LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **February 24, 2015** AGENDA ITEM NO.: 1

CONSENT: REGULAR: WORK SESSION: **X** CLOSED SESSION: Confidential)

ACTION: **X** INFORMATION:

ITEM TITLE: **Issuance of Not to Exceed $16,000,000 General Obligation Public Improvement Refunding Bonds, Series 2015 and Associated Issuance Costs**

RECOMMENDATION: Hear a presentation by Davenport & Company, LLC representatives and take the following actions to authorize a current refunding of the City's outstanding General Obligation Public Improvement Refunding Bonds, Series 2005A.

(a) Adopt a resolution authorizing the issuance of not to exceed $16,000,000 principal amount of General Obligation Public Improvement Refunding Bonds, Series 2015.

(b) Adopt a resolution amending the FY 2015 General, Water and Sewer Funds' Adopted Budgets and appropriate $71,000, $15,008 and $17,492 respectively with resources from the refunding bond proceeds for a total of $103,500 for estimated issuance costs.

SUMMARY: Due to lower interest rates, the City's financial advisor, Davenport & Company LLC, recommended that the City current refund the General Obligation Public Improvement Refunding Bonds, Series 2005A through the issuance of General Obligation Public Improvement Refunding Bonds, Series 2015. Requests for Proposals for a private placement with a fixed rate were distributed to financial institutions on January 28, 2015. Proposals were received on February 12, 2015 and were evaluated by City staff and the financial advisor. American National Bank was selected as the best response. Consistent with Council's policy, this refunding will net 8.1% savings on an aggregate basis, which is well above the 3% savings required by the policy.

The following summarizes the proposed costs of issuance:

Cost Component	FY 2015 Estimate
Bond Counsel	$25,000
Bank Closing Fee	12,500
Financial Advisor	31,500
Bank Counsel	25,000
Verification	2,000
Miscellaneous	5,000
Escrow Agent	2,500
Total	**$103,500**

Representatives of Davenport & Company will be present during Council's work session to make a presentation.

PRIOR ACTION(S): None

FISCAL IMPACT: Refunding bonds are long-term debt; this financing includes funding the issuance costs with the 2015 Refunding Bonds proceeds. Anticipated savings are estimated to be approximately $1.2 million or 8.1% over the life of the loan.

CONTACT(S): Donna S. Witt, Financial Services Director, 455-3968

ATTACHMENT(S): RFP Summary, Appropriation Resolution for Issuance Costs, Refunding Bond Resolution

REVIEWED BY: lkp

A RESOLUTION AUTHORIZING THE ISSUANCE OF CITY OF LYNCHBURG, VIRGINIA, GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2015, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED SIXTEEN MILLION DOLLARS ($16,000,000) FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND AND DEFEASE ALL OR A PORTION OF THE OUTSTANDING CITY OF LYNCHBURG, VIRGINIA, GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2005A; AUTHORIZING THE SALE OF SUCH SERIES 2015 BONDS; FIXING THE FORM, DENOMINATION AND CERTAIN OTHER DETAILS OF SUCH SERIES 2015 BONDS; PROVIDING FOR THE SALE OF SUCH SERIES 2015 BONDS AND DELEGATING TO THE CITY MANAGER CERTAIN POWERS WITH RESPECT THERETO; AUTHORIZING THE APPOINTMENT OF AN ESCROW AGENT; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT BY AND BETWEEN THE CITY AND SUCH ESCROW AGENT AND THE PURCHASE OF THE SECURITIES TO BE HELD THEREUNDER; AUTHORIZING THE APPOINTMENT OF A VERIFICATION AGENT; AND AUTHORIZING THE DESIGNATION OF THE REFUNDED SERIES 2005A BONDS FOR REDEMPTION

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA, AS FOLLOWS:

SECTION 1. The Council of the City of Lynchburg, Virginia (the “City”), hereby finds and determines as follows:

(a) Pursuant to Chapter 26 of Title 15.2 of the Code of Virginia, 1950, the same being the Public Finance Act of 1991 (the “Public Finance Act of 1991”), and a resolution duly adopted by the Council (the “Council” or this “Council”) of the City on February 8, 2005, there were authorized to be issued, sold and delivered the City’s Thirty-Three Million One Hundred Five Thousand Dollars ($33,105,000) principal amount of General Obligation Public Improvement Refunding Bonds, Series 2005A, dated March 16, 2005 and maturing in varying amounts on June 1 in each of the years 2007 through 2025 and on June 1, 2030 (the “Series 2005A Bonds”).

(b) The City has been advised by the City’s Financial Advisor that the refunding and defeasing of all or a portion of the outstanding Series 2005A Bonds would result in annual debt service cost savings to the City.

(c) The Council desires to authorize the issuance and sale of General Obligation Public Improvement Refunding Bonds of the City to provide funds to refund and defease all or a portion of the outstanding Series 2005A Bonds (the portion of the outstanding Series 2005A Bonds to be refunded and defeased being referred to hereinafter as the “Refunded Bonds”).

(d) Pursuant to the Public Finance Act of 1991, the City is authorized to issue refunding bonds to refund and defease the Refunded Bonds.

(e) In the judgment of this Council, it is necessary and expedient to authorize the issuance and sale of not to exceed Sixteen Million Dollars ($16,000,000) principal amount of City of Lynchburg, Virginia, General Obligation Public Improvement Refunding Bonds, Series 2015, for the purpose of providing funds to refund and defease the Refunded Bonds and to pay certain costs related to the issuance of such Bonds.

SECTION 2. (a) Pursuant to the Public Finance Act of 1991, there are hereby authorized to be issued not to exceed Sixteen Million Dollars ($16,000,000) principal amount of City of Lynchburg, Virginia, General Obligation Public Improvement Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), for the purpose of providing funds to refund and defease the Refunded Bonds and to pay certain costs related to the issuance of the Series 2015 Bonds.

(b) (i) The Council hereby approves the sale of the Series 2015 Bonds in a private placement and hereby delegates to the City Manager the authority, without further action of this Council, to select the purchaser (the "Purchaser") of the Series 2015 Bonds in such private placement and to sell the Series 2015 Bonds to the Purchaser; *provided* that in no event shall (i) the principal amount of the Series 2015 Bonds exceed Sixteen Million Dollars ($16,000,000), (ii) the final maturity of the Series 2015 Bonds exceed twenty (20) years from the date of the Series 2015 Bonds, (iii) the premium payable upon the optional redemption or prepayment of the Series 2015 Bonds exceed two percent (2%) or (iv) the true interest cost payable by the City in respect of the Series 2015 Bonds exceed three percent (3%). The Series 2015 Bonds may be issued and sold only if the refunding of the Refunded Bonds will result in net present value savings to the City of not less than three percent (3%).

(ii) The Series 2015 Bonds shall be issued as fully-registered bonds and shall be numbered from No. R-1 upwards in order of issuance. The City Manager is hereby authorized, without further action of this Council, to determine (i) the date of the Series 2015 Bonds, (ii) the aggregate principal amount of the Series 2015 Bonds, (iii) the dates on which principal of the Series 2015 Bonds shall be payable and the principal amount of the Series 2015 Bonds payable on each such date, (iv) the dates on which interest on the Series 2015 Bonds shall be payable and the basis for calculating the interest on the Series 2015 Bonds, and (v) the date or dates on which the Series 2015 Bonds shall be subject to optional redemption or prepayment and the premium, if any, payable upon the optional redemption or prepayment of the Series 2015 Bonds, and the provisions for giving notice of the optional redemption or prepayment of the Series 2015 Bonds.

SECTION 3. (a) The Series 2015 Bonds shall be executed, for and on behalf of the City, by the manual or facsimile signature of the Mayor of the City and shall have an impression of the corporate seal of the City or a facsimile thereof embossed or imprinted thereon, attested by the manual or facsimile signature of the Clerk of Council of the City. The certificate of authentication on the Series 2015 Bonds shall be manually executed by the Director of Financial Services, as Registrar and Paying Agent for the Series 2015 Bonds (the "Registrar and Paying Agent").

(b) The execution of the Series 2015 Bonds in the manner above set forth is adopted as a due and sufficient authentication of the Series 2015 Bonds.

SECTION 4. (a) The principal of and interest on the Series 2015 Bonds shall be payable in such coin or currency of the United States of America as at the respective dates of payment thereof is legal tender for public and private debts.

(b) Interest on the Series 2015 Bonds shall be payable by wire transfer by the Registrar and Paying Agent to the registered owner of the Series 2015 Bonds at the wire transfer address provided by the registered owner of the Series 2015 Bonds to the Registrar and Paying Agent.

(c) Principal of the Series 2015 Bonds shall be payable by wire transfer to the registered owner of the Series 2015 Bonds at the wire transfer address provided by the registered owner of the Series 2015 Bonds to the Registrar and Paying Agent; *provided, however,* the final installment of principal of any Series 2015 Bond shall be payable upon presentation and surrender of such Series 2015 Bond at the office of the Registrar and Paying Agent.

SECTION 5. The full faith and credit of the City are irrevocably pledged to the punctual payment of the principal of and interest on the Series 2015 Bonds as the same become due. In each year while any of the Series 2015 Bonds are outstanding and unpaid, the Council shall be authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Series 2015 Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

SECTION 6. The City covenants and agrees that it shall comply with the provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "1986 Code") and the applicable Treasury Regulations promulgated under such Sections 103 and 141-150 so long as any of the Series 2015 Bonds are outstanding.

SECTION 7. The Series 2015 Bonds shall be in such form as shall be approved by the City Manager.

SECTION 8. (a) Subject to the issuance, sale and delivery of the Series 2015 Bonds pursuant to this Resolution for the purpose of refunding and defeasing the Refunded Bonds and paying certain costs related to the issuance of the Series 2015 Bonds, this Council hereby designates for redemption on such date as shall be determined by the City Manager or the Deputy City Manager the Refunded Bonds selected for refunding by the City Manager or the Deputy City Manager. The City Manager or the Deputy City Manager is hereby authorized and directed to appoint a bank or trust company to serve as Escrow Agent, if necessary, and to deliver to such Escrow Agent or applicable City officials irrevocable written instructions to give notice, or to cause such notice to be given, in the name and on behalf of the City, to the registered owners of the Refunded Bonds of the redemption of the Refunded Bonds on the date fixed for the redemption thereof, such notice to be given in the manner and at the time or times provided in proceedings authorizing the issuance of the Refunded Bonds. The City Manager or the Deputy City Manager is hereby further authorized and directed to appoint a verification agent, if necessary, in connection with effecting the redemption of the Refunded Bonds. The

City Manager and the Deputy City Manager are hereby authorized to take all such actions as they shall deem to be necessary or desirable to effect the redemption of the Refunded Bonds.

(b) The City Manager or the Deputy City Manager is hereby authorized and directed to execute and deliver an Escrow Deposit Agreement by and between the City and the Escrow Agent in such form as shall be approved by the City Manager or the Deputy City Manager upon the advice of counsel (including the City Attorney or Bond Counsel), such approval to be conclusively evidenced by the execution of the Escrow Deposit Agreement by the City Manager or the Deputy City Manager.

(c) The City Manager and the Deputy City Manager, or either of them, are hereby authorized to execute, on behalf of the City, subscriptions for United States Treasury Obligations - State and Local Government Series, if any, to be purchased by the Escrow Agent from moneys deposited in the Escrow Deposit Fund created and established under any Escrow Deposit Agreement. Such United States Treasury Obligations - State and Local Government Series, if any, so purchased shall be held by the Escrow Agent under and in accordance with the provisions of the related Escrow Deposit Agreement. The City Manager and Deputy City Manager, or either of them, are hereby authorized to enter into such purchase agreements, including forward supply agreements, if any, as shall be required in connection with the purchase by the Escrow Agent, from moneys deposited in the Escrow Deposit Fund created and established under any Escrow Deposit Agreement, of Government Securities (as defined in the Escrow Deposit Agreement) other than United States Treasury Obligations - State and Local Government Series.

SECTION 9. All actions and proceedings heretofore taken by this Council, the City Manager, the Deputy City Manager, the Director of Financial Services and the other officers, employees, agents and attorneys of the City in connection with the authorization, issuance and sale of the Series 2015 Bonds are hereby ratified, confirmed and approved.

SECTION 10. The City Attorney of the City is directed to file a copy of this Resolution, certified by the Clerk of Council of the City to be a true and correct copy hereof, with the Circuit Court of the City in accordance with Section 15.2-2607 of the Code of Virginia, 1950.

SECTION 11. All ordinances, resolutions and other proceedings in conflict herewith are, to the extent of such conflict, repealed.

SECTION 12. This Resolution shall take effect upon its adoption.

Adopted:

Certified: __________________________

Clerk of Council

012K

RESOLUTION:

BE IT RESOLVED THAT the FY 2015 General, Water and Sewer Funds' Adopted Budgets are amended; and $71,000, $15,008 and $17,492 are appropriated respectively with resources of $103,500 from refunding bond proceeds to fund issuance costs related to the General Obligation Public Improvement Refunding Bonds, Series 2015. City Administration is authorized to realign appropriations for issuance costs among the Funds as necessary due to this refunding. City Administration also is authorized to record appropriations associated with underwriter's discounts and expenses as determined with the bond sale and funded with bond proceeds.

Introduced: Adopted:

Certified: ______________________________
Clerk of Council

013K

Direct Bank Loan Solicitation

- On Wednesday, January 28, 2015, Davenport & Company on behalf of the City of Lynchburg, Virginia (the "City"), distributed a Request for Proposal ("RFP") to local, regional and national lending institutions for a tax-exempt non-bank qualified general obligation bond up to $14,000,000.
  - The RFP was distributed to refinance the City's outstanding Series 2005A General Obligation Bonds.
- On Thursday, February 12th, Davenport received proposals from the following lending institutions:
  - American National
  - Bank of America
  - Capital One Bank
  - First Bank & Trust
  - Huntington National Bank
  - J.P. Morgan
  - Key Bank
  - Pinnacle Public Finance
  - Wells Fargo

	American National	Bank of America	Capital One	First Bank & Trust	Huntington National (1)	J.P. Morgan	Key Bank	Pinnacle	Wells Fargo
Option 1	1.60%	1.56%	1.89%	2.69%	1.92% or 1.98%	1.48%	1.57%	1.82%	1.70%
Option 2	2.34%	2.62%	3.09%	2.69%(2)	3.04% or 3.19%	N/A	2.92%(2)	2.58%	N/A
Option 3	2.10%	2.15%	N/A	2.69%(2)	2.88% or 3.04%	N/A	N/A	2.32%	N/A

(1) Interest Rate selected based upon the optional redemption language selected by the County.
(2) Interest Rate is not fixed until final maturity.

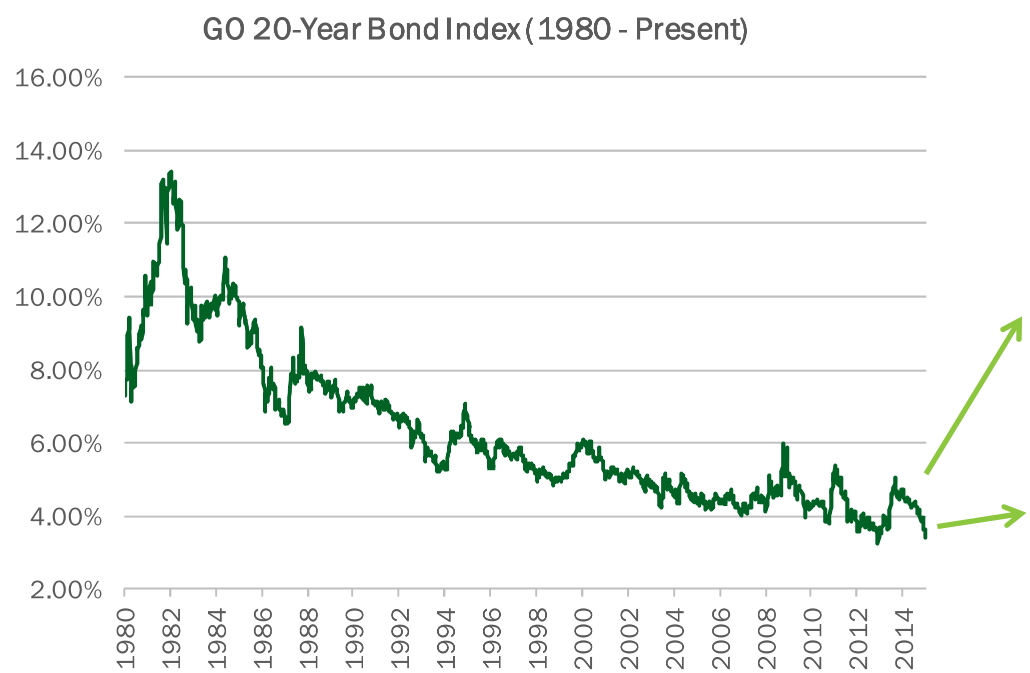
City of Lynchburg, Virginia

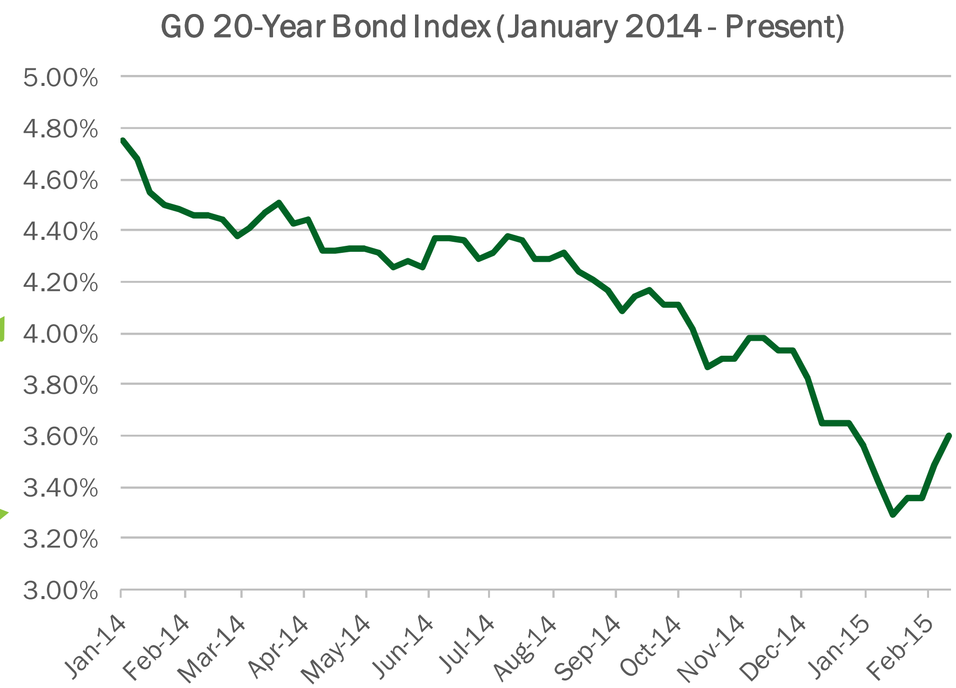
Summary of Bids Received for Tax Exempt Non-Bank Qualified General Obligation Bonds, Series 2015

February 24, 2015

Recent Interest Rate Trends

- Tax-exempt interest rates remain near all-time lows and have started trending higher through the beginning of 2015.
- Estimated debt service savings are projected to be approximately $1.18 million or 8.13% Net Present Value Savings.





