

Aiken City Council Minutes

WORKSESSION

July 26, 2012

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

Absent: Councilmember Homoki

Others Present: Richard Pearce, George Grinton, Mike Laver, Sara Ridout, and Amy Banton of the Aiken Standard.

CALL TO ORDER

Mayor Cavanaugh called the meeting to order at 4:00 P.M. He pointed out City Council was meeting in the Conference Room of the Terminal Building at the Aiken Municipal Airport. The purpose of the meeting was to meet with Mike Laver, the Fixed Base Operator, and discuss the airport operations.

AIKEN MUNICIPAL AIRPORT

Mr. Pearce updated Council on some revenue figures stated earlier in the memo provided to Council. He pointed out that the updated figure for revenue from the Fuel Flow Fee is \$17,700. The increased traffic at the airport has resulted in increased revenue for the FBO as well as the City of Aiken. Larry Morris is the designated staff person who works with the FBO on the day to day operations of the airport. It has been a good working relationship with the FBO, Mike Laver. He also updated the figure for hangar rental at the airport, stating the revenue collections for last fiscal year were \$15,500. He pointed out he had provided a lot of information in the memorandum to Council regarding the airport and history of the airport.

Mr. Mike Laver, the Fixed Base Operator, welcomed Council to the airport. He stated Aiken Aviation Enterprises, of which he is the owner, is the Fixed Base Operator for the airport. He thanked Council, the former City Manager Roger LeDuc, Richard Pearce, present City Manager, Larry Morris, and Bill Hamilton for their assistance and support at the airport. He said they had worked as a team for the airport, and a lot had been accomplished at the airport. He felt the Aiken Municipal Airport has facilities comparable to any airport in the country. He pointed out with the installation of the ILS, most any aircraft can come into the Aiken Airport. In the future it would be good to expand the runway from 5,500 feet to 6,000 feet.

Mr. Laver stated he felt that Aiken Aviation had served the airport and represented the airport well. Over the years they have attended many trade shows to promote the Aiken Airport. This was done at their own expense. He said he was proud of the job they have done at the airport. Mr. Laver then reviewed for Council what is going on at the airport, who is at the airport, and what businesses are at the airport. He pointed out the area leased by the FBO on a map. He pointed out the T-hangars and who uses the hangars. He pointed out the hangar building owned by the City of Aiken, which is on city land, not on the FBO land. At one time the City leased those individual hangars, but now the structure is leased by Aiken Aviation, which subleases the individual hangars in the building. Aiken Aviation pays the city a flat rate for rental of the building, regardless of how many hangars are subleased. Aiken Aviation receives the revenue from the subleases of the T-hangars. He pointed out the City also owns some other T-hangars, which are located on land leased by the FBO. Aiken Aviation also rents those T-hangars and carries the liability insurance for those hangars. The difference is that those hangars are located on land leased by the FBO. In response to a question by Councilman Dewar regarding more hangars, Mr. Laver pointed out in the Airport Layout Plan which is pending with FAA there is the ability to build additional hangars. It was pointed out any construction at the airport must be approved by the FAA. The Layout Plan is a proposed plan for future utilization of the land.

Mr. Laver pointed out the hangar out of which he runs a business called Air 1st Aviation Companies. He stated Air 1st is the management company for Aiken Aviation, which is the FBO. Air 1st provides management services for Aiken Aviation. He stated Air 1st operates a contract for the U.S. Air Force. The headquarters office for the contract is in Aiken. They operate 9 airplanes for the U.S. Air Force on Tyndall Air Force Base in Panama City, Florida. They have been doing this for about 15 years. Maintenance for the planes is done in Aiken. He has 18 employees in the Florida operation. He said he has about 25 employees in the various companies in Aiken. He pointed out he had just taken over the aircraft paint shop facility that was formerly owned by John Harrington. The name of the business is Carolina Turbine Support (CTS), and it is an airplane maintenance facility. He said they were approved as a Mitsubishi factory maintenance facility. He said they are one of three major service centers in the United States. There are about 10 employees in that facility. He said they have state of the art avionics installation equipment. He does interior repair of planes, but does not paint the planes. He said there had been a lot of expansion of business at the airport.

