2 million that they expect the project to cost. In order to build the yellow zone, we are identifying that cost. We can use our \$150,000 to pay for that. He said if the cost comes up to \$300,000, we will have to allocate two years which would be 2017 and 2018 Entitlement money. Then we would have to change the project prioritization to recognize that we don't have the money. Because the FAA encourages us to not do projects that are revenue generating, and they define hangars as being revenue generating, they actually require that we bank our money for three years after we finish paying for an Entitlement project that is revenue. He said if the project is \$300,000 and we have to go three years without doing another project, then we have to do another three years just banking the Entitlement funds. The money is ours. It does not go away, but we could not use it. He said he was just explaining the rules as the consultant has explained it to him. If the city spends the Entitlement money, we will have to accumulate the funds for a period of time. He said he thought that was true even for a major project.

Mr. Grinton stated we have the opening of bids on July 16. We will have a definition of what the blue area is, what the yellow area will cost, and what the red area will cost. Then we will try to figure out a funding source.

Mr. Klimm stated if we consider the generous offer that Mr. Laver has made, then he would strongly suggest we do it as a strategy in executive session in the near future.

Mr. Grinton stated if Mr. Laver paid for the hangars that would remove that amount of money from our Entitlement. We could theoretically build the hangars, but if it was \$600,000 that would be about four years of Entitlement funds, plus three more years, or a total of seven years. Another alternative is to use city money. Then we could continue to get the FAA funding and use it for various airport approved projects.

Councilwoman Price asked why we would use our own money besides the change in the hangars and our needing the hangars for the work that needs to be done on the 12 hangars. Mr. Grinton stated it comes to the fact that there will be a point in time when we do need to resurface some of the runways, and they will not allow us to spend that money to do some of the resurfacing and other things we are required to do. He said when we get the final numbers, we will look and see what kind of options we might be able to do.

Councilwoman Price stated we had heard that the County gets a lot of use out of the airport. She asked if that was a correct statement. It was stated that is correct. She asked if we had sat down with the County and discussed the matter and funding. Mr. Barnes stated no one has approached the County to ask for what we consider their fair share of

support for the airport. He said he understood years ago that the County used to give the city an amount every year for services that the city provides. However, that amount gradually decreased and has now gone away completely. No one has approached the County again and pointed out that the County is getting tax money from the Verenes Industrial Park and from the airport. The City is the one who is maintaining and operating the airport, but receives no tax money for this operation.

Mr. Roberson pointed out that the listing of taxes that was shown earlier that goes to the County does not include all the personal property taxes paid on each individual airplane. It was pointed out the listing of taxes going to the County was just a listing of taxes for real estate. He said for every airplane at the airport the County is receiving revenue from County taxes on personal property taxes on the planes.

Mr. Klimm stated the point is that the City and the Airport Commission have understood over the years that the Sheriff's Department provides an essential service, but we don't even charge them and the County is getting all the tax dollars. The County is getting all the tax dollars, and the City is doing the maintenance and insuring that everything is in compliance and that we have an outstanding airport for people to come and do business.

Councilman Homoki stated he has an airplane at the airport. He said the Sheriff's Department is getting free lease space, and felt the least we could ask the County for is \$30,000. He asked how much the County collects in taxes. It was stated for the hangars the County collects about \$36,000. Councilman Homoki stated that would only be fair. It is a legitimate cost. He asked why the City should absorb the lease amount.

Councilwoman Price stated she did not want to get into the minutiae that would impact what is needed at the airport. She said that is something we can be mindful of in terms of a shared responsibility with the City and County to ensure that we have a viable and sustaining airport.

Mr. Klimm stated Mr. Grinton raises the issues that we need to address over the next couple of weeks. If we could have another work session during the next Council meeting that would be good. We need to figure out whether we are going to go after the FAA grant. Second, what we are going to do about the hangars. Are we going to pursue Mr. Laver's generous offer, or are we going to finance it ourselves, or are we not going to fix the hangars. He said we need to explore that.