The "20-Bond Index" shown above consists of 20 tax-exempt bonds with an average rating of 'Aa2'/'AA' (Moody's / S&P) that mature in 20 years and serves as a general indicator of prevailing interest rates for tax-exempt borrowers..

Direct Bank Loan Solicitation

- On Wednesday, January 28, 2015, Davenport & Company on behalf of the City of Lynchburg, Virginia (the "City"), distributed a Request for Proposal ("RFP") to local, regional and national lending institutions for a tax-exempt non-bank qualified general obligation bond up to $14,000,000.
  - The RFP was distributed to refinance the City's outstanding Series 2005A General Obligation Bonds.
- On Thursday, February 12th, Davenport received proposals from the following lending institutions:
  - American National
  - Bank of America
  - Capital One Bank
  - First Bank & Trust
  - Huntington National Bank
  - J.P. Morgan
  - Key Bank
  - Pinnacle Public Finance
  - Wells Fargo

	American National	Bank of America	Capital One	First Bank & Trust	Huntington National (1)	J.P. Morgan	Key Bank	Pinnacle	Wells Fargo
Option 1	1.60%	1.56%	1.89%	2.69%	1.92% or 1.98%	1.48%	1.57%	1.82%	1.70%
Option 2	2.34%	2.62%	3.09%	2.69%(2)	3.04% or 3.19%	N/A	2.92%(2)	2.58%	N/A
Option 3	2.10%	2.15%	N/A	2.69%(2)	2.88% or 3.04%	N/A	N/A	2.32%	N/A

(1) Interest Rate selected based upon the optional redemption language selected by the City..
(2) Interest Rate is not fixed until final maturity.

Summary of Top Proposal

- American National Bank & Trust's Proposal offers the following terms and conditions:

American Nation Bank & Trust Bank Proposal	
Refunding of Series 2005A General Obligation Bonds	
Amount:	Up to $14,000,000
Rate:	Option 1: 1.60% Fixed Until Final Maturity Option 2: 2.34% Fixed Until Final Maturity
Call Date:	Anytime
Prepayment Penalty:	1.00% if the prepayed amount is greater than $8 million or within 5 years of the closing date.
Closing Costs:	$12,000 plus Cost of Lender's Counsel
Subject to Credit Approval:	Yes
Additional Covenants:	City Maintains at least a Aa2/AA+ Credit Ratings

Recommendation & Rationale

- Davenport recommends the City accept the 1.60% Option 1 rate and 2.34% Option 2 rate from American Nation Bank to refund the City's Series 2005A General Obligation Bonds. This recommendation is based upon the following:

  – The 1.60% Option 1 rate and the 2.34% Option 2 interest rate provide the lowest <u>blended</u> interest rate bid when combined that is fixed until final maturity;

  – The interest rate is not subject to change between now and the funding date;

  – Generates greater cash flow savings in the early years to alleviate the overall debt service burden;

  – Prepayment flexibility (a potential maximum 1.00% fee if certain provisions are met); and,

  – Although the City received lower interest rate bids for the Option 1 portion of the Request for Proposal, the lower bids had an interest rate was either not fixed until the funding date or the additional costs of issuance associated with involving a second bank with a lower interest rate for Option 1 would negate any potential additional debt service savings achieved by the lower interest rate.

Estimated Refunding Results

Summary of Bonds Refunded	Option 1	Option 2
Coupon(s)	3.90-5.25%	4.00-5.25%
Maturities Refunded	2016 – 2020	2016 – 2030
Par Refunded	$9,375,000	$3,665,000
Call Date	6/1/2015	6/1/2015

Summary of Refunding Results

Series	Option 1	Option 2	Total
Gross Savings	$538,055	$640,762	$1,178,817
Present Value Savings	$509,433	$550,267	$1,059,700
Percent Savings	5.43%	15.03%	8.13%
Negative Arbitrage	$42,208	$16,469	$58,677

	Series 2005A Bond Prior Bond Debt Service			Series 2015 Refunding Bond Option 1 & Option 2			Debt Service Savings
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Total
2015	$0	$304,675	$304,675	$208,000	$53,348	$261,348	$43,327
2016	3,115,000	609,350	3,724,350	3,342,000	239,420	3,581,420	142,930
2017	2,985,000	445,813	3,430,813	3,103,000	184,416	3,287,416	143,397
2018	2,305,000	298,763	2,603,763	2,327,000	133,266	2,460,266	143,497
2019	905,000	195,038	1,100,038	862,000	94,561	956,561	143,476
2020	940,000	158,838	1,098,838	876,000	79,326	955,326	143,511
2021	230,000	121,238	351,238	245,000	63,882	308,882	42,356
2022	240,000	112,038	352,038	252,000	58,149	310,149	41,889
2023	250,000	102,138	352,138	258,000	52,252	310,252	41,885
2024	260,000	91,825	351,825	264,000	46,215	310,215	41,610
2025	270,000	80,775	350,775	269,000	40,037	309,037	41,738
2026	280,000	69,300	349,300	274,000	33,743	307,743	41,557
2027	295,000	56,700	351,700	282,000	27,331	309,331	42,369
2028	310,000	43,425	353,425	291,000	20,732	311,732	41,693
2029	320,000	29,475	349,475	294,000	13,923	307,923	41,552
2030	335,000	15,075	350,075	301,000	7,043	308,043	42,032
Total	**$13,040,000**	**$2,734,463**	**$15,774,463**	**$13,448,000**	**$1,147,645**	**$14,595,645**	**$1,178,817**

All numbers are preliminary, subject to change and net of estimated costs of issuance.
Assumes direct bank loan closing February 26, 2015.

Next Steps

Date		Action
January 28, 2015	✓	Davenport Distributed Request for Proposals to Local, Regional and National Banking Institutions
February 12, 2015	✓	Davenport Received Responses to the City's Request for Proposals
February 24, 2015		City Council Meeting: Davenport to present Request for Proposals Results and City Council Takes Official Action Approving Necessary Financing Documents
Week of March 2		Bond Counsel Finalizes Necessary Financing Documents
Week of March 9		Close on Series 2015 General Obligation Refunding Bonds

Appendix

City of Lynchburg, Virginia

Detailed Bid Overview

	American National Bank			Bank of America			Capital One Public Funding	
	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2
Amount	$14,000,000			$14,000,000			$14,000,000	
Term	5 Years	15 Years		5 Years	15 Years		5 Years	15 Years
Interest Rate	**1.600%**	**2.340%**	**2.100%**	**1.560%**	**2.620%**	**2.150%**	**1.890%**	**3.090%**
Rate Fixed	**5 Years**	**15 Years**	**15 Years**	**5 Years**	**15 Years**	**15 Years**	**5 Years**	**15 Years**
Rate Reset/Put	None			None			None	
Reset Calculation	None			None			None	
Call Date	Anytime			Anytime with 14 days notice			6/1/2018	6/1/2023
Prepayment Penalty	1% if prepaid in first five year or more than $8 million in par amount			None			None	
Bank / Legal Fees	$12,000			None			None	
Accept By	Not Specified			2/17/2015			2/20/2015	
Close By	Not Specified			4/12/2015			3/13/2015	
Subject to Credit Approval?	Yes			Yes; within 10 days of acceptance.			Yes, within one week	

Detailed Bid Overview

	First Bank & Trust			Huntington National Bank			Huntington National Bank		
	Option 1	Option 2	Option 3	Option 1A	Option 2A	Option 3A	Option 1B	Option 2B	Option 3B
Amount	$14,000,000			$14,000,000			$14,000,000		
Term	5 Years	15 Years		5 Years	15 Years		5 Years	15 Years	
Interest Rate	**2.690%**	**2.690%**	**2.690%**	**1.920%**	**3.040%**	**2.880%**	**1.980%**	**3.190%**	**3.040%**
Rate Fixed	**5 Years**	**5 Years**	**5 Years**	**5 Years**	**15 Years**	**15 Years**	**5 Years**	**15 Years**	**15 Years**
Rate Reset/Put	Rate Reset Every 5th Year			None			None		
Reset Calculation	5-Year Treasury plus 1.40%			None			None		
Call Date	Not Specified			Non-Callable			6/1/2018	6/1/2025	6/1/2025
Prepayment Penalty	Not Specified			N/A			None		
Bank / Legal Fees	Not Specified			Cost of Purchaer's Counsel			Cost of Purchaer's Counsel		
Accept By	2/20/2015			2/24/2015			2/24/2015		
Close By	Not Specified			3/9/2015			3/9/2015		
Subject to Credit Approval?	Yes; within 3 days of acceptance.			Subject to Rate Lock			Subject to Rate Lock		

Detailed Bid Overview

	J.P. Morgan	Key Government Finance		Pinnacle Public Finance			Wells Fargo
	Option 1	Option 1	Option 2	Option 1	Option 2	Option 3	Option 1
Amount	$11,000,000	$14,000,000		$14,000,000			$11,000,000
Term	5 Years	5 Years	15 Years	5 Years	15 Years		5 Years
Interest Rate	**1.480%**	**1.570%**	**2.920%**	**1.820%**	**2.580%**	**2.320%**	**1.700%**
Rate Fixed	**5 Years**	**5 Years**	**10 Years**	**5 Years**	**15 Years**	**15 Years**	**5 Years**
Rate Reset/Put	None	6/1/2025		None			None
Reset Calculation	None	Not Specified		None			None
Call Date	Non-Callable	6/1/2018	6/1/2020	12/1/2020			Non-Callable
Prepayment Penalty	N/A	60 days notice		None			N/A
Bank / Legal Fees	$10,000	Cost of Lender's Counsel		Cost of Lender's Counsel ($4,000)			Cost of Lender's Counsel
Accept By	Not Specified	3/13/2015		Not Specified			Not Specified
Close By	Not Specified	3/13/2015		3/15/2015			3/12/2015
Subject to Credit Approval?	Yes	Yes, within 3-5 days		Yes			Yes

Contact Information

Richmond — Headquarters

One James Center
901 East Cary Street,
Suite 1100,
Richmond, Virginia 23219

Telephone:
(804) 780-2000

Toll-Free:
(800) 846-6666

E-Mail:
info@investdavenport.com

Courtney Rogers

Senior Vice President

804-697-2902

crogers@investdavenport.com

David Rose

Senior Vice President, Manager of Public Finance

804-697-2905

drose@investdavenport.com

Disclaimer

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons,

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 01/13/2014 DJG/CR

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **February 24, 2015** AGENDA ITEM NO.: 2 & 6

CONSENT: REGULAR: **X** WORK SESSION: **X** CLOSED SESSION: (Confidential)

ACTION: **X** INFORMATION:

ITEM TITLE: **Work Session Discussion and Public Hearing on Freedom Aviation's Request to Assume The Former Virginia Aviation Lease of Facilities at the Lynchburg Regional Airport**

RECOMMENDATION: Deny a request by Freedom Aviation for City Council to approve the assignment of the former Virginia Aviation lease of airport facilities to Freedom Aviation and waive or amend specific lease language that automatically terminated Virginia Aviation's lease in the event of a sale. Concurrently, authorize the Airport management to provide exclusive fueling services to commercial and military aircraft and limited Fixed Base Operator (FBO) services, specifically retail fueling and aircraft storage hangar services, to the General Aviation community.

SUMMARY: In June of 2014 Freedom Aviation purchased Virginia Aviation. Since that time Freedom Aviation has been providing Fixed Base Operator (FBO) services at Lynchburg Regional Airport utilizing both its own facilities and those formerly leased by Virginia Aviation from the Airport. The City has allowed this arrangement to proceed on a month-to-month basis until Freedom Aviation's request to assume the former Virginia Aviation lease for the remainder of its term is decided by City Council. The Lynchburg Regional Airport Commission has recommended against the assignment of the lease and has expressed its preference that the City exercise its exclusive rights to fuel commercial and military aircraft and that Airport management also provide limited FBO services to the General Aviation community.

With the exception of one hangar constructed by Falwell Aviation and subject to a long-term ground lease, all of the facilities on the airport are owned by the City. The facilities were funded through a combination of local, state and predominantly federal resources. The receipt of federal funds is conditioned on certain assurances, mandated by the Federal Aviation Administration (FAA), that the Airport will maximize revenues from airport leases and operations and that it will not hinder competition. All revenues generated by the Airport must remain with the Airport to support its operational costs and the Airport operates as an enterprise fund of the City. Since 1997 the City has supported Airport operations through an annual subsidy from the General Fund. The subsidy will be eliminated in FY 2016 and the Airport will be self-sustaining.

Two options are before City Council:

- **Option #1**—Airport management provides limited FBO services, including the exclusive fueling of commercial and military aircraft, with Freedom Aviation retaining certain retail fueling rights.

- **Option #2**—Freedom Aviation assumes the Virginia Aviation lease through June 2017 and obtains all fueling rights at the airport, subject to the retention of some facilities (Hangar 1, Hangar 3 with its associated offices, and Hangar 6) by the Airport, and increased lease payments for the remaining facilities. The fuel farm would continue to be leased to Freedom Aviation on a month-to-month basis, pending further review of its operations. A new lease would need to be negotiated for any term beyond June 2017.

The Lynchburg Regional Airport Commission has recommended Option #1.

Discussion regarding the two options has focused on several issues:

- Whether or not it is appropriate for a public airport to provide services that can be provided by the private sector.
- Concerns about turning over exclusive control of certain aeronautical services (fueling) and

public facilities to a private entity and possible barriers to future competition being created.
- The relationship of the Liberty University School of Aeronautics to Freedom Aviation with associated benefits or detriments.
- Providing quality service to both commercial aviation and the General Aviation community.
- The financial costs and benefits to the Airport of each option.

For some whether or not the Airport should provide FBO services is a philosophical question that may not be swayed by financial analysis. Many municipalities provide FBO services and many utilize the private sector. There are a number of factors that affect a decision on who will provide FBO services and each airport is unique.

Anecdotal evidence from municipalities that operate FBO's is that there is a financial benefit to the airport in doing so. In an attempt to determine the financial feasibility of the Airport providing limited FBO services, C.E. Strock Consulting was tasked with quantifying the potential costs and revenues. Its report, which was presented to the Airport Commission and is attached, indicated a positive cash flow of between $400,000 and $800,000 a year. Freedom Aviation subsequently commissioned another consultant, Philip Solomon, who challenged the assumptions in the Strock report and estimated annual positive cash flow of approximately $150,000. Freedom Aviation's report, which includes the Solomon work as well as information on economic impact from Fletcher Magnum, is also attached. Different assumptions regarding fuel volume, price markup, and the costs of personnel, equipment and insurance formed the basis of the different conclusions. What is clear, however, is that revenues derived from aircraft fuel sales have always been a source of high profit margins at most airports, including Lynchburg Regional. City Council will have the opportunity to discuss both reports during its work session.

There are a number of associated issues that will remain to be resolved depending on Council's decision:

- **<u>For Option #1</u>:** Development and implementation of a transition plan for the Airport to assume limited FBO services; negotiation of a lease with Freedom Aviation for any facilities formerly leased by Virginia Aviation that it may wish to utilize.

- **<u>For Option #2</u>:** Renegotiation of a lease with Freedom Aviation reflecting the retention of some facilities by the Airport and new lease rates for the other facilities; amendment of the Falwell/Freedom Aviation franchise agreement to allow fueling of commercial airline and military aircraft; a decision on what to do about the General Aviation terminal, of which only a small percentage is leasable space; an understanding of Freedom Aviation's plans to fully absorb Virginia Aviation in the merger, particularly if a new business entity will result; the development of any appropriate performance standards related to issues such as fuel prices, hangar space, General Aviation services and customer satisfaction.

- **<u>For either option</u>:** Further analysis of the introduction of self-service fueling, or comparable options, for General Aviation; amendment/relaxation of the minimum standards for FBO services.

Freedom Aviation representatives, City staff and consultants will be present to discuss this matter with City Council during its work session. If Council concurs, a staff presentation (outline attached) will be followed by a presentation from Freedom Aviation (draft attached) and then Council can guide the discussion as it wishes.

A public hearing to receive comments from interested parties is scheduled for Council's regular session at 7:30 p.m. Staff and the petitioner will make short presentations to set the stage for public comment. After the public hearing, the matter will rest with Council.

<u>PRIOR ACTION(S):</u>

May 19, 2014	Lynchburg Regional Airport Commission public hearing and recommendation against the request of Freedom Aviation to assume the Virginia Aviation lease
June 24, 2014	City Council public hearing

September 23, 2014	City Council update
October 27, 2014	Lynchburg Regional Airport Commission public hearing and recommendation that the Airport provide limited FBO services

FISCAL IMPACT: There are differing opinions regarding the potential fiscal impact. Estimated positive cash flow to the Airport from commercial and military fueling operations and limited FBO services range from $150,000 to >$400,000 annually. Estimated revenue if Freedom Aviation assumed the Virginia Aviation lease would be $300,000 or more depending on revised lease rates.

CONTACT(S): Kimball Payne, City Manager, 455-3990; Mark Courtney, Airport Director, 455-6089

ATTACHMENT(S): Agenda packages from City Council's June 24th and September 23rd, 2014 meetings; Virginia Aviation Leasehold Options (October 2014); Airport-Operated Limited FBO Report by C. E. Strock Consulting (Oct. 2014); Freedom Aviation Presentation (Oct. 27, 2014); Freedom Aviation – Modified Option 2 Proposal Summary (Oct. 27, 2014); Minutes of the Lynchburg Regional Airport Commission special meeting of October 27, 2014; Freedom Aviation/Virginia Aviation Report (Feb. 3, 2015); DRAFT FA/VA Council Presentation for Feb. 24, 2015; Airport FBO Case Outline (Courtney, Feb. 2015).

REVIEWED BY: lkp

014K

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **June 24, 2014** AGENDA ITEM NO.: 10

CONSENT: REGULAR: **X** WORK SESSION: CLOSED SESSION: (Confidential)

ACTION: **X** INFORMATION:

ITEM TITLE: **Public Hearing – Virginia Aviation/Freedom Aviation Request to Assign Lease upon Sale**

RECOMMENDATION: Deny a joint request by Freedom Aviation and Virginia Aviation, the two authorized retail aviation service companies at Lynchburg Regional Airport (LYH), that City Council approve an assignment of Virginia Aviation's lease to Freedom Aviation as part of a Stock Purchase Agreement, and waive or amend specific lease language that automatically terminates Virginia Aviation's current lease in the event of such a sale.