It was pointed out the airport property is about 650 acres with the various industrial parks—Ventures, Verenes and Aviation around the airport. The City of Aiken owns the industrial parks. There was a question regarding selling timber at the airport. Mr. Laver pointed out the area where the timber was cleared. The trees had to be removed for the ILS. Mr. Pearce stated the city received about \$44,000 for the timber sold. Any revenue generated at the airport must be used for operation of the airport, and there is a separate airport account.

Councilman Ebner asked if there was a limit to the size plane that could come to the Aiken Airport. Mr. Laver responded the airport takes some substantial corporate airplanes at the airport. He said during the Masters there were some very large planes at the airport.

In response to a question by Councilmember Diggs regarding the business at the airport during the Masters, Mr. Laver stated traffic starts on Friday before the Masters, and this year they were extremely busy. He said he counted 48 large jets at one time. He pointed out Bush Field, Daniel Field, and Thompson, Georgia, were full, so the planes started coming to Aiken. He said his staff did an excellent job in handling the planes.

Mr. Laver stated that most airports have a compass rose, and that is something that the City could possibly get some funding from FAA to install. He said he feels that the traffic they saw this year will continue to increase, especially since the Aiken Airport now has the ILS and other facilities, and any aircraft can come to the airport. He said the Aiken Airport had a 47% increase in traffic this year over last year, but the traffic went safely and smoothly. The pilots were very complimentary of the Aiken Airport.

In response to a question by Councilwoman Price regarding the price charged for fuel, Mr. Laver stated the price of the fuel varies a lot, and the price is about \$5 a gallon currently. He said his fuel prices are very competitive with others in the area, and they compare prices every Wednesday and he makes sure the Aiken Airport is the most competitive. He pointed out what he makes on a gallon of gas varies depending on the cost of the fuel. Usually he makes about a \$1 per gallon. He said jet fuel is different. He said they sell corporations contract fuel. The large corporate jets that come in and buy 1,000 gallons have the ability to buy fuel on contract, and they pay in the low \$4 per gallon. The margin is cut back to entice them to buy more fuel. He also stated currently all the hangars are full, and they have a waiting list for hangars.

In response to Councilman Dewar's question as to whether the price of fuel had increased over the years, Mr. Laver stated it had. He pointed out they cut their margins, however, to be competitive. When fuel was cheaper, it was easier to make money on the fuel. Now that it is \$4 and \$5 per gallon, it is hard to make money on fuel. He said he keeps his margins down so the small business and recreational flies can still afford it.

Councilwoman Price asked if the airport was self-sustaining. Mr. Pearce stated the airport budget was balanced. Mr. Laver stated as far as the FBO the airport has not been self-sustaining. He said over the years he had put in over \$500,000 in the business. He said he had no option, as he had signed a lease with the city 14 years ago, and he has an obligation. The lease for the FBO was renewed in 1999 for 25 years. He said the increase in fuel costs had had some impact on the airport. Mr. Laver stated the fuel sales in 2007 were 400,000 gallons. In 2008 the sales were 360,000 gallons; in 2009 the sales went to 240,000 gallons; and in 2010 the sales were 260,000 gallons. He said it is difficult to change the infrastructure at the airport. He said he still has to have a minimum number of staff members to run the operation. He still has to have fuel trucks whether he sells 1 gallon or 1 million gallons. He said the 47% increase in traffic during Masters Week helped, and he felt it was going to be better this year with the installation of the ILS. Mr. Laver pointed out that if he gets more money at the airport, then the City will also get more from the airport. He stated he is finding that many of the airports are not run by FBO's any longer, but the municipalities are running the airports. Mr. Laver stated one thing that helps him at the Aiken Airport is that he has his other businesses at the airport, which do bring in revenue for him. He said he had come through a tough time, and was looking at the airport long term for the next 11 years, not year by year. Councilwoman Price asked if the City participated in maintaining the terminal building. Mr. Laver responded that he usually maintains the building, and the City has not had any major expenses for the building.

Councilman Dewar stated he had asked that Council take a look at the airport operations so he could understand the operations. He said he agreed that everything he had seen at the airport is wonderful. He said his focus was the contract and understanding it. He asked who has overall responsibility to the state regarding the airport and if there is a designated safety officer. Mr. Laver responded that Don Barnes is the Aiken designated Safety Officer for the City of Aiken. In the discussion there was a question as to how Mr. Barnes was formally designated for that office. There was no question as to his ability, but how he was designated. It was pointed out that in the Airport Regulations and Minimum Standard Regulations, the City Manager has the ability to designate the Safety Officer, and no one else has been designated, so the designation would still be in effect. Council asked that since City Managers had changed that the designation of the Safety Officer be updated by the current City Manager. It was pointed out the Safety Officer would report any safety problems to the City Manager.