Councilman Dewar stated he felt the first focus has to be how we are going to end up with a revenue neutral airport. He said we now know where we are with the costs for the airport. We just need to know where we will go. He said subsidizing the airport by \$40,000 to \$60,000 per year is something he felt many members of Council did not realize. He said that is why we need to have cost accounting. He said the airport folks feel that they are first in the line of fire, and they are, but they won't be the last. We need to have cost accounting in the city so we can better know where money goes. He said he felt this is a good first step. He said Council needs to digest this information and decide where we are going next.

Councilman Ebner stated they are not the first. He said he had been on Council almost six years. Since 2008 our budget is almost a straight line to negative. He said he was talking about real money that comes in. Inflation keeps marching on. The state uses 2.2% to 2.3% inflation per year. So in seven years you can figure what it is. The other thing that he is aware of that we subsidized was when we were doing commercial garbage in the city there was a direct loss of over \$400,000 a year. He said if you include overhead, it is about \$700,000 a year out of our base taxes for commercial garbage pickup in the city. We got rid of that, but we had a lot of grumbling from everybody because literally they had to pick up the difference in cost to what they were paying the city and the private hauler. The second thing is the water rates. He said he has been pounding on that table. He said we were funding that anywhere from \$600,000 to \$900,000 a year for years. We finally have that rate up to where it is self funding. The next one is the garbage collection. That was somewhere in the \$680,000 range, and that has been going on for at least 10 to 15 years. All of those now have been increased. We

are still short for picking up the rubbish, including the tree limbs, leaves, etc. pushing \$300,000 a year. He said that has to be adjusted again. The other part is that when he got on Council the Airport Reserve Fund had \$600,000 to \$800,000 in it. Now it is \$7,000. The City Reserve fund is down about \$5 million since 2008. It started in 2008 with it being the first year that money was taken out of the Reserve Fund to balance the budget. This year there is about \$300,000 out of the Reserve Fund to balance the budget. He felt the price for services need to pay for themselves. He said in talking with other cities and other operations, they have to pay for themselves. He said we have gone through a transition of a multi-million dollar shift in how things are funded in his six years on Council. He said he felt the perspective he has is that we need to dig into this and see how we can make it revenue neutral. He said he was not an airport person, but he understands how much it costs to do something has to be funded. He said the position he has, and he had talked to Mr. Anaclerio on it, is how can we get the day to day operations on a revenue neutral basis. Everything that was said about the tax that comes in from the Hospitality Tax all feeds the fund. He felt there are a number of options that we can look at, including the Hospitality Tax and the fuel fee. He said he thought one of the things that the Airport Commission may have suggested is to have an extra fuel charge during the Master's Week. The difference between the two seems to run about \$50,000 to \$60,000 a year. He said we kind of know what the averages are. It is not like it bounces all over the place. If you take the five or six years that Mr. Klimm put together the numbers flatten out pretty well. He felt that is their challenge. He said nothing said at this meeting is any different from that. He said the position he is looking at is how do we get the airport revenue neutral. He felt the capital projects are a different issue, and how we fund the capital. He said he wanted to give a background of what is going on in the city from the finance side. He pointed out that most people at this meeting are in business, and they know what happens when money gets tight. They don't fix stuff. He said he still does consulting, maintenance and construction activities for a company in Spartanburg. He said they still like to fix stuff, and when money gets tight they don't fix stuff either. He felt that is a symptom in the city that we have not been fixing our infrastructure and other areas in the last several years. He said that is pretty easy to prove what has been going on. He said the position he has and discussed with Mr. Anaclerio is how do we balance the day to day budget and then treat the capital as the second item.

Councilwoman Price said Councilman Ebner stated it well in terms of being self sustaining and what City Council has strived to do in terms of each entity whether it is water, sewer, or storm water, we have worked to try to make those areas self-sustaining. That being said, we have several options. One is to do nothing. She asked is do nothing an option? Secondly, we can try to work jointly with the County, and she felt it would be the same thing with the County not wanting to engage. Thirdly, we can consider some of the suggestions that Mr. Grinton made and see if we can work this so we don't lose any funds, but we have the \$150,000 for the enterprise fund coming in. She said there would have to be some assurance by Council, but that would take more discussion in terms of how to work that. She said ultimately something has to be done in terms of trying to ensure that the airport can sustain itself. She said she does not know if we have enough planes coming in to make it self-sustaining, whether we charge enough for gas or other fees that we charge, and if we do that how does it impact the airport overall in terms of people using the hangars. She asked if there is someone charging less than we are charging for the hangars. She said she does not know what Augusta does as she is not in the airplane business.