SUMMARY: By letter dated April 11, 2014, the City was notified by Virginia Aviation's attorney that an agreement had been reached between Virginia Aviation and Freedom Aviation (subsidiary of Liberty University) whereby Freedom Aviation would acquire all interest in Virginia Aviation. Since such an acquisition would automatically terminate Virginia Aviation's Lease of Property at LYH pursuant to Article XIII its lease, the parties have requested that the City waive enforcement of the lease termination provision, and also approve the assignment of the lease to Freedom Aviation.

There is a statutory requirement for a public hearing prior to amending a Lease of Property. Airport Director Mark Courtney will make a staff presentation prior to the public hearing.

PRIOR ACTION(S):

June 24, 2008	City Council approval of Lease of Property with Virginia Aviation for five-year term with a second five-year option.
July 1, 2013	Second five-year option period approved by Council and executed.
April 22, 2014	City Council considered the sale request in Closed Meeting; requested the Airport Commission review and make a recommendation to City Council.
May 19, 2014	Airport Commission voted to recommend **disapproval** of the request at Special Meeting.

FISCAL IMPACT: Impact varies depending upon final outcome.

CONTACT(S): L. Kimball Payne, City Manager, 455-3990 Mark F. Courtney, Airport Director, 455-6090

ATTACHMENT(S):

1) Letter from Edmunds & Williams representing Virginia Aviation re Assignment of Lease to Freedom Aviation
2) Article XIII of Virginia Aviation's lease containing "automatic termination language."
3) History of FBO Leases at Lynchburg Regional Airport
4) Virginia Aviation and Freedom Aviation leasehold drawings; properties if combined.
5) May 29, 2013 letter from City Manager to Dave Young regarding Freedom unsolicited offer.
6) May 19, 2014 Airport Commission Special Meeting minutes.

REVIEWED BY: lkp

084K

EDMUNDS & WILLIAMS

BANK OF THE JAMES BUILDING
828 Main Street, 19th Floor
Lynchburg, Virginia 24504
Telephone: (434) 846-9000
Facsimile: (434) 846-0337
www.ewlaw.com

RESPOND TO:
P.O. Box 958
Lynchburg, Virginia 24505-0958

April 11, 2014

L. Kimball Payne, III
City Manager
City of Lynchburg, Virginia
900 Church Street
Lynchburg, VA 24504

Re: Lease of Property – Aircraft Hangars, Offices and General Aviation Terminal dated July 1, 2013 by and between City of Lynchburg and Aviation Resources, Inc. dba Virginia Aviation (the "Lease")

Dear Kim:

This firm represents Aviation Resources, Inc., a Virginia corporation doing business as Virginia Aviation ("VA Aviation"), and James R. Walker, the sole shareholder of VA Aviation ("Mr. Walker"). VA Aviation, Mr. Walker and Falwell Aviation, Inc., a Virginia corporation doing business as Freedom Aviation ("Freedom Aviation"), have entered into a Stock Purchase Agreement pursuant to which Freedom Aviation will acquire VA Aviation from Mr. Walker (the "Contemplated Transaction"). Freedom Aviation is represented by Judy Lin Bristow of Williams Mullen.

On behalf of our respective clients, we request that the City of Lynchburg approve the assignment of the Lease from VA Aviation to Freedom Aviation (the "Approval"). The Approval is required by the terms of the Stock Purchase Agreement in order for the parties to close the Contemplated Transaction. **The parties have agreed to close the Contemplated Transaction within 45 days of receiving the Approval.**

Should you have any questions or require any additional information please do not hesitate to contact either Judy Bristow or me. We thank you in advance for your consideration in this matter.

Sincerely yours,

Edmunds & Williams, P.C.

By ______________________
Robert C. Wood, III

RCWIII:mmh
cc: Walter C. Erwin, III, City Attorney
James R. Walker, Virginia Aviation
David L. Young, Freedom Aviation

The foregoing request for the Approval is being made on behalf of Freedom Aviation:

By: ______________________
Judy Lin Bristow
Williams Mullen, P.C.
200 S. 10th Street, 16th FL
Richmond, VA 23219
Phone: 804-420-6476
Email: jbristow@williamsmullen.com

perform, keep or observe any of the terms, covenants or conditions hereof to be performed, kept and observed.

ARTICLE XIII - ASSIGNMENT OR TRANSFER OF AGREEMENT

It is agreed and understood that this Lease Agreement is personal to Virginia Aviation. Therefore, the Lessee shall not at any time assign, sell or transfer this Lease Agreement or any part thereof during the term of the Agreement. Further, in the event that Virginia Aviation is sold, consolidated, merges or is acquired by another entity, this Lease Agreement shall automatically terminate. However, the Lessee's interest in this Agreement shall not inure to the benefit of any successor in interest of the Lessee, as a result of the merger, consolidation or other reorganization of the Lessee, without the participation by such successor in the RFP or bid process, if such participation is required by the Minimum Standards. Under no circumstances shall the Lessee be relieved of any of its obligations hereunder by any such transfer.

The above provisions of this Article are not intended to prohibit the Lessee from entering into a sub-lease agreement consistent with the requirements set forth in the airport's Minimum Standards. However, any aeronautical service(s) offered to the public by a sub-lessee, whether that service is authorized in this Agreement or not, must follow the applicable procedures as contained in the Airport's Minimum Standards for approval by the City prior to engaging in business activities. In the event the lessee enters into a sub-lease agreement for aeronautical service(s) that are not to be offered to the public (self-servicing), and such service(s) are specifically authorized by this Agreement, the lessee shall not be required to obtain prior approval of the City. The lessee, however, shall make copies of any such sub-lease agreement available to the City upon request.

No assignment or sublease shall in any way affect or diminish the Lessee's obligations to perform all of the terms, conditions and provisions contained in this Agreement. In the event the City and any of the surrounding localities establish an Airport Authority for the operation of the Lynchburg Regional Airport, the City shall have the right to assign this Agreement to the Airport Authority and said Airport Authority shall have the right to assume all of the City's rights and responsibilities under this Agreement

ARTICLE XIV - SURRENDER OF POSSESSION

Upon the expiration or termination of this Agreement, the Lessee's authority to use the Premises, rights and facilities herein granted shall cease, and the Lessee shall, upon such expiration or termination, promptly and in good condition, surrender the same to the City, ordinary wear and tear excepted.

Except as otherwise provided in this Agreement, all equipment and other personal property brought in, installed, or placed by the Lessee in, on, or about the Premises during the term of this Agreement shall be deemed to be personal and shall remain the property of the Lessee, and the Lessee shall have the right, at any time during the term of this Agreement and for a period of sixty (60) days after the expiration or termination hereof, to remove any or all of its property from the Premises; provided, however, the Lessee is not in default in its payment to City hereunder, and further subject to the Lessee's obligation to repair all damage, if any, resulting from such removal, and to make reasonable restoration of the Premises to the condition in which they existed prior to the Lessee's occupancy of said Premises. Any and all property not removed by the Lessee within sixty (60) days subsequent to the expiration or other termination of this Agreement shall, thereupon, become a part of the land on which it is located and title thereto shall be vested in City. The City may remove and/or dispose of such items without any liability to the City. Removal by the City shall not relieve the Lessee from its obligation to pay the cost of repairing damage to the Premises caused by the removal, or from its obligation to pay the cost of restoring the Premises to their pre-occupancy condition.

ARTICLE XV – NOTICES

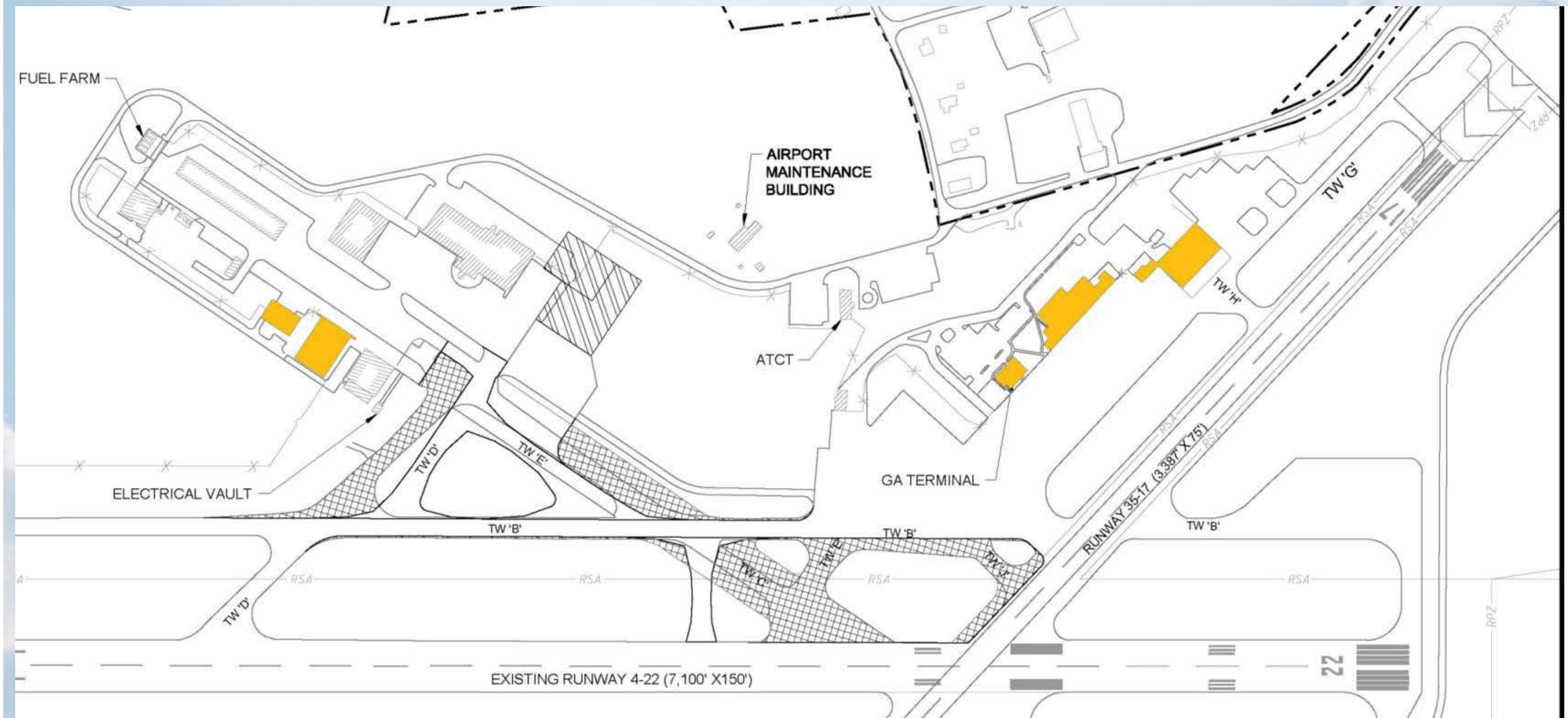
Notices to the Lessee provided for herein shall be sufficient if sent by Certified Mail, postage prepaid, addressed to the President of the Lessee or to such other representative persons or addressees as the Lessee may designate to

History of FBO Leases and Franchises at LYH (1998-2014)
Background Summary for Lynchburg Regional Airport Commission
April 29, 2014

Date	Virginia Aviation Facilities	ACA/Britannia/Falwell/Freedom Facilities
1998/99	Prior lease in place.	Atlantic Coast Airlines (United Express) vacates former Air Virginia airline facility.
July 1999	Through a competitive RFP process, Virginia Aviation (VA) awarded 5-yr FBO lease with 5-yr option by City Council.	
Feb. 2002		Britannia Aviation (SASO) – Awarded lease through competitive bid process; approved by City Council.
Sept. 2003		City Council approved assignment of Britannia lease to Aviation Technical Services.
Feb. 2004		City Council approved assignment of ATS lease to Falwell Aviation.
Jan. 2005		City Council approved lease amendment allowing Falwell Aviation to operate as an FBO, with restrictions (per Dec. 6, 2004 letter, limiting airline and all retail fuel sales).
April 2007		Falwell awarded 2nd 5-yr option.
July 2007		Falwell awarded 20-yr franchise (Based on Falwell constructing new 13,000 SF hangar).
July 2008	New 5-yr/5-yr option lease awarded to VA by City Council without competitive bid process (approved concurrent with 3-party fuel farm agreement below).	
July 2008	Unique 3-party lease agreement among Airport/VA/Freedom for sharing of the fuel farm approved by City Council. Specifically designed to maintain a competitive FBO environment at LYH.	
Jan. 2010		Falwell Aviation acquired by Liberty University as a subsidiary; d/b/a Freedom Aviation.
Feb. 2010	VA's Jim Lampman died; Steve Cuppy named interim president of VA; pursues sale.	
Feb. 2011	Virginia Aviation sold to Jim Walker.	
July 2013	Virginia Aviation 5-yr option exercised. i. To ensure that a competitive FBO environment would continue at LYH, previous assignment language was removed and two new provisions are inserted into the 5-year option lease language and agreed to by Jim Walker: a. …*the Lessee shall not at any time assign, sell or transfer this Lease Agreement or any part thereof during the term of the Agreement*; b. *Further, in the event that Virginia Aviation is sold, consolidated, merges or is acquired by another entity, this Lease Agreement shall automatically terminate*.	

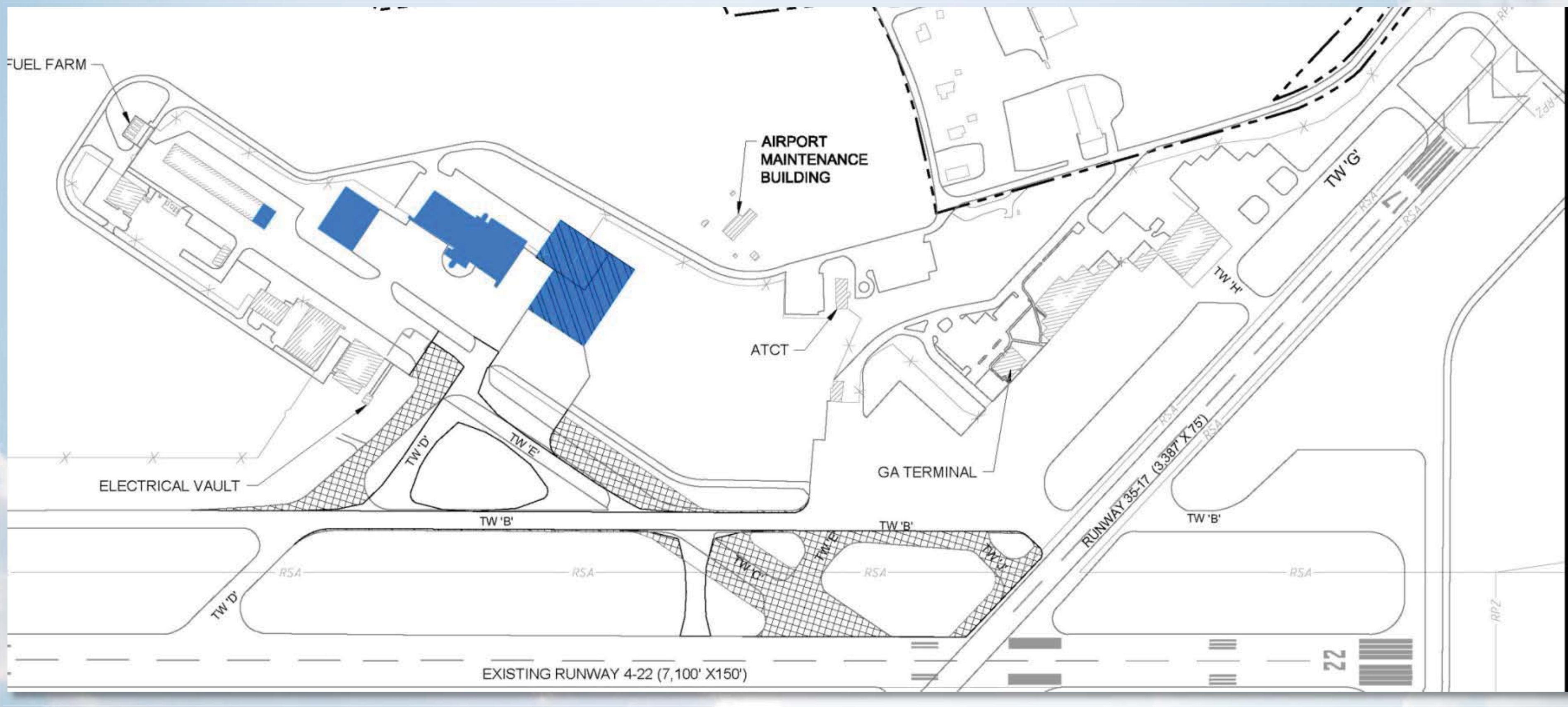
	ii. Council approves VA 5-yr option (despite unsolicited offer from Freedom Aviation to take over VA lease for more than twice what VA was paying).	
Oct. 2013		Freedom requests City Council to amend prohibition on airline fueling in its Franchise Agreement. Council tables pending further staff review.
Fall 2013 – Present		Freedom and Airport officials enter into formal negotiations for 73,041 SF land lease to allow Freedom to build new 14,250 SF hangar & adjoining apron.
Various/Ongoing	Airport/VA/Freedom negotiate to secure ability of Freedom to operate as a branded fuel dealer at LYH.	
April 2014		City Manager receives letter from attorney for Jim Walker notifying City that VA and Freedom Aviation have entered into a Stock Purchase Agreement and asking that VA lease be assigned to Freedom.