Councilman Dewar wondered if the General Aviation Commission should review and update the Airport Regulations and Minimum Standard Regulations, since they are dated 1997. He pointed out many changes have been made at the airport and in technology since that time. Councilman Dewar stated in the lease agreement regarding payments, the lease says the rental is \$100 per month, or 3% of the net annual income, and the fuel fee is 5 cents per gallon sold. He asked if Mr. Laver provides the staff with a list of the fuel sales. Mr. Laver responded that he does provide the fuel sales to the City staff. He also pointed out that the target of the 3% payment to the City had never been met, so the payment has not been more than \$100 per month.

Councilman Ebner pointed out the City of Aiken has to keep all income for the airport in a separate account, and it has to be used only at the airport. He wondered if that also applies to the Fixed Base Operator's income at the airport. Mr. Laver stated that does not apply to him. Mr. Pearce stated that applies only to the City of Aiken as owner of the property.

Councilman Dewar stated there was an option in 2010 to increase the 5 cents per gallon for fuel which has not been increased for some time. He asked who in the City would make the decision to ask for an increase. Mr. Pearce stated that was something the City Manager would review as part of the budget process.

Councilman Wells stated his thoughts are coming from a small business perspective. He pointed out the last few years have been down years and the fuel sales have been cut about one-third. He felt this is not the time to increase the price, as that would drive the sales down further. It would also put the FBO into a non-competitive pricing range. He

noted that the economy had turned down in 2008 and has continued down to 2012 and has not rebounded.

Mr. Laver stated the next option to increase the fuel fee is in 2015. He said he would ask that the fuel fee not be increased at this time. He said his opinion is the way to increase the revenue from the airport is to increase fuel sales by increasing the traffic. He feels that Aiken Aviation promotes Aiken every day. He said he feels that Aiken is getting better every day. He said the airport is the gateway to Aiken through the air. He said he would appeal that the fuel flow fee not be increased.

Mayor Cavanaugh stated Mr. Laver had mentioned earlier one way to increase fuel sales was to lengthen the runway. He asked what the cost would be to lengthen the runway.

Mr. Pearce stated staff had not made an estimate of the cost to lengthen the runway. In the past the City has worked with the FAA and the State Aeronautics Commission for funding for work at the airport.

Mr. Laver pointed out that in the Airport Layout Plan there is provision for an overrun. He also pointed out in the Airport Layout Plan there is an extension of the runway by 300 feet.

Councilman Wells asked if there was anything else that could be done to help the airport become more profitable. He pointed out there had been discussion about extending the runway and possibly increasing the fuel sales.

Mr. Laver stated he had tried to promote the airport by going to trade shows and had advertised the airport. He said perhaps more advertising of the airport would help.

Council discussed that possibly Accommodations Tax Funds could be used to advertise the airport at trade shows and in magazines. Mr. Pearce stated the airport could potentially qualify for Accommodations Tax Funds. He said he had discussed with the Tourism Division about promotion of city facilities, in addition to the events they have in the past. Councilman Ebner suggested promotion of the airport through the Chamber of Commerce. Mr. Pearce pointed out the Economic Development Partnership had been promoting the airport and potential investors, economic development entities, and developers fly in and meet at the airport and receive a presentation and then fly out. Mr. Pearce asked that Mr. Laver submit a list of ways funds could be used to advertise the airport.

Mr. Laver pointed out that the maintenance facility, Carolina Turbine Support, which is factory approved, promotes Aiken as well as their services. He pointed out that customers who come in go downtown and stay at the hotels. He said they always receive compliments on how wonderful Aiken is, how great the restaurants and the accommodations are. He said there may be ways through the internet, websites, and magazines to advertise the airport.

Councilman Dewar asked if the FBO charged landing fees or ramp fees.