Councilman Homoki stated he thought Daniel Field charges a landing fee. Mr. Barnes stated Bush Field and Daniel charge a landing fee. He said over the years he had learned from other airports that a landing fee is a discouraging thing. He said you could increase fuel fees a little bit, but when people get hit with a \$30 or \$40 landing fee they are not happy. He pointed out that many airports do not give the service that Aiken does. He reviewed an incident he had at an airport when he flew some people to the Kentucky Derby, and the service was poor but they wanted to charge a \$100 ramp and handling fee. He said the problem with charging a fee is that people expect service. A lot of airports don't give good service. The Aiken Airport might give good service, but others don't. It sets a bad impression on people when they know an airport charges a fee. It discourages business.

Councilman Dewar stated when an airplane comes in and does not buy any fuel, does anyone pay anything. Mr. Barnes stated it depends on the size of the airplane. Light airplanes don't pay anything, but heavy airplanes do. Mr. Laver stated a jet would pay \$100, a turbo prop would pay \$50. The small single engine planes, he does not charge a fee because the people flying those planes use them for recreation and private uses. He said he did not like to gouge them. Councilman Dewar stated those are some of the things we need to talk about. Mr. Laver stated as he flies around the country which he does a lot in his other businesses, he knows how he gets treated, and he wants to treat our customers the way he expects to be treated. He said that is the basis of the Aiken Airport now. Councilman Dewar stated that Mr. Laver was not going to take money out of his pocket to do that. Mr. Laver responded that he could put money in his pocket by not doing it. Councilman Dewar pointed out the \$50,000 cost to the city for operating the airport. He asked Mr. Laver how he would suggest that the city deal with that. Mr. Laver stated we could ask the County for assistance.

Mr. Klimm stated as difficult as the challenge appears to be politically he was wondering whether the County has an operation that is located in the city where the city provides service. He wondered if there was an operation that is the opposite where the County is providing all the services and the City is getting all the taxes. If there are, then we don't have a case. The question is whether this is unique. The airport is in the county. The County gets all the taxes, but the City is providing all the services. He asked if the opposite of that exists in anything that the County owns in the city.

Councilman Dewar pointed out that the City gives the County a lot of Public Safety support. He pointed out an incident where a neighbor had to call an ambulance. The two women who were driving the ambulance were not strong enough to take care of the patient. Two Public Safety Officers had to come and do it. He said a lot of that goes on.

Mr. Klimm stated he felt we could demonstrate that this is truly unique and add to it what we are providing and that we are proud that our Sheriff uses the airport. We don't want him to leave, and we are proud that we are providing the service to him so he can do his job, but we are not charging him for that. On one hand they are getting all this money from the Aiken Airport. The City is providing all the services, and they are getting all the taxes and additionally we are providing a hangar for their airplane.

Councilwoman Diggs asked when the City had approached the County and asked how they could contribute. She asked if we had ever done that. Councilman Dewar stated we have not. He asked if North Augusta was a player in this. He wondered if they get any benefit from the airport. Mr. Laver stated he was sure North Augusta did in some respects. Councilwoman Diggs stated she had mentioned it to Ronnie Young, and he agreed that they get all the tax money. She said she had also talked to Willar Hightower and invited him to this meeting, but he had a conflict. She felt the City needs to make an attempt to meet with the County Council and see what they are willing to do. It could be City Council and the Airport Commission could meet with the County Council. Councilwoman Diggs stated we need to ask and have the facts together as far as what the City is paying. Councilman Merry stated we need to ask.

Councilman Homoki asked about Banksia and the Library. He said they are county functions. He asked if they were on the city's tax roll. Councilman Merry stated he did not think they pay property taxes.

Councilman Ebner stated there are a number of county buildings in the city limits. He said the County Complex probably does not pay taxes. He said there are a lot of county buildings in the city, but how much service does the city give.