Virginia Aviation

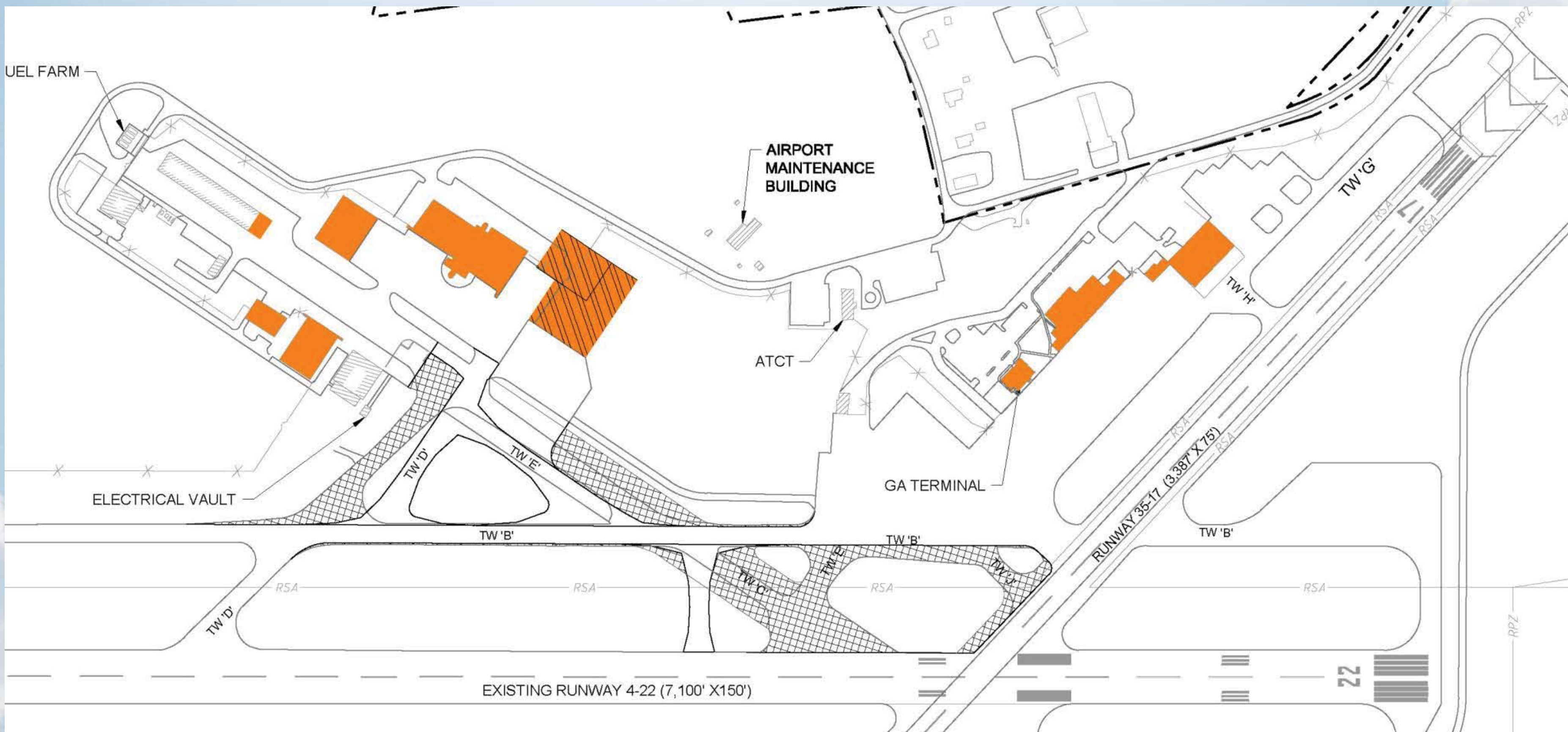


LYNCHBURG
REGIONAL AIRPORT

Freedom Aviation



Combined


UEL FARM
AIRPORT
MAINTENANCE
BUILDING
ATCT
ELECTRICAL VAULT
GA TERMINAL
TW 'G'
TW 'H'
TW 'D'
TW 'E'
TW 'B'
TW 'C'
TW 'J'
RSA
RPZ
RUNWAY 35-17 (3,387' X 75')
EXISTING RUNWAY 4-22 (7,100' X150')
17
22

THE CITY OF LYNCHBURG, VIRGINIA

900 Church Street, Lynchburg, VA 24504
www.lynchburgva.gov
TEL: 434-455-3990
FAX: 434-847-1536

OFFICE OF THE
CITY MANAGER

May 29, 2013

RECEIVED
MAY 30 2013
LYNCHBURG
REGIONAL AIRPORT

Mr. David Young, President
Freedom Aviation, Inc.
310 Hangar Road
Lynchburg, VA 24502

Dear ~~Mr. Young~~: Dave

This is in response to your April 16, 2013 letter in which Freedom Aviation proposed two separate offers to lease certain properties at Lynchburg Regional Airport currently under lease to Virginia Aviation. As you will recall, I followed-up by indicating that City staff would meet with City Council in closed session in order to consider your proposal and obtain further guidance on the various issues involved. We had that discussion with City Council on May 14th. I apologize for not reporting the results of that conversation to you sooner; unfortunately, other business intervened.

City Council has reaffirmed its previous position to support and encourage, to the greatest extent possible, a competitive business environment among aeronautical service providers at Lynchburg Regional Airport. This is in keeping not only with a generally pro-competition airport philosophy that is clearly in the aviation consumer and public interest, but also to ensure compliance with certain sponsor assurances and Federal Aviation Administration (FAA) guidelines governing exclusive rights at federally-obligated airports.

Based on the consensus of City Council at that meeting, therefore, the City has agreed to exercise the five-year option with Virginia Aviation as provided for in the original lease agreement dated July 1, 2008. Under the terms of that agreement, the five-year option will become effective on July 1, 2013.

Concurrently, it is also the airport's intention to initiate the process of assuming the management and control of the fuel farm. This decision was based on a recent Aviation Fuel Farm Program Review conducted by C.E. Strock Consulting on behalf of Lynchburg Regional Airport. The study concluded that the airport should "assume the management of the fuel farm in order to provide a level playing field for two FBOs." By assuming control of the fuel farm in this manner, the airport will be better able to ensure that both FBOs will have access to avgas and jet fuel supplies on a fair and equitable basis. This will include the ability of both FBOs to be designated as branded dealers through a national dealer or jobber on terms to be determined based on the competitive selection of a wholesale fuel provider.

Regarding your alternative proposal to assume management of the tie-down area known as the "North Ramp," it was always the intention of the airport at the outset of the initial agreement with Virginia Aviation that that ramp area would revert to control of the airport at the conclusion of the first five-year term. Consequently, with that tie-down area soon to be directly managed by the airport for the purpose of based aircraft parking, airport management would be glad to consider renting available tie-down spaces to Liberty School of Aeronautics aircraft.

Please keep in mind that under the airport's FAA approved Master Plan there are several developable sites on the airport for aeronautical development that could accommodate Freedom Aviation's and Liberty's expansion needs. In the meantime, the new $1.1 million general aviation ramp expansion project adjacent to the existing public ramp serving Freedom Aviation will soon be available for additional hangar space and/or FBO facilities. My understanding is that preliminary plans and drawings are now being prepared by Liberty as part of the approval process with the airport for such construction in the future.

Finally, considering the intricate steps and time involved in determining a viable resolution to the various issues surrounding the Virginia Aviation and fuel farm leases among the parties, it is apparent that the final transfer of the control and management of the fuel farm will not be possible by the June 30, 2013 expiration of the fuel farm lease. Consequently, it will also be necessary to carry over the existing fuel farm lease on a month-to-month basis as provided for under Virginia statutes in order to provide time to proceed through the various steps necessary to obtain a fuel supplier under the state procurement process. In order to facilitate this transition, we would like to meet with Virginia Aviation and Freedom Aviation together to discuss a mutually beneficial process.

Sincerely,

L. Kimball Payne, III
City Manager

cc: Mark Courtney, Airport Director
Walter Erwin, City Attorney

MINUTES OF
THE
LYNCHBURG REGIONAL AIRPORT COMMISSION
SPECIAL MEETING
May 19, 2014
4:00 p.m.

PRESENT:

Robert Day	Bert Dodson
Stewart Hobbs	Debra Allen
Mike Davidson	Lynch Christian
Don Brown	Charles Nowlin
Kimball Payne	

ABSENT:

None

STAFF PRESENT:

Mark Courtney, Airport Director
Rick Stein, Deputy Airport Director
Wes Campbell, Airport Finance Director
Jewel Williams, Supervisor Airport Administration

(1) CALL TO ORDER:

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

(2) Consideration of a request by Virginia Aviation and Freedom Aviation to approve the assignment of Virginia Aviation's property lease to Freedom Aviation pursuant to certain required terms of a Stock Purchase Agreement for the acquisition of Virginia Aviation.

Mr. Stewart Hobbs — I am going to ask Mr. Mark Courtney to start off and he would be at some point going for public comment and anyone who is going to make a public comment please state who you are and who you represent just so we will have it recorded

Mr. Kimball Payne — Before the meeting gets started, I just wanted to tell the rest of the Commission that I did not intend to vote on any recommendation. Mr. Courtney and I need to be on the same page on this, so I will participate as a staff person but not as a Commission Member.

A. Staff Presentation

Mr. Mark Courtney — As the agenda indicates, I have a staff presentation. I think that I will just go through some of the history. In 1986, Virginia Aviation had a prior lease that had been extended in 1991 for the original facilities that were owned or operated by Air Virginia. In 1999, Virginia Aviation was awarded a new 5-year lease with a 5-year option. In 1998/1999, Atlantic Coast Airlines, operating as United Express, had a maintenance operation/facility at the former Air Virginia airline facility [current Freedom leasehold]and they subsequently moved their operation to Dulles, and from that time we went through a process of renovating and basically cleaning up the airline maintenance facility and making it available and showable for leasing out.

In February 2002, Britannia Aviation, through part of a competitive bid process, was awarded a 5-year lease with a 5-year option through a competitive bid process that was subsequently approved by City Council. Those who were here at the time will remember that was not without a certain amount of controversy.

In September of 2003, City Council approved the assignment of the Britannia Aviation lease to Aviation Technical Services [same ownership].

In February of 2004, City Council approved the assignment of the ATS lease to Falwell Aviation. In January 2005, City Council approved a lease amendment allowing Falwell Aviation to operate as an FBO, with restrictions (per December 6, 2004 letter, limiting airline and all retail fuel sales). In April 2007, Falwell Aviation was awarded a 2nd 5-year option. In July 2007, Falwell Aviation was awarded a 20-year franchise (Based on Falwell Aviation's investment in a new 13,000 SF hangar).

In July of 2008, Virginia Aviation was awarded a new 5-year option lease by City Council, without a competitive bid process, and it was approved concurrent with the unique 3-party lease agreement among the airport, Virginia Aviation and Falwell Aviation for the sharing of the fuel farm. That was specifically designed to allow two FBOs to operate and share those facilities equally.

In January 2010, Falwell Aviation was acquired by Liberty University as a subsidiary, d/b/a Freedom Aviation.

In February 2010, Virginia Aviation experienced the loss of their president, Mr. Jim Lampman, and Steve Cuppy was not only named interim president of Virginia Aviation, but he was also the executor of Mr. Lampman's will. Mr. Cuppy proceeded over time to pursue the sale of Virginia Aviation, and in February 2011 Virginia Aviation was sold to Mr. Jim Walker, the current owner.

In July of 2013, Virginia Aviation exercised its 5-year option following negotiations with the airport. City Council approved, but in order to ensure the competitive FBO environment would continue previous assignment language was removed, and two new provisions were inserted into the 5-year lease option [generally as follows]: (1) Previous assignment language was replaced with a prohibition on any assignment; and (2) The lease would automatically terminate in the event of a sale.

In October of 2013, Freedom Aviation requested City Council to amend their franchise agreement to remove the prohibition on airline fueling (at this time that request is still tabled pending further progress on other issues). In the Fall of 2013, Freedom Aviation and Airport officials entered into formal negotiations for a 73,041 SF land lease to allow Freedom Aviation to build a new 14,250 square- foot hangar and adjoining apron that is primarily for the storage of aircraft (their additional apron area also is adjacent and adjoins with the new concrete ramp that was recently installed). Currently, there are [also] various and ongoing negotiations to secure the ability of Freedom to operate as a branded fuel dealer at Lynchburg Regional Airport. That has made quite a bit of progress, and it is in the hands of Freedom Aviation as far as final details with Philips, the selected [fuel] dealer/provider.

April 14, 2014 — We go back to last month and it brings us up-to-date as far as the request for the assignment. In essence, on behalf of their respective clients (both Virginia Aviation and Freedom Aviation), legal counsel requested that the City of Lynchburg approve the assignment of the lease from Virginia Aviation to Freedom Aviation according to the terms and conditions of the Stock Purchase Agreement they both entered into. I will show a slide of the current leaseholds of both Virginia Aviation and Freedom Aviation. If this were to go through, that [would be] the combined leasehold of both Virginia Aviation and Freedom Aviation.

The guiding principle that the airport has operated under, certainly since Britannia, but more specifically since the time that Falwell Aviation started into the FBO business, is to preserve and maintain an existing balanced FBO competition model that was established back when Falwell Aviation was in their limited FBO status.

Certainly the goal is to maximize airport revenues -- and a certain part of our mission of the airport, and goal for the airport, is to eliminate the airport subsidy. We are actually down to under $200,000 now in our airport operating subsidy, and we are projecting Fiscal Year 2015 [to be] $152,000 in subsidy, and we anticipate break even in the following Fiscal Year (2016).

To adhere to the Lynchburg Regional Airport Mission - and this is a key element - the airport shall endeavor to provide a full range of quality aeronautical services (and we certainly provide them to a wide range of aviation users). We shall be customer service focused, emphasize safety continuously, be financially responsible, and maintain a competitive airport business environment while at all times operating in the public interest. That was established in November 2012 by the Commission.

There is some FAA exclusive rights guidance from the Advisory Circular dealing with our Sponsor Assurances and the prohibition on exclusive rights. This is not directly applicable in this specific case; however, it does give guidance to the sponsor being the owner of the airport, that a sponsor refusing to permit a single FBO to expand based on the sponsor's desire to open the airport to competition is not violation of any grant assurances. Also, an airport sponsor may exclude an incumbent FBO from participating under competitive solicitation in order to bring a second FBO onto the airport to create a more competitive environment (and that is essentially because of the fact that the FAA does default to a pro-competition bias).

The guiding principles in a proposal like this are: what is the public benefit; what is the airport benefit; and change in the FBO rent valuation from a competitive to a monopoly model? Some of the consumer concerns that we have heard, and also some other relevant issues, are that it would clearly establish a monopoly without the possibility for FBO competition, and would increase prices, (something you definitely hear from aviation users, airport users, based customers, etc.). It would create impenetrable barriers to entry for future FBO competition, and would basically lockout any future potential for another FBO to come in because of the extraordinarily high cost of being able to build new facilities.

It could force existing based customers off the airport under certain circumstances, could force existing subtenants of Virginia Aviation off the airport, specifically some of the SASOs, (for example, Virginia Aviation's Part 141 flight school operator that allows them [Virginia Aviation] to meet their minimum operating standards), and would eliminate competitive maintenance services. And all of this also brings into question the status and the future of the fuel farm that was originally established with a 5-year/5-year option on a sharing basis (and that is continuing now as a month-to-month pending and awaiting other resolution).

I will stop at this point. I have some other slides if there are some other questions that come up that are relevant, but we can move on now to the next speaker.

B. Virginia Aviation and Freedom Aviation presentations

Mr. Hobbs — Is there someone to speak for either or both?

Mr. Jimmy Walker — I am the owner of Virginia Aviation, a short-term owner but a long-term aviation customer of the field. I bought a bankrupt business and got it on its feet, but it had been about Mr. Jim Lampman, the former owner of Virginia Aviation and Mr. Jimmy Falwell recognizing that it was a small field and there was a delicate balance for an FBO to make it work here. They came to an agreement, and the agreement was that really it was a monopoly: there was to be no retail fueling of transient aircraft other than at Virginia Aviation, there was to be no commercial airline fueling other than at Virginia Aviation, and Mr. Falwell was just going to operate his charter business out of there and do a couple of other little odds and ends that were not on a competitive basis.

When Mr. Falwell sold the business to Liberty, that changed and there have been little things that have changed over time. The fuel farm is one of them, the retail transient fueling (I do not know that that ever actually existed, that is in the lease and it is actually prohibited but it was happening). As we have seen, there was a proposal for competitive airline fueling. The long and the short of it is, it's a small market, it's a small field and there is room for one FBO, and one FBO it has been under the Falwell Aviation/Virginia Aviation model.

That has changed and it is difficult to compete under these circumstances. If the two businesses become one you have one stronger business with an owner that is willing to invest. There is only so much that I can invest in the business when I only have a 4-year lease. I asked for a 5-year lease with a 5-year extension and it was denied, so how much can I do? I could spend $250,000 and maybe get a 10-year franchise or a 15-year franchise, but a guy that is 65-years old is reluctant to do things like that so this is a chance for me to ensure that my people are taken care of, that's part of the deal and that the business can continue for them.

It is not a lucrative deal for me, but I do not want the business to just end in 4 years when my lease is up, and I do not have any assurance that the lease would be renewed. This is a chance for me to do the right thing for what I believe is best for the community, because Freedom is a partner that could invest, and [is] best for my employees and my customers. I understand that there is a difference of opinion on that, and I respect that, but at the end of the day if, little by little, it goes away at the end of 4 years there is nothing left. This is a chance for me to have something to share before it goes away entirely.

Just to counter Mr. Courtney's points, I do not recall the title but it was preserved balance competition, the balanced competition really never existed under the Falwell Aviation/Virginia Aviation model, there was no balanced competition because Mr. Falwell was prohibited from commercial airline fueling and he was prohibited from retail transient fueling. A monopoly on a government sponsored entity is very controllable. I do not see that we had $15 Jet A here because there is one provider, and I would assume that the City could control that in a number of different ways. The idea that customers would be concerned that there would be no place to shop is a legitimate concern, but Mr. Courtney has explained to me that they had ways of controlling how fuel is sold and what it is sold for.

The forcing of SML off the field I think is a concern, and it is a concern for me, and I have spoken with the owner of SML about that, and his sense in discussing it with Mr. Young is that [it] is not part of their plan, and he would not be surprised if they were not willing to give a long-term lease to SML. Competitive maintenance services: Mr. Jason Moorefield would probably be better to speak to this than I am. They do not do a lot of bidding one against the other for maintenance service -- they have their customers and Mr. Moorefield has had them for years and they love him, and if Mr. Moorefield moved from here to Rustburg, I think they would go with him. As to the status of the fuel farm, I really do not know what the status of the fuel farm is; it is kind of up in the air. I know that from the beginning of Virginia Aviation, we controlled the fuel farm, but we do not anymore and that is just another one of those things that makes me wonder if at the end of 4 years I would have anything left.

Mr. Dave Young — I am currently the president of Freedom Aviation and the Dean of the School of Aeronautics at Liberty University. I have been in aviation almost 50 years, 29 years in the military, and since I came here to Lynchburg I have been flying out of this airport, Falwell Airport and many airports around this area. In addition to that I am very pro-general aviation. I serve on the Virginia Aviation Board as a regional representative for this area, I am the vice president of the Virginia Aviation Business Association, and I am a Board Member of the Virginia Aviation Historical Society. I only mention that, not to brag or boost my image, but perhaps to demonstrate that I have a vital interest in aviation, not only in the local area but in the Commonwealth.

I would like to just echo to a certain extent what Mr. Walker said, but perhaps come at it from a little different perspective which is my own. I will solidly endorse that there is not enough business on this airport for two FBOs, and regardless of any feelings or thoughts about that I think that there are models all over this country that would substantiate that. For example, if you just go up the road to Charlottesville or go a little west to Roanoke, or even down a little southwest to Charlotte, none of those airports have two FBOs, they have one FBO.

It is very easy to say that they are different airports, which they are. For example, there are over a half million operations every year out of there and the majority of those are commercial operations, about 62%. The remainder are general aviation operations. If you go to Roanoke you are going to find a different mix, if you go to Charlottesville you are going to find a different mix ,but it has been proven there and many other locations that two FBOs operating on the same airport, it is a tough row to hoe and that is what Mr. Walker mentioned a few minutes ago.