Mr. Laver responded that he does not charge landing fees, but does charge a ramp fee. He said they started charging a ramp fee several years ago as planes would come in, stay a little while and then fly out without ever paying anything. He said they always expected people to buy fuel. He said they do not charge a ramp fee for small planes. They charge a ramp fee for anything that is powered by jet fuel. The charge is \$50 for a small plane and \$100 for a jet, but he waves the fee if they purchase 50 gallons of fuel or 100 gallons of fuel. Most of them take the fuel. He pointed out he had mentioned that he has a contract fuel facility. People who participate in the contract can buy discounted fuel from Aiken Aviation. He said he would rather sell 1,000 gallons of fuel making 50 cents per gallon than 50 gallons making \$1.00 per gallon.

There was a question as to whether the FBO paid the utility bills at the airport. Councilman Ebner pointed out the agreement says the FBO pays the utility bills for the leased property.

Councilman Ebner showed a brochure regarding the airport which he said he had picked up somewhere in town. He pointed out he would assume the brochures would be at the Chamber of Commerce. He stated, however, if someone flies into the airport they already know about the airport. He stated, however, brochures about hotels and restaurants in town should be at the airport. He wondered what else the City or the Chamber can do. He pointed out the airport would deal with a narrow segment of the population.

Mr. Laver stated any pilot flying into the area would evaluate where they plan to land on the internet and check out the hotels, restaurants and the price of fuel. He pointed out there are some advertisements on the websites where they do their research. He pointed out if he looks at flying into Augusta there is an advertisement about the Aiken Airport on the website.

Councilman Ebner pointed out that people searching for a place to fly into would be looking at Aiken Aviation's website rather than the City of Aiken or Chamber website. Aiken Aviation's website would need to have information on hotels and restaurants in the area. He pointed out Aiken now has a hotel that is number 32 out of 50 in the world, which would be a help. He also stated that Carriage Bed and Breakfast was number 6 out of 10 by National Geographic's in the U.S.

Mr. Laver stated he was in the process of changing their websites and there would be a lot of attention to the City of Aiken and its facilities. He pointed out they have special rates with some of the hotels, such as the Carriage House Inn, Hilton Garden Inn, the Fairfield Inn, etc.

Council continued to talk about advertisement for the airport and Aiken. It was pointed out that word of mouth is one of the greatest advertisements. It was also pointed out that the new ILS should make a difference for the airport as word gets around about the installation of the ILS.

Councilman Ebner asked about the improvements at the airport. He pointed out that in the 1999 renewal of the lease for the FBO there was an Exhibit B that listed six items to be done. He wondered if there was a new official list of improvements that need to be done.

Mr. Pearce pointed out that capital improvements for the airport are included in the budget in the Five Year Capital Improvements Section and is updated each year.

Mr. Laver stated in 1999 when they were renegotiating the extension of the lease, they negotiated with the City so some improvements could be put in and those were listed in the lease. That was not an ongoing list, but a onetime list.

It was pointed out that the Five Year Capital Improvements Project is part of the budget process and is reviewed by the Planning Commission and receives Council's approval with the budget.

Mr. Laver stated that with the General Aviation Commission, Larry Morris' input, and the ongoing things at the airport, he felt there is a plan for what the airport needs, and the projects can be done as funding is available. He felt the Airport Layout Plan is very good.

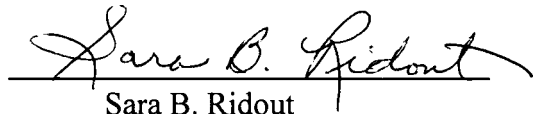
In response to a question about the payback on a hangar, Mr. Laver stated he borrowed money and built some hangars that will eventually revert to the City. He said with the cost of steel to build a hangar, and the rates that can be charged and be competitive; all he can do is cover costs. He said he felt he was building a building for the City, but then he sells fuel to those people. He said he looks at the big picture.

Councilwoman Price stated she would like to offer a few suggestions regarding marketing of the airport. One is promoting the airport in our news publication. Secondly, there could be an update at a Chamber of Commerce meeting such as First Friday Mean Business of what's going on at the airport and the installation of the ILS. Thirdly, get information on the City Channel and website. And fourthly, get Mr. Laver on the TV channels 6 and 12 to talk about the airport and the ILS. She felt these were ways to get information out and for more questions to be asked about what's going on.

Council thanked Mr. Laver for meeting with Council and talking about the lease agreement and what's going on at the airport. They felt it was very informative.

ADJOURNMENT

There being no further business, the meeting adjourned at 5:20 p.m.


Sara B. Ridout
City Clerk