Councilman Merry stated we could ask the County, but we need to have a strategy. One is that if Councilmembers have a relationship with a County Councilmember they work privately with the Councilmember. He said he has a relationship with a couple members of County Council, and he talks privately with them. He said ultimately a presentation with the County would be most effective if it came from their hired and funded Economic Development official which is EDP Director Will Williams. Virtually everything he has

asked them for they have given him as far as economic development. He said Mr. Williams would be a professional making the case. He could do a good job making a case of the economic impact of the airport, and he would rely on our help. Councilman Merry stated he is a professional in making the case. He pointed out there is a letter in the agenda package about the value of the airport to economic development. He felt after we soften the target by talking to the Council persons individually, then we should have Mr. Williams bring in his formal proposal. He said we could have City Council and Mr. Laver, Mr. Anaclerio and members of the Aiken Airport Commission meet with the Aiken County Council as well as Will Williams.

Mr. Klimm stated to be fair to the County and he understands their budget is already done for the year, but possibly we are talking about the future. He said if that is a possibility then the challenge to make the airport a self-sustaining operation is much easier. He said he had met with members of the Aviation Commission, and he was very impressed. He said if all of us including the FBO sharpen our pencils we might be able to strategize how to close the gap, especially if we do decide to talk about an extension of the FBO lease and what the ramifications of that are. He said if the Aviation Commission is willing to work with the City staff and the FBO, he would be willing to try to move forward with trying to close the gap with a plan in the near future.

Mr. Butch Roberson stated another point is that without the airport the Verenes Industrial Park would not be as successful as it has been. He pointed out that the city spent a lot of money for the infrastructure of water and sewer in the Verenes Industrial Park. He asked what the city gets out of the park—just water revenue. He said that is it. The city gets no taxes. That is another benefit the County is getting of taxes from the Verenes Industrial Park.

Councilwoman Price stated she wanted to think that the County recognizes that, but the city has not sat down with them to share some of our concerns and how we might be able to do some trade offs or just tell them the dilemma the City is in as we face the airport, including financial conditions, and that the City needs help. She said we need to present the worst case to them, and state if we don't get support what it leads to.

Councilman Ebner stated the capital plan needs to be a part of that presentation. He said he has said many times to Council when we talk about Capital Projects Sales Tax and other things, we have to do a little something every year—a fresh coat of paint, etc. He said you have to put a fresh coat of paint, you have to change the fence, etc. You have to do a little something every year because if you don't it doesn't keep it looking fresh. He felt the capital projects need to be brought into the picture when this is discussed with the County. He said we need that little bit of infusion of capital to keep it going.

Councilman Merry stated he grew up in Aiken. He said he spent all his life growing up about two blocks from here. He said he felt all of Council is beginning to learn more about the economic impact the airport has in our area. He said what is happening at the airport is probably beyond a lot of our imagination of the impact and benefits to the city and the county. He said he would like to have a work session or executive session to sit down and really get into it and figure this out. He said the airport seems to be a nice airport, and is an extremely important thing and he wants to work hard to figure this out.

Mr. Barnes stated the problem he sees with the theory of a self-sustaining airport is how do you account for revenue brought in by companies like Bridgestone, MTU etc. and their hundreds of employees and the money they spend in Aiken County and Aiken city. He pointed out also all the other industries in the area. He said we are ignoring all of that. He said the other facilities that Aiken has, even though they are good, such as ballfields, tennis courts, etc. will not bring in the revenue that Bridgestone brings in every year and their employees. He said that is a number that is hard to put a dollar amount on. He said it seems a little unfair to try to make the airport self-sustaining on operational dollars and capital improvement dollars when we have extra funds coming in that we don't really consider.

Councilman Dewar stated he was not sure. He said we have a better handle on the recreation fees and the people who are here for the baseball tournaments, athletic tournaments, tennis tournaments, pickleball, etc. than we do the airport, mainly because there are heads on beds, and we get Accommodations Tax money. He said there is no answer to the question that was asked. He pointed out that many of the people flying in don't want people to know they are here, some for obvious reasons and some for none of our business reasons. He said that can't be quantified.