Not only has it been a difficult challenge for both FBOs here, we have literally lost business to this airport because of the existing arrangement. There are customers who would like to do business with Virginia Aviation, we have customers who would like to do business with Freedom Aviation, but they want a one-stop shop. Virginia Aviation has one of the best, if not the best, avionics shops in this state and probably this part of the country, but when someone has a $4 or $5 million aircraft and they bring it to them, and they want aircraft maintenance done on it, and they want avionics maintenance done on it, they generally do not like to deal with one FBO and so literally both of us have lost business as a result of that.

Going forward we are asking today that the Stock Purchase Agreement between Freedom and Virginia Aviation…, the point on the table is will the lease be assigned or not assigned with a purchase. That is absolutely critical to us at Freedom Aviation, without that it does not make sense, without that it would not make sense to any FBO that were to come in here.

Now, what will we do going forward. My heart is in general aviation and it has been for almost 20 years, and my heart is in developing this airport and developing aviation in the Commonwealth of Virginia. I think the best opportunity for us to do that is the request that we have on the table today. I think our best years are ahead of us here at Lynchburg Airport; I think there are opportunities for growth that do not exist right now; I think there are customers that do not come to Lynchburg Airport because they have the alternative to go somewhere else and they cannot get the service that they want here. So I think growth is definitely an opportunity that we are not realizing to its fullest extent.

When we look at the facilities on the airport, they range from fairly new facilities to facilities that were built in World War II, the old green, what I call Quonset, hangars over there. They need to be razed, they need to be torn down and new facilities be put up, and that is what we bring to the table if we are given the opportunity to expand our operation where we put hangars on the airport [and that] is very critical to us.

It is very congested, if you are familiar with the airport and you saw what Mr. Courtney showed a few moments ago, it is very congested where we operate out of now. Centra Health is flying their helicopter, the State Police are flying their helicopter, we are flying thousands of operations a year with our flight training, we have transient traffic, we have T-hangar traffic down there, and in fact it comes close to being a safety hazard. For us to expand and expand in that area doesn't make sense to me. I think we need to diversify across the airport and that is very hard for us to do under the current arrangement with two FBOs. We would see maximizing the existing facilities, we would see constructing new facilities, and we would see tearing down those facilities that we really don't need on this airport anymore.

I think it is very difficult for the airport administration to deal with two FBOs. One FBO brings one single point of contact, brings one single point of contact to the City, brings one single point of contact for general aviation. Why should we compete internally on this airport when we should be competing regionally? We do not compete regionally, we do not compete regionally with fuel, with services, with transient service, and I think that is an opportunity that we are losing the way we are operating today.

Just this week I had four different discussions on events for this airport. We were asked if we would host the National Collegiate Flying Competition here in 2016. Now what does that mean? It means about 50 – 75 airplanes on the airport for a week; it means over 500 participants and support people here staying in the hotels, eating in the restaurants, buying fuel. I answered 'I did not know,' because under the current arrangement I did not know if we could support that.

The FAA was here Thursday of last week asking if we would host an event, and host it every year ,that is now currently being hosted in Richmond because they see a better opportunity and a more successful operation if they were to do it here.

This Saturday -- and for any of you ladies who have young girls or daughters in your families -- we are hosting Women Can Fly which encourages young people, some of you I see in the audience, some of you people fly in support of that, you did last year. When the phone rang, and they asked would we be able to host it in Lynchburg, they called Freedom Aviation and they stepped up. And on the 6th of June, for those of you who are aware of the D-Day Memorial in Bedford, it is going to be the 70th Commemoration of that invasion in Normandy, and they had arranged for airplanes to fly in that ceremony including the Army's Golden Knights. Again, a single point of contact, one FBO, serve them fuel, orchestrate their arrivals and departures, and to coordinate that for them would be very helpful.

Another thing that I think is critical: airports are measured in many ways (and Mr. Courtney knows much more about this than I do), but one way they are measured is the number of operations that they have, and I will tell you that

Lynchburg ranks very high across the Commonwealth and across the nation. One of those reasons is because of the flight training activity here and so this will allow us to grow even more. The more operations you have, the more funding you are eligible for; the more justification you have for keeping Control Towers open and the more justification you have for additional support.

I wanted to talk about some of the trepidations, and I will come back to the items that Mr. Courtney had on the screen a few moments ago. We hear about the loss of jobs if this were to occur. I would very strongly argue in a different mode. If you create more business, and you build more facilities, and you sell more fuel, and you bring more industry to this airport and around this airport, then it goes to say more jobs will be created.

I could tell you that we have had that opportunity since [we] purchased Falwell Aviation a little over 4 years ago. There were possibly 20 employees of the company at that time and they had been able to increase to over 50 employees because of the level of business that they had been able to create.

There are concerns about pricing, there are concerns about fuel prices going up. There is no way we could raise fuel by a dollar or 2 dollars or 3 dollars a gallon, and the reason why was, first of all, we would price ourselves right out of the market. We want to bring business in here, not drive business away. I am an aircraft owner, I have owned aircraft for over 10 or 12 years now. I fly out of this airport, I buy fuel and I buy it at the same price that any based customer here buys it. So it would be not only my own personal interest, but most certainly from a competitive interest, that we are not going to try and sell fuel at prices you pay for it at Dulles, and the reason you don't go to Dulles in a private airplane is because you do not want to have to pay that fuel price unless someone else is paying for it if you are a corporate aircraft.

An item that has not been mentioned, that I solidly endorse, are the efforts that have been made in promoting commercial air service out of this airport. Mr. Courtney briefed the Chamber of Commerce meeting the other day saying that 33% of the customers that fly on US Airways out of here are Liberty University-associated customers and personnel. I wish that we had two more airlines…three more airlines…four more airlines in here, simply because not only do I travel personally by commercial air, but it just makes good business sense.

One of the ways that we can do that is to build up a need for that service. I believe that any time you grow a business you are going to do that. Another thing I am mentioning in conjunction with commercial air service is that we are a one-airline town, and we are one airline away from not having airline service here, we are probably one airline away from having two airlines here but we had two here just a few years ago and due to a last minute sort of thing we are down to one airline. There is nothing that guarantees that we are going to keep airline service here, there is nothing that guarantees we are going to have two airlines here. I had hoped that we had three or four airlines here but what I will say is if we are investing in the future of this airport, it should not just be tailored to airline service. We should do everything that we possibly can to build a total portfolio of what we have on this airport and we see the opportunities to do that.

Now, Jenna throw me my prop [she threw him a small stuffed elephant]. We have a weekly staff meeting at Freedom Aviation School of Aeronautics. This is Eddie, and Eddie is an elephant, and there is an elephant in this room that I do not think anyone really wants to address, and it is simply this: There is this fear, this trepidation, that all Liberty University wants to do is take over this airport. That could not be further from the truth. We are interested in increasing our business at Freedom, we are interested in increasing the growth or [accelerating] growth, getting more students in Liberty University, and by creating an environment where they can offer students more than just flight training, more than just unmanned aerial systems, more than what they are getting right now. And that will only serve to feed their growth and create an aviation center of excellence here at the Lynchburg Airport which does not exist anywhere else in the country.

I would like to address, if I have not already, some of Mr. Courtney's points. Some of the concerns of the public, monopoly, I think that I have already addressed that. There is a monopoly at Charlotte, there is a monopoly at Roanoke, there is a monopoly at Charlottesville if you want to define it that way. But I do not see it that way. I do not see it as a monopoly. I see it as a partnership between an FBO, between a business and the airport and a community to create business, and to provide the service that you need regardless of whether you are a pilot or a passenger.

I have already addressed the fear about rising prices. I just do not see that happening because we could not remain competitive, it would be stupid for us to do that. Future FBO competition, yes, that probably is a concern. But then are we going to get back into the ball game where we have two FBOs and neither one of them will have enough business to really operate?

Force customers off the field? Why in the heck would anyone in their right mind want to force customers off the field if they are bringing money into your business? That is the stupidest thing I have ever heard. I don't know if one of you all said that, but if you did I apologize for calling you stupid, but my point is we are about growing business; we are about building more facilities; we are about having more airplanes on the airfield. Why? We want airplanes, we want to have hangar space for them, we want to charge hangar rent, we want to sell fuel, we want to provide maintenance service - why would we force anybody off the field?

Sub-tenants that Virginia Aviation has -- I am aware of a couple. One is the flight school, and I can tell you right now that Freedom Aviation has its own flight school (and for those who are familiar with FAA nomenclature, it is a Part 141 Certified Flight School, a Cessna Pilot Center). We are maxed out with the number of students and the need for resources…the need for facilities…the need for airplanes to fly that. One of the very first things we would do is entertain a conversation with that existing flight school because we need resources, we need experienced flight instructors.

Eliminate the MRO. Now, some of you may not know exactly what an MRO is: It is maintenance, repair and overhaul facility. Last year, the City commissioned a study asking what we would have to do to create jobs, opportunities for more jobs in the Lynchburg area. Does anybody know what the number one recommendation was? It was to create an MRO. And do you know where that idea came from? That idea came from the fact that Freedom Aviation is already refurbishing aircraft; we have been doing it for several years. Those old Jetstream Aircraft that Mr. Courtney alluded to a few moments ago that used to be down on the South end of the ramp, we are refurbishing those aircraft, it is a business model for us. Do you know where we are limited? We have airplanes across the country that we could bring in here, and do the same thing with, but we do not have the space for it. We do not have the personnel to support it, and we cannot create the space under our existing leasehold.

The status of the fuel farm, I think that, personally, is because if you have one FBO here, that FBO, like Virginia Aviation, does now and will manage and support that fuel farm.

I hope I have addressed the direction in which I see us going if this were to occur, and by us I mean Freedom Aviation. I hope I have addressed the aspect of customer service, and we are committed to general aviation, we are committed to supporting our customers to the very utmost, and I trust that I have addressed the elephant in the room because I think that is something that is probably on some people's minds. So the bottom line in my opinion is simply this: We have someone who wants to sell their business, we have a buyer for that business. I believe the best option is one FBO, as long as the lease assignment accompanies that. Thank you.

C. Public Comment Period

Stewart Hobbs — Now we have reached the Public Comment period. Are there members [of the public] here who would like to comment? Just come up here and speak through the microphone so everybody can hear you.

Joe Morales — Afternoon. I am an employee with SML Aviation and a Liberty graduate, year 2013 of the School of Aeronautics. I am not an expert on this subject at all, except I love flying airplanes. One of the things that I really wanted to come to this meeting for is competition is always better, free market is always better, and that is what this country is based on. You kept mentioning, hearing over and over, that these nearby airports have fuel prices that are working out great for them. Here at Lynchburg, where we have the two FBOs competing for fuel prices, we are $1.11 cheaper on fuel than Charlottesville is, $1.16 per gallon less than what Roanoke is, and we are 4 cents cheaper than Charlotte is. Now those were the three examples that were used showing that one FBO can work, yet I know several people, just from the short time I have worked at the general aviation ramp over here, that have come here and said, yes, fuel prices are better here.

You can get on *Forefllight,* which is on Apple ipad, and it will quote you a fuel price which is what I just did. We have two FBOs, and fuel prices are over a dollar cheaper. Was it a coincidence? I don't know. It might just be because we have a better supplier, but their excuse saying that as a government council we can limit the pricing put on fuel…. I am not one for putting more control into the government's hands. We can look at the federal government and see what that does. Free market is the best way to go, and that is the best way to help the customers and businesses grow.

Another question that I would have is: If Freedom were to purchase everybody, who would their employees be? Would they be Freedom or would they be Liberty employees? Would they have to follow Liberty's rules and guidelines and their discrimination rules? It says right on their HR page that because of the organization that they are, they can ask you about your religion, they can ask you about your belief in homosexuality, they can ask you about all this different stuff and choose not to hire you based on that because it is a religious organization. Great, but if that is a private organization, let them do it. But for the people that are already working for Virginia Aviation, are they going to fall subject to these rules, and are they going to have to go home to their families and say we don't go to church every day so I don't have a job anymore? That would be something else I would want answered as an employee, not necessarily for Virginia Aviation, but for a subsidiary of that aviation company.

Stewart Hobbs — Anyone else?

Mark Briers — I am a pilot, an owner, a 30-year resident of the area. I have watched Liberty Baptist College grow up to be Liberty University and they have done a great job. My children have attended Liberty University and I have done my flight training there.

I completely respect Dave Young's opinion and his vision, but I would argue that this isn't a typical airport. Anyone that flies general aviation in this area, at this airport, during the time period that Liberty's flight school is active, knows that this is not typical. In comparison to Roanoke and Charlottesville, they don't have a flight school which -- hats off to Dave -- has generated a very vibrant and growing environment, but it is not the same. This airport is different than others, and I have flown across a lot of places in this country, and this airport is different than others.

I am glad that the Airport Commission has a competitive environment as part of their charter. My concern is mainly priorities. What is Freedom's priority going to be toward general aviation? Their priority, in my opinion should be, and probably is, the flight school. That is what has gotten them where they are, and that is what is paying the bills.

As a general aviation pilot, my concern is how am I going to get fuel…how am I going to get repairs… and where do I sit in the pecking order. We already deal with being different than commercial, now we are going to be below the flight school, and we are going to be at least third on the list, if not somewhere further down, so that is my concern. I wish you guys would look at the consideration; what is the priority and what can we do to keep general aviation to not be third or fourth on the list.

The second thing is about fuel. As other people that have flown around this area know, it [LYH] does not have self-serve fuel. Brookneal does have it. It was cheaper to fly to Brookneal to fill-up, and that is no longer the case. It would help general aviation if we could get self-serve fueling and those are my concerns.

Stewart Hobbs — Is there anyone else with comments?

John Wolfard — I am an aircraft owner and I also live in the City. My concern would be that as Mr. Young [wants to be] able to expand the hangar space to help bring in more planes, and more CFIs and more individuals to be able to bring in more customers. I would ask the question, who are those customers? Are those other customers GA pilots, or are they more Liberty University students? By all means, it is a great program that they have there, but I would ask the question if they are going to tear down the hangar space, where are general aviation planes going to go? How are they going to be able to have those on the ramp…how are they going to be able to facilitate those different ________ that are rampant today…how are they going to have access to the airport if it is a monopoly environment with a tremendous [increase in] Liberty University students?

I went to Liberty University, and I am a proponent for the school, but I think at the same time that we have to make sure that we have clear separation between what the University is doing, and what the City is doing to promote general business. Just not by growing Liberty University as an organization, but by growing the entire entrepreneurial spirit of the area, and that is not going to be a monopoly environment.

Stewart Hobbs — Is there anyone else with comments? If there is nobody else, then I want to offer the chance to rebut, so if there is no-one else then….

Dave Young — I appreciate the comments, and I do not see it as a rebuttal but more of explaining and putting people at ease. In regard to the employee question, obviously we would be in trouble if we discriminated on hiring so we do not do that, and secondly Freedom Aviation is a for-profit, standalone company and we have standards that we set. We measure our employees as much as anything on performance, and the right attitude, and being able to provide the very best customer service, and being the best mechanics, and the best pilots they can possibly be. I would not take that so far as to say that we would tolerate misbehavior, or we were going to tolerate inadequate performance, or we were going to tolerate things that would not be acceptable in any company. I think you could ask any one of our Freedom Aviation employees -- I think there are two or three in the audience -- their position on that.

Some of the points that Mr. Courtney made, I think if I copied them correctly, are the expansion of the flight school and what that does to the traffic pattern. And I would be less than forthright if I did not tell that we have a very busy traffic pattern here, we all know that.

I fly in and out of this airport quite frequently. Now having said that, obviously because of that busyness it brings business…it brings support...it brings funding…it brings things to this airport that we would not have, for example a control tower. Last year, and I think everyone is familiar with the fact that our control tower was at risk due to the sequestration within the federal government, one of the justifying factors for having a control tower is the number of operations.

Having said that, some of you are aware of the fact that we are starting to expand beyond Lynchburg with our flight operations. We already have an operation in Newport News and we are about to open four in Northern Virginia. We are expanding beyond that into other states and the reason for that is probably twofold: one, it is reaching a market that we can't bring to Lynchburg; and, secondly is being able to support that market because we know full well that we can only handle so many students at this airport. Now having said that, if this were to go forward, we have looked at airports in the local area. We have looked at expanding our operations beyond the Lynchburg Airport -- and I think there are some opportunities to do that -- but we are fully aware of the traffic pattern congestion at some times.

My hat is off to our tower control operators here for the great job that they do with it. I fly in and out of airports all over this country as some of you do. I go into uncontrolled fields, I go into class B airfields and experience the extremes of both, and I personally enjoy it when I have a tower that I can work with because of the safety factor that it provides. On top of that, I enjoy the fact that when I do come into an airport, because of the level of business I have, the support services that I need [are there]. It is an awful feeling when you go into a small airfield and you pump your own gas and one of your engines won't start, and there is nobody there that can help you with that. I think there are some great benefits to being able to have a busy airport to a certain extent, but I am fully aware of the concerns and we are right now monitoring and measuring out __________ simply because of that factor.

As far as priorities -- general aviation and the flight school -- we deal with that on a day-to-day basis and I think they did it quite well, but that is my perspective. I have many general aviation customers that have no association with the flight school…for maintenance…for fuel…for hangar…for a variety of reasons, and so far, we have been able to balance that and that is part of our business model. We would not want to do this if we were not going to increase that business model. We see the support of general aviation, whether it is Citation jets or Cessna 172s, or even less than that as our customer.

I am not sure if it was Mr. Courtney, but someone mentioned the Smith Mountain Lake Flight School. I think I have already addressed that -- that is the one that is operating under a sublease with Virginia Aviation now.

Self-serve fuel, that is an option that I know the airport has looked at. In fact, I think the airport director, several years ago, commissioned a study with members of the Airport Commission. I think that would be something that anyone of them would be open to, but it has to make financial sense. Somebody has got to pay for those tanks, and somebody has got to pay for those credit card readers and things like that, but it is definitely something that we would be open to. I think the Brookneal self-service fuel is supported by Virginia Aviation right now, and that is something that we would definitely look at as we go forward.

As far as hangar space, that is part of our model, we want to build not only to support our current operations but to support our hangar customers, whoever they may be. Right now, I think we are renting about nine or ten spaces from Virginia Aviation to hangar our aircraft; but, the point I want to make is our flight school aircraft quite often spend the night on the ramp because we are putting based customers, transient customers and someone who needs hangar covering in the hangar and our airplanes sit outside so that is the kind of choice we make today.

I hope I have addressed all of the questions that came up.

Stewart Hobbs: We have three parties to this agreement, Virginia Aviation, Freedom Aviation and the City of Lynchburg. Mr. Courtney do you and the City Manager have a position that you want to address before I open it…………

Mark Courtney: If I could address some of the… rebut some of the statements.

Stewart Hobbs: Yes, you may.