Mr. Royal Robbins stated there is not a company in the country that has a flight department that is self-sustaining. Most companies who have airplanes, they get on the airplane and fly somewhere to build a store or check on a store. That costs them all the expenses for the Flight Department. They know because of that Flight Department with the ability to get in the airplane and in two hours be at a store, they keep a handle on the store. The store is profitable. That profit does not go to the Flight Department. It goes in the general operation of the store. They know if it were not for those airplanes and pilots and the Flight Department, they would not have that ability to check on a store. Councilman Dewar stated that is a different case. Mr. Robbins stated that is not a different case. It is an unquantifiable result of that Flight Department. There is an unquantifiable amount of money that goes into the city from the Aiken Airport. Councilman Dewar stated he would agree with that, but nobody knows what it is. Councilman Merry stated you can't completely ignore that.

Mr. Doug Huffer stated he has probably brought as many corporate airplanes into Aiken over the years as anybody in the room. He said when the Dixie Norco Plant was being redone in Barnwell, he had planes in and out of Aiken. He said the people stayed in Aiken. He said seven days a week he flew two airplanes back and forth. He said even through the Maytag sale in 2007-2008 there were probably two or three airplanes a week flying in to Aiken with the people staying in Aiken. He said private investors use the Aiken Airport on a weekly basis, and they stay in Aiken at the Willcox and in the downtown area. He said he would hate to see what he has spent just in the last four years just for expenses for people in and out of the town staying in the hotels, etc. He said it is because of the facilities that the city has provided and the capital dollars that have been funded at the airport that continues to help the city attract these corporate people. He said they would rather come to Aiken than to go to Augusta or Columbia. He said now that the airport has the ILS they can get in to the airport better now. He said it is hard to put a number on it, but there is a significant dollar amount of benefit to the City of Aiken from those who use the Aiken Airport.

Councilman Dewar stated it's a major challenge, but he hoped they all understand there is an obligation on the part of the city to spend taxpayer money well. He asked that they not fault Council for looking at this and trying to identify how much it is actually costing us to run the airport because Council did not know. He said he was not sure we still know, but we know a lot more than we did thanks to Mr. Klimm and Mr. Bedenbaugh's efforts. He said Council does have an obligation to make an effort to find out exactly how much taxpayer money it is taking to run the airport. He said there is no question about the value of the airport. He said there is no talk about not wanting an airport.

Councilwoman Price stated she would like to know what airports are self-sustaining. She said her gut tells her based on what she has heard from others that we will find very few, if any, self-supported airports.

Mr. Bud Coward stated in South Carolina there are 53 general aviation airports and 6 air carrier airports. He said of the 53 airports, he would guess that maybe less than six come close to being revenue neutral. He said in all the airports in the state, Aiken ranks in general aviation airports in the top five or six in the state as far as facilities, service, hangars, runways, ramps, etc. He said he would suggest in Council's study that they look at the Rock Hill airport. He said that airport is very much like Aiken's airport. He said they have a private FBO. They also have a service center like Aiken Airport. They have a service center for turbo aircraft much like what Mr. Laver has in Aiken that draws large aircraft to the airport. The Rock Hill Airport Commission is made up of both city and county representation. Two seats are county representatives and appointed by the

County. The other five seats are appointed by the city. He said whether the Rock Hill airport is revenue neutral is a good question to ask the city and county management of Rock Hill. He said he had been told that the county does contribute some funds to the city to help offset the cost of operating the airport. He said the Rock Hill airport is pretty close to the Aiken operation. He said Aiken has more operations than Rock Hill based on the numbers on the State Aeronautics website. Aiken has a lot more traffic of turbo jets and fixed wing than Rock Hill does. He said Rock Hill is a reliever airport for Charlotte, North Carolina. Mr. Barnes pointed out that Aiken has two runways and Rock Hill has one runway. Mr. Coward stated Rock Hill had an ILS much sooner than Aiken did because they met certain criteria. Being a reliever airport for Charlotte they were able to get the ILS sooner. He said it is admirable that Council is considering everything. He said he could attest that Aiken has one of the crown jewels in the state as far as general aviation airports are concerned. He said he would say that any time.