Mark Courtney: On the issue that Mr. Young brought up relative to opportunities for [growth] not being fully realized, as the Commission is well aware our Master Plan has identified a number of very excellent sites on this airport for growth. We currently are negotiating with Freedom Aviation for one of those spaces. In fact, we just completed a $1.2 million concrete ramp project that is in the process of being expanded as part of the relocation and realignment of our taxiways along with an extension of that same apron to the tune of $4.6 million.

That is all for aeronautical purposes and aviation services, and the infrastructure on this airport to allow for the expansion of Liberty University and their flight training programs, particularly from the standpoint of building additional facilities. You may recall that some years back one of our prime sites that adjoins Runway 17 [is] a 12-acre site on Airport Road. We actually got to the point, based on Liberty University's interest in a flight operations center there and needed that much space, that we ended up actually going forward with a $30,000 environmental assessment. Before that environmental assessment was done, due to other plans that were made by Liberty for other facilities off airport, that has not gone forward. Dave did acknowledge that Liberty sees this going forward sometime in the future, although it is not known exactly when.

When it comes to the capital investment and opportunities on this airport, in the last dozen or so years nearly $40 million in capital grant funds, both federal and state, have been invested in infrastructure and airfield improvements at this airport. There has certainly been ample opportunity for Liberty to grow without having to take over existing facilities or existing FBOs.

In terms of special events, again, that may be something in the short-term that is constrained, but clearly from the standpoint of both the new concrete ramp, as well as the $4.6 million expansion we have underway right now that will be done by the Fall, that will clearly make for tremendous additional infrastructure and capacity for those kind of special events.

I just want to also clarify what Dave [stated earlier] that when I was speaking at the Chamber the other day 30% of our airline customers were Liberty University customers. I was referring to an International Survey that was done back in 2012, and of the total of 6,000 tickets that were analyzed among the three dozen or so companies that participated in that survey to project how much international business they would generate in the future, the result was 33% of Liberty-generated traffic for international purposes on a projected basis. So it was nowhere close to that in terms of actual Liberty students or users of the airport.

As far as only one airline, I am sure you are very well aware we have gone from six or seven major airlines in this country (with the most recent merger being US Airways acquiring American), down to three airlines. Roanoke used to have six, they are down to three; we had three, and we are down to one. It is called consolidation, and one could argue that we actually have two airlines now if you combined US Airways with American. And, the fact that the combined airline is now the largest airline in the world, and commands nearly a 30% market share compared to the 28% or so for United, Continental and Delta (each). So believe me, having the level of service that we do, and the successful service that generates load factors that averaged 78% [during] all of 2013 [while] generating (per 50 seat aircraft) higher revenue per flight than Roanoke and significantly higher than Charlottesville [is encouraging].

US Airways is very happy with us and we are looking for expansion. Yes, we would like to get United, but they are in a bit of disarray still. But nonetheless, we have good, solid air service right now and we have every intention of keeping that. I do not see any threat as far as this airport is concerned to lose all airline service, especially when we have the largest [airline] in the country.

And finally, one of the reasons we focus on commercial airlines is the fact that we operate under a commercial service airport business model. [Some] 85% of our revenues are derived as a result of airline service, whether it is parking lot, rental cars or the airline itself. I just want to show you [refers to slide], this is based on FY 2013 and [represents]the revenues that the airport generated. We have approximately a $3 million operating budget and, based on revenues, this is how it breaks down and includes the airport operating and capital fund. You can see our largest source of revenue is from FAA [AIP] grant funding, with the Virginia Department of Aviation (in terms of entitlement funds) being next at $612,000. US Airways, followed by Republic Parking, then followed by our subsidy at $336,000. Hertz Rental Car alone generates $288,000 in revenue directly to the airport. Next are Virginia Aviation and Freedom Aviation in terms of their contributions, Avis and Budget fall into place and it goes down from there.

This is no way a criticism of Liberty University's business model…it is an excellent business model. Their flight training program is the envy of many universities around the country, even long established ones. It is growing in leaps and bounds. It's just that it's a part of their FBO and university flight training business model. There is nothing wrong with that, it is just that that business model does not fit very well with a commercial service airport business model from the perspective of generating [airport] revenue. That is why we concentrate so much on commercial air service; we have $3 million in expenses that we have to pay for around here every year, and believe me, that parking lot right out there and the rental car business is what pays the bills, and that is why we emphasize that so much.

One final minor thing. It is very important the number of operations that we have this year. Last year we finished with 115,000. Through federal fiscal year 2013 it was 125,000, and we are projecting 132,000 operations this year. Those number of operations actually makes Lynchburg Regional Airport the third busiest airport in the State, as a matter of fact.

Among the 515 Contract FAA Towers in the country, we are ranked 128 in terms of [operations], so yes, we [have] a busy…a very busy, traffic pattern. But when it comes to grant funding, all of our grant funding that we receive from the FAA is a direct result of federal entitlement funds as a commercial service airport, [and is] based on airline passengers. And all of our State grant funds are entitlement funds that are generated solely because of being a commercial service airport and, again, that is also based on a formula for enplaned [airline] passengers So it gives you an idea of how critical…when it comes to our total budget, our total revenues, capital and operating at $5.4 million…of how important that airline service is.

(3) Commission deliberation and requested action:

Stewart Hobbs: We have come to Commission deliberation and action so I open it up to the Commission Members. Questions, comments?

Lynch Christian: I would like more time to consider the issue. Do we need to decide today? This is a very complicated issue

Stewart Hobbs: I would think everybody would like a decision today; we can certainly defer it, but I'm not sure….

Lynch Christian: I find it very complicated; there are lots of issues being raised here today and I am not sure where I stand. I would sure, from a personal standpoint, like some time to think about it.

Bert Dodson: Mr. Chairman, I totally agree with Mr. Lynch Christian. This is a very difficult decision. You and I were on City Council in 1998 when the City was subsidizing $750,000 a year [for the airport], and we have gone down. We are the only municipal airport in the State of Virginia that has commercial service that is run by [a] city. All the other locations -- Charlottesville, Richmond, Roanoke, whatever -- are authorities, and that is a whole different animal. Hopefully, one day we will be an authority.

I know that some people want to go on and make a decision, but spending 12 years on Council, I am glad to have the City Attorney here and the City Manager [because] there are a number of questions, [and] we are not the decision making body. We make recommendations to City Council, but I can assure you that City Council Members will really

	take the words spoken at this Commission Meeting -- and from the different Commission Members -- to heart when they make the decision in relation to the issue before us.
Stewart Hobbs	Is that a motion that we defer action?
Bert Dodson	I move to defer action to our next Commission Meeting, which is pretty soon, June 16, 2014.
Bob Day	I'll second it.
Stewart Hobbs	All in favor…
Kim Payne	Can we have some discussion on that motion?
Stewart Hobbs	Yes, we can.
Kim Payne	I guess if this is going to be delayed, it would be helpful if the staff understood what sort of information you need in order to consider and make a decision. I would like to know what other issues you would like to…..
Bert Dodson	Since I made the motion, Mr. City Manager. Mr. Bob Day, in an email April 29, 2014, had a bunch of questions in relation to the issue for our City Attorney. This is the first time the City Attorney is here. The other issues that we have, it is a lot of different information given here over the last hour. Mark says one thing, Mr. Young says another thing, so we can find out what is common ground here. We are the members of this Commission, appointed by City Council, we are the _____ of the City taxpayer dollars. And the County representatives, with all due respect, although Campbell County gets the Personal Property tax from [the airport], [City] taxpayers have been supporting this for many years and the decision we make today is going to impact this airport for many years to come, so that is my answer to you Mr. City Manager.
Stewart Hobbs	I did not hear any specific direction for you, Mr. Payne
Kim Payne	I heard that you would like the questions that Mr. Day asked addressed by either staff or the City Attorney. [We should present this] information to this group, so this group can deliberate and come to a decision. I don't know what you would gain by putting this off for 2 or 3 weeks unless you want more information. That is really my question.
Don Brown	What I would like to see are some comments that would be directed to the Commission from the users on the airport today. There are a lot of customers at Freedom, there are a lot of customers at Virginia Aviation. I would like to get their opinions on what they see so that we can forward that information to Kimball and the Commission so that maybe a decision can be made. The other thing is that I think we need to come to grips with who is going to manage the day-to-day operation of this airport now, five years from now, ten years from now. Is it going to be an entity that is leasing all of the facilities, or is it going to be the municipality? I think that is something that we need to think about as we move along. I think that decision has to be thought about.
Bob Day	One of the things that I have not heard about this afternoon is what are the benefits to the City? I have heard about the benefits to Freedom Aviation…I have heard about the benefits to Virginia Aviation…but, this is a City Airport and there hasn't been any that I have picked up in the arguments that have been given as to how this is going to benefit the City. I need to think some more about that because this is going to be a very critical decision for the City to make, to give up all of its facilities to Freedom. It basically only has two parts to play, as the facilities and the fuel farm.
Stewart Hobbs	The fuel farm is not included, and I don't know where the fuel farm status is other than a day-to-day basis, month-to-month, but it is not included in the lease with Virginia Aviation.
Bob Day	I would like to think about the Mission of the airport, and how it goes forward and how this airport is going to grow. We have heard a lot about how Freedom is going to grow, but I would like to know how this airport is going to grow and the benefits to the taxpayer in this particular proposal that is on the table. And I have not heard that yet, and I need to do some more thinking about this before I reach a decision.
Stewart Hobbs	Is there anybody else?
Debby Allen	One question that I have and I don't know that there is an _________ answer but __________ to all the different people of the airport… this flight school is very successful. It is growing. What assurances would the City have of a balance between general aviation and the flight school?
Dave Young	Stewart, I will be happy if you want me to, I will be more than happy to address the financial _______ to the Commission.
Stewart Hobbs	I think, Dave, probably we can do that later, and do it in writing and put down formally on paper so that everybody can see it and maybe analyze it a little better. Mr. Payne, do you have your direction or do you need a little more?

Judy Bristow	I am Council for Freedom Aviation. I was involved in the stock [purchase]…. There are a lot of questions...we may be able to answer better once there is a deal formulated, but…one thing might affect another, and it is going to be a domino process. We have been very careful to try to be resourceful for our client…. Our job today was to come and to try to bring to you a mutual front to demonstrate that finally, after a number of years, will there always be animosity or ____________.... There are a lot of questions that you all as City representatives need answered; however, I am not sure that -- I might be putting my foot in my mouth here -- I am not sure that...in trying to follow the legalities of what they need, a document to work out…. I do not know whether this is...and whether assurances...to benefit from this, the change because you just don't know how __________ it would be. We put together the sheet that we handed out to you all at the beginning, and it is a mutual understanding of the various ___________ that concerns the City…. I just wanted to make sure that we were not losing track. I know that we still have a lot of work to do _______…perhaps we will continue to battle this out then, we will be in more of a trial situation then but I really came today as part of the process we would hold ________.... I respect the fact that you all need more time, but nothing is going to get better for either side if you stall this. We have employees who are uncertain as to what is going to happen, so ever since we made the [proposal], there has been a lot of rumors and we have really tried to tell our folks not to ______ a whole lot, but that is pretty difficult to control. So I just ask that you keep that in mind when determining whether or not you want to defer this decision because City Council is still going to be the one to enforce it and I am sure that….
Bert Dodson	Ma'am, you are from the William Mullens Law firm from Roanoke or from Richmond?
Judy Bristow	From Richmond.
Bert Dodson	We are appointed by City Council, and they defer a lot of decisions to us. This is a very important decision for our City and for our City taxpayers; it is three or four weeks now from the 16th. I regret that you find it uncomfortable for us to go through a process, but I think that we are going to go through that process hopefully for the vote of the Commission and we welcome you back on June 16th.
Stewart Hobbs	Are there any other comments? … I have a comment, having been in this business for most of my adult life, and I see the problems from both sides. I appreciate, Bob, what you said. I see no benefit to the City that satisfies me to push this forward, but we are here to make a decision, and I am willing to make it today based on what I have heard. There is a motion to defer it, there is a motion and a second and I am willing to hold a vote if there is no more discussion.
________________	I thought we did vote.
Stewart Hobbs	No, we did not vote. The motion is to defer, that is what I have.
Bert Dodson	We had a voice vote, but…
Stewart Hobbs	Well, the City Manager asked for discussion before the vote and we discussed, so at this point, the motion is on the floor to defer it to our next meeting, and hopefully there is additional information that will satisfy all of you. I am satisfied as it is, so I will request a show of hands. All in favor of deferring.
Bert Dodson	Mr. Chairman, before that, does the City Manager have a vote since he has abstained?
Stewart Hobbs	He said he was not going to vote.
Kim Payne	I don't intend to vote on the final recommendation, but I do have an opinion about delaying it and that will be not to. But I will not vote, and defer it to the rest of you.
Stewart Hobbs	The City Manager will not vote; he would prefer to go forward. A show of hands for all those in favor of the motion to defer this to our next meeting. The vote was tied at 4 to 4, with Kim Payne not voting.

In Favor	Against	Not Voting
1. Bert Dodson	1. Stewart Hobbs	1. Kim Payne
2. Don Brown	2. Debby Allen	
3. Lynch Christian	3. Bob Day	
4. Charles Nowlin	4. Mike Davidson	

The motion does not carry, by my recollection of Roberts Rules of Order. So we are then on the floor, as I understand it, to not recommending to City Council. Can someone -- Walter help me out here.

Walter Erwin	The motion to defer does not carry, so then the next step would be: Are you ready to send it to City Council without a recommendation?

Stewart Hobbs	With or without a recommendation.
Walter Erwin	You could send it to them saying we discussed it further, or if you reach a majority or a decision on the issue, you can make that. If not, you could say the Commission is unable to come to a decision, so we are sending it to City Council without a recommendation from the Commission.
Stewart Hobbs	So, having heard from legal counsel, is there a motion to some effect as to whether we proceed with a recommendation to council to approve it, or a motion to not approve it, one way or the other? We need to do something. We can do either or, we can have a vote to say we do not approve…or we can have a vote to say we don't have a recommendation…or we can vote to approve, either way. We voted to delay and that was not passed, that failed so….
Bert Dodson	Mr. Chairman, since four of us decided to delay and four of us decided to go ahead, I have a lot of questions that won't be answered, so I will not do my service to the City. I have a ton of questions to ask in open meeting, closed meeting, so I will just make a motion that we make no recommendation to council since I think the cart is before the horse, and people have already made up their minds even though a lot of questions have [not] been answered.
Stewart Hobbs	Your motion, Bert, is to make no recommendation to council, is there a second?
Lynch Christian	I will second that, I don't feel like I understand enough about the situation to make a recommendation to City Council. I would like to know more about what is in the cart not just who the horse is.
Stewart Hobbs	We have a motion and a second, is there discussion?
Bert Dodson	We are here today, we will make the decision, we want to go to City Council, we want to ignore you and continue on, no other discussion, so give them what they want.
Stewart Hobbs	The motion on the floor is to make no recommendation to City Council and send it to them as it is.
Don Brown	I have a question. If we do that, does that mean that the Commission at this point is out of the picture?
Bob Day	We were appointed by the Council; they are interested in our opinion. We try to give them our best judgment. Four of us thought that we needed a little bit more time and a little bit more information. That did not carry. We now have to make the decision based upon the information that we have and what we have heard, and we should make that decision and send that to the Council. That is why we were appointed.
Stewart Hobbs	So, the motion is that we forward it without any endorsement or recommendation. I do not agree with that motion, I don't agree with that position. As you said, I think we need to vote up or down, one way or the other, but not abdicate and give away our position.
Don Brown	It seems to me that if you vote it down, now you can discuss and go in the meeting on the 16^{th} and discuss it some more, and then maybe open it up for another solicitation from the entity.
Stewart Hobbs	No, no, no. We vote it up or down. It goes to Council up or down…we are through.
Lynch Christian	I don't feel qualified at this point, I don't feel that I have enough facts in my mind to make a vote, to make a recommendation, one way or another.
Debby Allen	I have one question that has not been asked. According to the contract that is in existence right now, if Virginia Aviation is sold, then the lease is terminated. If that were to occur, then Freedom would negotiate with the City or they are not interested in buying Virginia Aviation. By looking at the contract -- and I was not on the Commission when that was developed -- it was set up that way and Virginia Aviation agreed to it. So, I am just trying to determine why we don't go through the way the contract is, and then if that were the case, then we would be negotiating with Freedom Aviation.
Judy Bristow	Without that, it is not happening.
Walter Erwin	The reason that provision was put in the contract was to deal with this specific situation. We are not completely surprised that Virginia Aviation and Freedom Aviation have worked out a deal. That was in our minds that might happen. So the City wanted to have the option at that time if it did occur, should the City take control of some of these facilities and try to run it itself. If the contract is going to get signed, should the City try to negotiate a better deal? Certainly giving Freedom control of all the facilities gives them the chance to enhance its revenues, so should the City try to get a better deal at this time? Saying we want more rent…what's best by the current lease agreement? Or, should the City simply say we think signing the lease is a good deal as sent to it. But, the City wanted to have the opportunity to do what is being done today.

By having the Commission look at this situation and answer the question, does the assignment of the existing lease best serve the City's interest and the interest of the public for which the airport exists? In the public's interest, does assigning the existing lease best serve that interest or does something else happen should the City take over] the operation as the Airport Manager has suggested and run some of these facilities itself?

The City thinks it could enhance the revenue, and the City believes it will still give customers some element of choice, or should the City say, 'Look, we agree to the assignment but we want a better deal than we currently have' or, should the City go with the third option of simply approving the assignment of the current agreement as Virginia Aviation and Freedom Aviation have both requested?

Mike Davidson — I know my place on the Commission is that I represent the County, not the citizens of Lynchburg, but as a representative on this Commission representing Campbell County with this airport being in Campbell County, I do have a great deal of interest and concern and value that I place on this airport. I think the one thing that was said here tonight that confirmed my opinion on the decision that needs to be made was made by Mark Courtney.

Mark talked about the merging and consolidation of the airlines and how that made them better and stronger and more competitive. That is what these people are trying to do, they are trying to merge and consolidate to get stronger and better. I think we have two independent businesses that have negotiated and reached a deal and have come to an understanding of how they can serve this area better. And for that, for the purpose of discussion, I would like to offer a substitute motion that we recommend to City Council to approve the lease agreement with renegotiated terms so if the City wants to negotiate and raise the rent term, so be it. But I really am steadfast and believe that approval of the reassignment of the lease should be something that we should consider.

Stewart Hobbs — Walter, help me out. We have a motion on the floor, moved and seconded to go to Council with no recommendation. We have a substitute motion, can that be addressed?

Walter Erwin — If the substitute motion is made and seconded, then technically, if you want to follow Roberts Rules of Order, the next step would be for the Commission to vote on whether or not the substitute motion replaces the main motion. If the substitute motion passes, then it becomes the main motion and you vote on it. If the substitute motion is not passed, then you go back and vote on the original motion.

Charles Nowlin — Walter, I have a question. The issue before us is not one of the assignment of the lease per se, is it?

Walter Erwin — This is the request that has come to the City: That Virginia Aviation and Freedom Aviation have requested that City Council approve the assignment of Virginia Aviation's lease to Freedom Aviation as part of Freedom Aviation's purchase of Virginia Aviation.

Charles Nowlin — Well, the way that I read it is, the provision that you spoke to a minute ago is the provision that precludes the assignment because the lease cancels itself at the sale.

Walter Erwin — But like any other contract, that provision can be changed.

Charles Nowlin — So the request is to change the provisions of the existing lease.

Walter Erwin — It is that the City not enforce that provision, that instead of terminating the lease that the City overlook that provision and approve the assignment of the existing lease to Freedom Aviation.

Bob Day — The lease will come up for renegotiation in four years?

Walter Erwin — Right, the lease will come up the end of June of 2018. A little over four years from now this will be up for negotiation again

Jimmy Walker — Walter, my memory of that, which might not be right, is that if Council approves it, it doesn't terminate, if the lease is transferred without Council's approval it terminates.

Walter Erwin — Well, the lease cannot be transferred without Council's approval. If the stock sale or purchase --whatever the agreement is between Freedom and Virginia Aviation -- proceeds without Council approval then the lease automatically terminates. What you are asking is that Council not impose that provision, that Council waive that provision in the lease, and allow the lease to go to Freedom Aviation along with the other assets of Virginia Aviation

Bert Dodson — I would like to respond to Mr. Day's comment. I don't know about the other people who voted to extend this conversation to June 16th, but from what I am hearing I am not voting for or against it, we just need more information. If you are convinced it is a great thing, then fine. If you have had the opportunity to ask a lot of questions and get all of your answers, fine. But like some of us who have served on City Council, and we had public hearings, we find a lot of information about ________________. You get a lot of information from people, and then you make a decision. But, there again, some of us don't feel we got enough information and that is why we won't make the decision.

Stewart Hobbs	We are stretching my limited abilities here, but we have a motion and a second to send it to City Council with no recommendation, we then had a substitute motion which does not have a second. Is there a second to the substitute motion? Let's hear the substitute motion.
Mike Davidson	To recommend to City Council the reassignment of the lease but also offer to renegotiate the terms so that the City could benefit by higher income realizing more revenue. I think what that does is it accomplishes the merger but also gives the City the benefit of being able to benefit more by the lease.
Stewart Hobbs	Is there a second to that substitute motion?
Don Brown	I have a comment. Aren't you going to do that anyway? You are going to look at the lease; if we recommend to do what the gentleman says, we are going to be looking at the lease and making a decision whether you are going to continue it or change it.
Walter Erwin	That would be up to City Council. Certainly, that would be an option for City Council. You can make a recommendation to Council and try to predict what Council might and might not do once the matter comes to them, even if you recommended that vote to Council with the recommendation that they simply approve the assignment of the lease. When it gets to Council, Council could say, 'Well, we would be willing to approve the assignment, but only if we renegotiate some of the terms.' That would certainly be an option that is available to Council, just as the same option is available to the Commission when the Commission makes its recommendation. Do you want to recommend straight approval…do you want to recommend approval with renegotiation possible…do you want to recommend not approving…or do you want to send it with no recommendation at all?
Stewart Hobbs	So, from what I hear, the substitute motion does not have a second. Last chance. So the substitute motion fails. We go back to Mr. Dodson's previous motion of sending it to City Council with no recommendation from this body, which I think is wrong, but that is on the floor, moved and seconded, discussed. So I will ask for a show of hands: All in favor of that motion, 1, 2, 3 motion fails (I am assuming everybody else votes no). So we are back to a motion to Council. Someone needs to make [a motion] that says we recommend this proceed as petitioned; that we recommend that it not proceed as petitioned without our recommendation; or we can make a recommendation with certain questions as to what we want to be looked at, I don't know. I need a motion.
Don Brown	I am going to make a motion that the parties come back on the 16th with the same information, and in the meantime, since we know what is involved right now, we can do our study and still come back on the 16th of June and reconsider it. That is the motion.
Mark Courtney	Would you restate the motion Don.
Don Brown	Since we can't get it ______ today, let's come back.
Stewart Hobbs	Well, I think we just voted not to delay it.
Bob Day	I am going to move that the Commission recommend to the City Council that it not accept the request of Freedom Aviation to assign the lease.
Stewart Hobbs	That is pretty simple and clean. Is there a second.
Charles Nowlin	I second it.
Stewart Hobbs	There is a second from Mr. Nowlin. Is there discussion?
____________	____
Bob Day	______________ and the question for the Commission is we have to make a recommendation to them concerning the health, welfare and future growth of this airport. What we have heard today is a proposal that makes them [Freedom] very healthy and they [Freedom] are going to grow very nicely. But the question is the airport itself, and how is it going to grow in the future? We have not heard any benefits today at all how this is going to benefit the airport. I don't believe that I can recommend supporting something that doesn't have any benefit to the airport. I know that is really what I am voting for.
Stewart Hobbs	I must say, having been in this business, that I agree.
Lynch Christian	You have made it clear how you feel.
Stewart Hobbs	Yes.

Bob Day	[They have] put together a proposal that was somewhat of a long shot because they hooked this thing in there of 'please pull that phrase out.' They [Freedom] could have made a nice, clean acquisition; a stock purchase agreement without anything having to do with the lease. They could have done that, and then they could have negotiated with the City for the facility.
Lynch Christian	I am not sure that I agree with that, because with the purchase the lease would automatically terminate. I have heard some comments today that suggest that it would highly beneficial to the City, and highly beneficial to general aviation, and I find it very difficult to make a decision on a motion without some further understanding of the facts. I feel like we are sitting in Council's shoes here. Council has asked us to give a recommendation, and I don't feel comfortable making a decision one way or the other, without further understanding what the circumstances are.
Stewart Hobbs	I disagree with that. I feel comfortable, but that is my background.
Bert Dodson	We are no different than the Planning Commission or other Commissions that have been established by City Council. They do not have the resources that we have being Airport Commission Members for a number of years. I don't have the knowledge that you have being in general aviation for many years, but they will listen to what the Commission says. And they might overrule what we say -- it happens all the time.
Stewart Hobbs	Well, they haven't done anything on the last recommendation [on airline fueling] that we made.
Bert Dodson	Point: This is very crucial right here and I totally agree with Mr. Christian. We are not aviation people, Mr. Christian and I and several others. We are not trying to put the decision off forever, we are just asking for a few weeks to ask for more information to make the proper decision.
Stewart Hobbs	That motion was made and failed.
Bert Dodson	We could always make it again.
Stewart Hobbs	I have a current motion and a second that we send it to Council recommending disapproval, is there additional discussion?
Debby Allen	If we vote to disapprove it would still give us the option of negotiating.
Stewart Hobbs	No, we don't tie their hands at all.
Debby Allen	We are just voting to honor the contract and then they will still be negotiating.
Don Brown	Then it goes to Council.
Charles Nowlin	But it is Council's decision.
Stewart Hobbs	It is always Council's decision, but it is our recommendation; we, as their appointed Commission Members.
Debby Allen	Yes, but I am just clarifying the obvious, that it doesn't preclude Freedom Aviation to become a single FBO.
Stewart Hobbs	No, they will go straight to Council but without our recommendation [to approve]. So is everybody happy with what we have said? We all happy or not? Are we ready to vote? All in favor of this motion…
Bob Day	Please restate the motion.
Stewart Hobbs	It is your motion, I will let you restate it.
Bob Day	The motion is to not recommend approval of the request
Stewart Hobbs	All in favor, a show of hands. 1, 2, 3, 4, 5. Opposed 1, 2 and Mr. Lynch Christian abstained and Mr. Payne is not voting.

In Favor	Opposed	Abstained/Not Voting
1. Debby Allen	1. Mike Davidson	1. Lynch Christian
2. Bob Day	2. Bert Dodson	2. Kimball Payne
3. Charles Nowlin		
4. Don Brown		
5. Stewart Hobbs		

Bert Dodson	So, point of order: Does this mean the Commission has decided to not make a recommendation?
Stewart Hobbs	The Commission decided to turn down the request [as] recommended.

(4) ADJOURNMENT

Stewart Hobbs	And with that, if there is no further business, we stand adjourned.

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **September 23, 2014** AGENDA ITEM NO.: 17

CONSENT: REGULAR: **X** WORK SESSION: CLOSED SESSION: (Confidential)

ACTION: INFORMATION: **X**

ITEM TITLE: **Update on Freedom Aviation's Request to Assume the Lease of Virginia Aviation**

RECOMMENDATION: No action required. Staff would like Council's thoughts on the direction of future discussions with Freedom Aviation.

SUMMARY: Since the public hearing on Freedom Aviation's request to assume the lease of Virginia Aviation for certain facilities at the Lynchburg Regional Airport, a number of activities have occurred with a goal of bringing forth a proposal that accomplishes several purposes:

- Preserve and enhance commercial air service at the airport
- Support and enhance the general aviation community
- Support businesses providing aeronautical services
- Maintain an open and competitive business environment for existing or new businesses
- Maximize airport revenues in order to eliminate the General Fund subsidy

Staff has met with Freedom Aviation representatives on several occasions to discuss its request and has kept the Airport Commission informed.

On August 11, 2014 a General Aviation Forum was held to solicit input from that community. Three questions were asked:

1. What services, facilities or amenities at Lynchburg Regional Airport are most important to the General Aviation community/

2. What unrealized opportunities are there that, if realized, would benefit the GA community?

3. What other issues should be considered as we determine how to move forward?

Comments from participants were recorded and are compiled in the attachment. The Airport Commission reviewed and discussed the comments on August 25th and identified the following issues as of particular interest:

- Customer Service (timely, professional, value, quality)
- Cost of Fuel (benchmark + OH + "profit") ("rack rate")
- Hangar Space (projections GA + LU; no reduction of GA)
- Maintenance
- Meeting the needs of School of Aeronautics (But don't bump the GA)

As the discussions have continued four basic options have been identified:

- Allow the acquisition of the Virginia Aviation lease by Freedom Aviation to stand (possibly with certain facility divestitures and for no longer than the term of the former lease, possibly shorter);

- Have the airport/City take over basic (limited) FBO services to include retail fuel (most) and airline/military fuel (as an exclusive), GA terminal and related aircraft storage;

- Bid out the Virginia Aviation leasehold to a potential competitor, or accept proposals; or,

- Airport/City operation of the limited airport FBO under a management contract.

Freedom Aviation would prefer the first option with as few changes as possible and staff has expressed a preference for the second option. That option is currently being evaluated to determine potential financial impact.

As this process continues, the next steps will include a special meeting of the Airport Commission in October; a public hearing by the Airport Commission and a recommendation to City Council, a public hearing before Council and Council's decision.

This agenda item is intended to provide Council with an update on this matter, to answer any questions, and to receive any suggestions from Council as the discussion moves forward.

PRIOR ACTION(S): June 24, 2014 Public Hearing (Airport Director Mark Courtney's comments and a letter from Freedom Aviation are attached for reference.)

FISCAL IMPACT: To be determined.

CONTACT(S): Kimball Payne, 455-3990; Mark Courtney, Airport Director, 455-6089

ATTACHMENT(S): Courtney Comments, June 24, 2014 Public Hearing; Letter from Freedom Aviation dated June 23, 2014; Comments from General Aviation Forum held August 11, 2014;

REVIEWED BY: lkp

131K

June 24, 2014 Council Presentation
Remarks of Mark Courtney, Airport Director
Request to Assign Virginia Aviation Lease to Freedom Aviation/Liberty University

Mr. Mayor and Members of Council:

I. As the Council Reports indicates, this public hearing deals with a joint request by LYH's two fixed base operators, Freedom Aviation and Virginia Aviation, for City Council to approve an assignment of VA's lease to Freedom Aviation as part of an April 2014 Stock Purchase Agreement to acquire Virginia Aviation.

II. Without a doubt, this request raises a number of airport use and economic issues, which — from a technical perspective—creates complex public interest concerns involving the establishment of monopoly control of public assets that will eliminate FBO competition at LYH. Compounding that are other concerns… including the granting of an exclusive right in possible violation of FAA grant assurances… the possible forced elimination of existing sub-tenants of VA which provide added competition and vital community aviation services…as well as the reduced availability of GA services, and the possible dislocation of numerous general aviation customers.

III. With that in mind: The key issue for Council to consider with this request is whether to waive or amend existing language in VA's lease which not only specifically prohibits such an assignment…but also expressly prohibits the very kind of sale that has been proposed.

IV. Let me be clear: Your ultimate decision on this request could have a major impact on the future direction of LYH…particularly with regards to the airport's ability to maintain free-market FBO competition for years to come. **Bottom line**: Once it's gone…it's gone.

V. History.

A. By way of background, the current FBO competitive environment at LYH had its genesis over ten years ago with the establishment of the airport's first retail aviation services competitor to Virginia Aviation, Britannia Aviation. Britannia initially operated as a specialized maintenance business, but…over time and through subsequent ownership… evolved into a second FBO through several <u>Council-approved</u> assignments…<u>all</u> with no airport, Commission or customer objections.

B. Why? Because each of these assignments <u>preserved and protected airport competition…</u>and were intentionally and progressively built on a model designed to create and maintain a competitive FBO <u>environment</u> at LYH.

C. And how do I know that balance exists? Simply because <u>both</u> FBOs claim the other has the better deal!

VI. This evolution resulted in the sharing of FBO facilities as shown here.

A. [SHOW LEASEHOLD DRAWINGS]

VII. **Guiding Principles** -- With that perspective in mind, let me explain some of the basic <u>guiding principles</u> that were designed to balance the airport's FBO leases. Overall, the goal was:

1. To preserve the existing FBO competition model that has worked for the last 10 years.

2. To adhere to LYH's Mission as established by the Airport Commission in 2012, which states:

   Lynchburg Regional Airport shall endeavor to provide a full-range of quality aeronautical services in order to serve the aviation needs of the <u>greater community</u> while operating in a self-sustainable manner. …It shall be customer service focused, emphasize safety continuously, be financially responsible, and <u>maintain a competitive airport business environment while at all times operating in the public interest.</u>

3. Yet another guiding principle simply is the concept of a tenant honoring its commitment, which means: a lease is a lease…a contract is a contract … and intended by airport management to be negotiated in good faith and not renegotiated unilaterally.

4. A particularly important guiding principle involves adherence to the City's FAA obligations.

   1. For example, the City has agreed to certain federal, contractual obligations (called sponsor assurances) as a recipient of FAA grant funds. [SHOW FAA SLIDE] I have been informed by the FAA that Sponsor Assurance #23, as shown here, may apply to this acquisition based on it having the potential to effectively create an "exclusive right" at LYH in violation of FAA policy.

   2. Yet, at the same time, these sponsor assurances also <u>specifically</u> grant the airport the exclusive right to be the sole provider of any aeronautical service, including fuel. And why does the FAA give airport sponsors this right? For the very situation we are dealing with in order to protect a competitive environment and ensure the public interest.

VIII. **Now, turning to the terms of the VA lease, nothing has changed:** It was agreed to by VA last summer with the addition of two key provisions,[SHOW LEASE SLIDE], shown here, that not only prohibits <u>any</u> lease assignment…but included automatic lease termination language in the event of a sale. In fact, these provisions were intentionally added in anticipation of the very request that is before you tonight.

IX. I'd also like to address the notion that some have raised that LYH cannot support two FBOs:

A. First & foremost: Every airport is unique. In other words…If you've seen one airport, you've seen one airport.

B. In this case, each FBO offers unique aviation services that give them specific market advantages that counter-balance. Essentially, the Liberty SOA program creates a captive, high-margin university flight training program that generates premium revenues, and can generally support—by itself—sufficient market demand to support one FBO.

C. On the other hand, VA's model is the more traditional, fuel-centric FBO model that historically has relied upon the sale of aviation fuel to visiting corporate jets, business aircraft and the airlines.

D. Examples have been made that both CHO and ROA have only 1 FBO. But just because they both only have <u>one</u> FBO, doesn't mean they <u>couldn't</u> support two FBOs. For example, a smaller GA airport like Easton, Md. has two FBOs that are both doing quite well…or MLB, a comparable small commercial service airport where Florida Tech's SOA is located (my alma mater)…offers similar university flight programs like Liberty's. Yet MLB not only supports FIT Aviation, but two other FBOs as well.

X. Now… since this proposed FBO consolidation has been announced, GA customers and other airport businesses have expressed serious concerns that primarily center on the detrimental effects of creating a "fortress monopoly" environment at LYH. These include the establishment of:

A. Monopoly pricing [SHOW JET A SLIDE]. Here's just one example:

B. GA users also noted… the negative impact on GA community access to services/facilities, along with possible lower priority treatment.

C. The displacement of existing sub-tenants and based aircraft customers.

XI. It was these very concerns that the Airport Commission struggled with at its May Special Meeting to make a recommendation to Council… and ultimately concluded that this assignment request was not in the public interest due to the fact that it would eliminate the existing FBO competitive environment at LYH… and but also lacked any public benefit while threatening GA interests. (And if Council would like further input on that decision, the chairman of the Airport Commission, Stewart Hobbs, is also here tonight to answer any questions.)

XII. Accordingly, staff concurs with the Commission and recommends that Council deny waiving the provision in Virginia Aviation’s current lease which prohibits this assignment, and retain the provision that any such sale as proposed will automatically terminate Virginia Aviation’s lease.

XIII. Thank you for your attention, and I will be available for questions following the public hearing.

FREEDOM
AVIATION

Freedom Aviation
310 Hangar Road
Lynchburg, VA 24502
June 23, 2014

Via Hand Delivery and Email

L. Kimball Payne, III, City Manager
City of Lynchburg
900 Church Street, 3rd Floor
Lynchburg, VA 24504
kpayne@lynchburgva.gov

Michael A. Gillette, Mayor
City of Lynchburg
900 Church Street, 3rd Floor
Lynchburg, VA 24504
michael.gillette@lynchburgva.gov

Re: Assignment of Lease of Property – Aircraft Hangars, Offices and General Aviation Terminal dated July 1, 2013 by and between City of Lynchburg and Aviation Resources, Inc. dba Virginia Aviation (the "Lease") from Virginia Aviation to Freedom Aviation

Dear Kim and Mike:

Reference is made to the letter dated April 11, 2014, pursuant to which counsel for each of Virginia Aviation and its owner, James R. Walker, and Freedom Aviation submitted a joint request of the City of Lynchburg to approve an assignment of the above-referenced Lease (the "Assignment") in connection with Mr. Walker's sale of Virginia Aviation (aka Aviation Resources, Inc.) to Freedom Aviation (fka Falwell Aviation) (the "Transaction"). The parties intend to close on the Transaction by the end of this week.