Mr. Roberson stated he uses the Rock Hill airport a lot as a reliever.

Councilwoman Price stated as users of the airport what would the commission members suggest. Mr. Roberson stated the gas rates at the Aiken Airport are fair rates, and they are not the lowest in the state. He said Saluda County has just built some new T-hangars, and they have been soliciting pilots to bring their planes up there at a lower fee than being paid at the Aiken Airport. He said the Aiken Airport is having competition. He felt we need to continue to improve the airport so we can attract more industry. He said the industries have private jets. The corporate jets are bringing people to town. He said he did not know how many employees Bridgestone has, but he was sure that a good percentage of the employees live in the City of Aiken, and they are spending their money in Aiken as well as their suppliers. He said he did not know that we could get revenue neutral off of who is at the airport. He said there are 16 privately owned airplanes at the airport. He said most of them are in hangars. He said a plane his size takes 70 gallons of fuel, and not 3,800 gallons like the large jets. He said the scale is different to try to get the airport revenue neutral with what is there. He said the way to do it is to continue to attract more corporate business. It was pointed out that the Augusta Airport has not been revenue neutral in two generations. It was pointed out that airports don't make much money.

Mr. Roberson pointed out that the Augusta Airport spent money on the airport, and they put 800 more planes over there this year than they did last year because they spent money on the airport. Mr. Barnes stated the point is that airports make money, but not for the airport. He said the communities get money from the traffic at the airport. He said another thing that Councilman Dewar brought up is that people come to tennis tournaments, ball tournaments, etc. but they don't stay at hotels like the Willcox. The pilots, the crews and the people that fly into the Aiken Airport will spend twice the amount of money as someone coming to play in a softball tournament.

Mr. Klimm stated in conclusion one thing that Mr. Barnes did not do in his presentation was to bring out his crystal ball. Mr. Klimm stated he comes from an area that has two airports. He said the other question we need to address is not only what is the value of the airport today, but what is the value of the airport in 15 or 20 years. The truth is that there is a possibility that the airport could become increasingly important to the region so we need to keep that in mind as well. The second thing is that in defense of Council, two weeks from now or four weeks from now they will have another group here talking about finances. He said Council wears many hats. The truth is from a city standpoint we have core missions—educating our kids, keeping the public safe with a police and fire department. He said communities have golf courses, some have airports and there is a value to all of those. He said it would be hard to suggest that they are part of a core mission of a community. At the end of the day there are only so many dollars to go around. He said if those who serve the city so well on the Airport Commission are feeling that the Aviation Commission is being persecuted right now, it is really their fiduciary responsibility to figure out where we are going financially. We really do have some challenges that we are going to face. He said he did not feel it was unfair to the Council to challenge us, and challenge the Commission members as volunteers and FBO to take another look at this and see what can be done. He said they are a creative group and know this industry better than most. He said he would hope that the Commission

would take the challenge of Council and have a meeting or two of the Aviation Commission and the folks that know the industry and perhaps they could come up with some ideas that have not been kicked around yet. He said he did not think we could ask any more of the Commission than that. He said they might surprise us with their success.

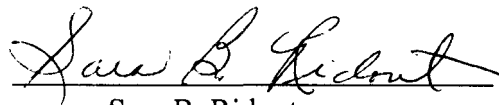
Councilwoman Price stated that Councilman Merry had a good suggestion regarding Will Williams. She said County Council listens to Will Williams. She said Mr. Williams can become a great advocate of what we need to work with as well.

Mr. Klimm stated that he would like to have an executive session at the next Council meeting either before or after the meeting to provide Council with additional information. He said we need to decide whether we are going to, as the Aviation Commission recommends, apply for the grant and whether or not we are going to address the hangar issue and if so whether it will be through Mr. Laver's generous offer or whether we are going to come up with an alternative. He said unfortunately timing is important in this matter.

Mayor Cavanaugh stated he thinks about the time when Bridgestone flew in here and we did not know it. He said he thinks about that when he goes by the airport and thinks what if we did not have an airport. He said he was glad we had an airport at that point in time.

ADJOURNMENT

There being no further business, the meeting adjourned at 6:40 P.M.



Sara B. Ridout
City Clerk