In furtherance of the request made by the parties that will come before the City Council on June 24, 2014, Freedom Aviation proffers the following as additional consideration under the Lease for the City to approve the Assignment:

(1) Virginia Aviation (under its new ownership by Freedom Aviation) will agree to pay $16,000 per month in rent to the City beginning on July 1, 2014. Currently, the Lease requires Virginia Aviation to pay $11,044 per month in rent. As a result, the City will receive an additional $59,472 in rent each year, for a total of $237,888 in additional rent for the remaining four (4) years of the term of the Lease.

(2) Virginia Aviation (under its new ownership by Freedom Aviation) will reserve and limit usage of the General Aviation Terminal Building exclusively for general aviation services to benefit the general aviation community and general public. In other words, neither Virginia

FREEDOM
AVIATION

Aviation nor Freedom Aviation will conduct any of its flight school training operations out of the General Aviation Terminal Building.[1]

(3) Virginia Aviation (under its ownership by Freedom Aviation) will invest at least $100,000 each year to enhance the current General Aviation facilities and/or amenitieswhich in turn will improve the economic value to the City and incentivize the general aviation community to increase its business in the Lynchburg area. In other words, Virginia Aviation will invest a total of at least $400,000, over the remaining four (4) years of the term of the Lease, towards capital improvement projects that will benefit General Aviation.

(4) Virginia Aviation (under its ownership by Freedom Aviation) and Freedom Aviation will significantly upgrade the service levels and professional appearance of staff serving General Aviation, including uniforms for both indoor and ramp employees, to achieve a first class level of greeting and service to business travelers coming to the Lynchburg area through the Airport's General Aviation facilities.

(5) Virginia Aviation (under its ownership by Freedom Aviation) and Freedom Aviation will work together with the City with the goal of establishing a Maintenance Repair and Overhaul (MRO) facility at the Lynchburg Airport to further support the general aviation community and enhance the economic value of the Airport to the City.

In summary, we offer the following benefits to the City:(i) an additional $237,888 in rent payments over the next four (4) years, (ii) a commitment to continue supporting general aviation exclusively at the General Aviation Terminal Building, (ii) an investment of at least $400,000 to improve and enhance the Airport's general aviation facilities, (iv) a commitment to create a first-class general aviation facility and operation at the Airport, and (v)enhancement of the economic value of the Airport to the City with a Maintenance Repair and Overhaul (MRO) facility that will further support general aviation.

We look forward to continued opportunities to extend and expand Freedom Aviation's relationship with the Lynchburg Regional Airport and believe that we move closer to accomplishing such as well as enhancing the economic value of the Airport to the Lynchburg community by closing on the Transaction.

Should you have any questions or concerns regarding any of the above, please contact me directly before the City Council's meeting.

---

[1]There is limited capacity at the Lynchburg Regional Airport for expansion of flight training programs. Freedom Aviation and the Liberty University School of Aeronautics have already expanded and established satellite flight training facilities with regional airport partners in Newport News, Manassas, Warrenton, Leesburg and Stafford. This should alleviate any concern that the City may have that the Transaction is being pursued by Freedom Aviation for the sole purpose of expanding flight training programs. Liberty University's model for expansion of flight training is to expand through the satellite airport locations and to only accommodate growth at the Lynchburg Airport as the airport facilities, air traffic control and local flight training areas will adequately support.

310 Hangar Road • Lynchburg, VA 24502 • 434.237.7002 • fax 434.237.5305

FREEDOM
AVIATION

Sincerely,

Jerry L. Falwell, Chairman

cc: *Via Email*
Walter C. Erwin, III City Attorney
James R. Walker, Virginia Aviation
David L. Young, Freedom Aviation
Robert C. Wood, III, Esq., Edmunds & Williams
David L. Young, Freedom Aviation
Judy Lin Bristow, Esq., Williams Mullen

GA Community Forum
August 11, 2014
Comments

1. **What services, facilities or amenities at LYH are most important to the GA Community?**

- Need to define GA – any type of non-commercial activity
- Value: affordability of services; benchmark appropriately
- Hangar space
- Familiarity and trust
- Services/facilities most important
  - Customer service
  - Fuel prices (low)
  - Maintenance availability
  - Rental availability
  - Local agreements with restaurants, tourist venues
  - Self-service fuel
  - Single FBO concerns (no choices)
  - Parking issues with school
  - Tie-down fees waived
  - Lighting, striping
  - Tower (traffic to maintain)
  - Runway 17-35
  - Clean, well-maintained hangars
  - Amenities: transient pilot (movies, gym, etc.)
  - Concierge services, courtesy cars
  - Observation area
  - Lower fuel prices
  - Restaurant
  - Civil air patrol valued
  - Length/certainty of lease agreements
  - Competition essential
  - Lease agreements should not be “all or nothing”
  - Values competition
  - Facilities for pilots (flight planning space)

2. **What unrealized opportunities are there that, if realized, would benefit the GA community?**

- Creation of an “airport community” to hang out
- Restaurant
- MRO (maintenance, repair, overhaul)

- Customs stop\Joe Beans drive through
- Make LYH a destination (locals and visitors)
- Promote a flying club
- Hangars
- Self-service fuel
- Simulators for GA
- Safety seminars
- Independent high school program (magnet)
- Marketing partnership with tourism partners
- Recognize that fuel prices need to be competitive with those outside VA
- Invigorate enthusiasm for GA similar to commercial
- Other flight schools

3. What other issues should be considered as we determine how to move forward?

- Economic impact of airport
- Classic business dilemma (Walmart v. Mom and Pop grocer)
- Experience of a new GA provider, including City
- Preference re: Freedom Aviation
- Showcase events – Airshow
- Glance back-forward 30 years
- Shower, etc. for corporate pilots
- LU School of Aeronautics and Freedom Aviation: can FA accommodate both
- No recourse under fuel/maintenance monopoly
- Need for formal method to challenge prices
- Hangar space during growth
- Study group to determine options
- Landing fees – eliminate parking/ramp fees
- Focus on internal vs. regional
- Concern with fictitious competition (City)
- Allow GA hangar leases with City
- Encourage Campbell County to have fuel purchased from City
- Concerns with LU bell tower
- Add annual performance measures written into minimum standards for lease agreements to alleviate monopoly/single competitor concerns
- LYH has huge opportunity to capitalize on forecasted pilot shortage by creating/expanding/maximizing flight training business and activities

VIRGINIA AVIATION LEASEHOLD OPTIONS

FBO Facility	Area (SF)	Current Lump-sum Annual Rent and Fees	Airport Operated Limited FBO (Option #1)	Partial Leasehold Transfer to Freedom (w/retail & airline/military fuel) (Option #2)	Re-bid Virginia Aviation Leasehold (Option #3)	Competitive FBO Management Contract (Option #4)
Hangar 1	10,000			$20,000 - $25,000		
Hangar 1 - Office	1,600			8,000 - 9,000		
Hangar 2	5,600			7,500 - 8,500		
Training Classroom	800			4,000 - 5,000		
Hangar 3	6,000			not included		
Hangar 3 - Office	1,800			not included		
Hangar 4	10,000			16,000 - 20,000		
Hangar 5	12,000			not included		
Hangar 5 - Office	2,400			not included		
Hangar 6	6,000			not included		
GA Terminal	598 **(1)**			8,000 - 9,000 **(4)**		
Total Area (SF)	**56,798**	**$135,576**	$0	**$63,500 - $76,500** **(5)** (from Freedom)	$0	$0 **(8)**
Hangar 1 w/office area			$30,000 **(6)**			$30,000 **(6)**
Hangar 2			7,500 **(6)**			7,500 **(6)**
Training Classroom			3,615 **(6)**			3,615 **(6)**
Hangar 3 w/office area			18,972 **(6)**	18,972 **(6)**		18,972 **(6)**
Hangar 4			24,000 **(6)**			24,000 **(6)**
Hangar 5 w/office area			100,000 **(6)**	80,000 **(6)**		100,000 **(6)**
Hangar 6			24,500 **(6)**	24,500 **(6)**		24,500 **(6)**
sub-total			**$208,587** (from other customers/tenants)	**$123,472** (from other tenants)	**$135,576+** **(7)**	**$208,587** (from other customers/tenants)
Fuel flowage fees		$25,000	$25,000	$25,000	$25,000	$25,000
Thru-put Fee		60,000 **(2)**	0	60,000 **(2)**	60,000	0
Aircraft parking fees		20,250	27,000	20,250	20,250	27,000
Fuel sales net earnings			221,439 - 574,697 **(3)**			221,439 - 574,697 **(3)**
(less) Management Fee						(125,000) **(estimate)**
Total rents/fees to Airport		**$240,826**	**$482,026 - $835,284**	**$292,222 - $305,222**	**$240,826+**	**$357,026 - $710,284** **(8)**

Comments

Option #1:
- a Retains retail fueling competition
- b All net earnings remain on airport
- c Maximizes airport financial sustainability in event of loss of all airline service in future.
- d Allows airline financial incentives to to attract/grow airline service
- e New net earnings provide funds to expand facilities (T-hangars, etc.)
- f Permits exercise of proprietary exclusive rights on airline & mil fuel
- g Ensures facilities are open to all classes of users
- h Mission to operate in public interest
- i Self-service fueling TBD

Option #2:
- a Structured as 2.5 year provisional lease
- b Would preclude other fueling operation; but could incorporate some form of fuel price controls
- c Would authorize airline/military fueling
- d GA Terminal lease structure TBD
- e Market rate rents to apply
- f Fuel farm agreement remains on a month-to-month basis; option for airport to manage directly
- g Freedom to build proposed hangar
- h Liberty SOA will expand under separate franchise/lease
- i Self-service fueling TBD

Option #3:
- a Retains competition while matching current revenue stream
- b Could exceed current rents
- c Other FBOs have expressed interest
- d Current overly restrictive airport Minimum Operating Standards problematic

Option #4:
- a Could be structured for a provisional period
- b Would offer turn-key competitive services
- c Attractive return while preserving FBO fueling/storage competition
- d Would preclude airport from exercising proprietary exclusive rights on airline and military fuel

1) The leased area in the GA Terminal is currently limited to the two office areas. The remainder of the facility is considered City/Airport-controlled "public space"
2) The current thru-put fee from VA Aviation for lease of the fuel farm generates approximately $60,000 per year at a rate of 10.6 cents per gallon
3) Range of several fuel net earnings projections per consultant's report (after deducting the non-fuel related items from the total)
4) For the Airport to rent the entire GA Terminal at full market rate ($60,000 - 72,000 per year) would require repaying the state approximately $275,000 in entitlement funds
5) Lease amounts of facilities to Freedom Aviation are preliminary and are presented in a possible range for a period ending 6/30/2017
6) Estimated revenue from facilities for individual customer aircraft storage or outright lease
7) Amount represents minimum acceptable bid based on current annual Virginia Aviation rent
8) All or parts of the leasehold and the retail fuel sales could be managed by a third-party for the airport for a fee (essentially the same as Option #1 less the management fee)

AIRPORT-OPERATED LIMITED FBO REPORT

LYNCHBURG REGIONAL AIRPORT

LYNCHBURG, VIRGINIA

October, 2014

Prepared by

C.E. STROCK CONSULTING

VDOT Vendor: DBE/WBE: DBE Number C1211   SWAM Type WS: Certification Number 662252

30 Lynnwood Drive

Vienna, WV 26105

LYNCHBURG REGIONAL AIRPORT (LYH)
Airport-Operated Limited FBO Report

This report will address the steps necessary for Lynchburg Regional Airport (LYH) to assume a limited Fixed Base Operation (FBO) at the Airport and the anticipated financial ramifications of such a change. The lease agreement between the Airport and Virginia Aviation, dated 1 July, 2013, stated that:

> It is agreed and understood that this Lease Agreement is personal to Virginia Aviation. Therefore, the Lessee shall not at any time assign, sell or transfer this Lease Agreement or any part thereof during the term of the Agreement. Further, in the event Virginia Aviation is sold, consolidated, merges or is acquired by another entity, this Lease Agreement shall automatically terminate.

Therefore, the Airport is exploring all options to meet its fiduciary responsibilities to the public.

The Strategic Plan of the Airport adopted in 2012 stated as its Mission:

> Lynchburg Regional Airport shall endeavor to provide a full-range of quality aeronautical services in order to serve the aviation needs of the greater community while operating in a self-sustaining manner. The airport shall strive to be pro-active in optimizing scheduled airlines service, supporting general aviation and maintaining its facilities. It shall be customer service focused, emphasize safety continuously, be financially responsible, and maintain a competitive airport business environment while at all times operating in the public interest.

The Airport has been blessed in the past by having competitive Fixed Based Operations (FBO) services and fuel sales. A competitive environment can continue to exist if the Airport actively assumes the role of a limited FBO for retail fuel sales and exercises its FAA exclusive rights authority over airline and military fuel sales. The Airport should rent space in some of the hangars previously held by Virginia Aviation and lease aircraft storage directly to tenants in other hangars. Since the existing FBO, Freedom Aviation, has a large, university-based business; it can continue to thrive without the added revenue generated by exclusive fuel sales at LYH.

Financial Analysis

This assessment is based on the following premises:

- The Airport will enter the retail aviation fuel business;
- The Airport will exercise its exclusive rights to offer airline and military fuel sales;
- The Airport will offer other aircraft services with the exception that it will not provide aircraft maintenance;
- The Airport will rent space in some of its hangars directly to tenant pilots and will provide towing and storage for those aircraft;
- The Airport will conduct its fueling and line services out of the General Aviation Terminal;
- The Airport will enter into a fuel supply contract with a fuel supplier;
- The Airport will employ and train employees to work in the Line Service Department; and
- The Airport will handle quality control of fuel in the receipt of loads and operation of the fuel farm, and be reimbursed, in part, for such expenses.

As the owner of the Fuel Farm, the Airport has contracted quality control and all fuel farm operations to the FBO's under a separate lease agreement in the past. In order to enter the additional service area of providing fuel, hangaring, and other aircraft services at the Airport, an initial investment will be necessary for employing and training personnel and purchasing ground support equipment. Appendix I outlines the start-up costs.

Table I. Start-up Costs

Description	Lower Cost Alternative	Higher Cost Alternative
Consulting, Legal, Admin. & Adv.	$ 30,000	$ 30,000
Start-up costs for personnel	$ 26,896	$ 26,896
Reasonable start-up costs on GSE Equipment	$ 60,000	$ 100,000
GA Building & Equipment	$ 1,300	$ 5,400
Fuel Farm Supplies	$ 5,550	$ 5,500
Supplies & Equipment for Linemen	$ 4,375	$ 4,375
Total Range	**$ 128,121**	**$ 172,221**

Amortization of start-up costs in the budget process is based on an average of the alternatives as is the straight-line depreciation of the equipment.

The cost of aviation fuel is set by the fuel supplier based on an add-on to a Platts index. The Airport will have no influence on the cost of fuel once a contract is signed with the fuel supplier based on that add-on. The JetA will be based on the add-on negotiated to either the Gulf Coast or New York Harbor Platts. The 100LL may be based on an add-on to a Platts index for Premium gasoline which closely mirrors the changes in 100LL pricing. For that reason, the only calculation based on a retail pricing is the credit card fee. All other revenues stated herein will be exclusive of the cost of the fuel from the supplier. Revenues will be stated as a net of that cost. They will be the Airport's mark-up to fuel prices.

Past fuel sales at Lynchburg Regional Airport were used as a basis for several scenarios of revenue the Airport could expect to realize from aviation fuel sales. Depending on volume of fuel sold and how deeply discounted the negotiated mark-ups are cut to attain higher sales volume, the range of income is projected to be from $725,000 to $1 million.

The cost figures developed for credit card usage assume that when negotiating fuel discounts with based customers, the Airport will be sure to specify that customers use fuel supplier credit cards to prevent credit card fees to the Airport.

Table II. Fuel Sales Scenarios

Scenario	Revenue Generated
Anticipated Fuel Sales at Full Mark-up[i]	$ 981,054
Volume discount on some fuel with current anticipated sales	$ 938,723
Deep volume discount on some fuel with subsequent additional sales[ii]	$ 1,078,324
Sales calculated at VA Aviation 5 year lows with some discounts	$ 725,066
Sales calculated at VA Aviation 5 year highs with some discounts (airline at 3 year high)[iii]	$ 1,050,364

The mark-up rates in these scenarios were in keeping with regional pricing.

There will be additional opportunities for the Airport to generate revenues in addition to fuel sales. There are other services typically offered at limited FBO's. De-icing aircraft, lavatory services, preheating aircraft, providing ground power unit services, aircraft cleaning, and other minor services to pilots are included in the revenue projections in the amount of $13,300 per annum. (Attachment II)

Since the Airport has provided all major maintenance to the hangars and the General Aviation Terminal, it was noted upon inspection that no repairs to facilities will be necessary for the Airport to complete before utilizing the facilities, only the installation of Airport-owned equipment to replace tenant-owned equipment.

The Lynchburg Regional Airport received rental income, fuel flowage and through-put fees, parking fees, and landing fees from Virginia Aviation. The rental income totaled $135,576 for FY 2014. The aircraft parking fees were collected by Virginia Aviation, for a retainage of ¼ of the fee. Flowage and through-put fees on aviation fuel totaled $85,000. (Attachment II)

By renting out space in hangars retained by the Airport and increasing the rental on several of the hangars to closer to market rates, the Airport should increase their rental income by 100,000 to $240,000. (Attachment II)

The Airport has spent almost as much money on improvements to Hangars 1 and 2 as they have received in revenues from those buildings in the past 5-7 years. If Freedom Aviation is to retain one or both of those hangars, the rental or the maintenance arrangements should be adjusted to reflect adequate return on investment on those properties.

Table III. Loss of Income from Virginia Aviation Current Lease

Description	CY2104 Revenue
Hangar Rent & GA Terminal	$ 135,576
Fuel Flowage	$ 25,000
Through-put fees	$ 60,000
Parking Fees @75%	$20,250

Table IV. Additional Revenue Items for the Airport as a Limited FBO

Income on VA rentals	Projected Revenues
Hangar 1 w/office to Freedom	$ 30,000
Flight School	$ 6,972
Parking Fees	$ 27,000
Hangar 5 Rental to Tenants	$ 100,000
Hangar 2	$ 7,500
Hangar 3	$ 12,000
Hangar 4	$ 24,000
Hangar 6 - Centra	$ 24,500
Training Classroom	$ 3,615
Tie Downs	$ 6,000
	$ 241,587

Income from Aircraft Services	Projected Revenues
Deicing	$ 6,000
Cargo	$ 4,000
Preheating	$ 600
Lav Services	$ 1,500
GPU	$ 1,200
	$ 13,300

In addition to start-up costs, this change in Airport operations will require additional staff and annual costs which. The annual salaries and benefits for the Line Fueling operation will total $300,000.

Total increased annual costs to expand the services of the Airport to include limited FBO operations will be $500,000. (Appendix III)

Table V. Annual Increased Operating Costs

Airport Increased Annual Operating Costs to provide limited FBO services	Total Increase
Salaries & Benefits	
Salaries	$ 199,680
Employee Benefits	$ 101,180
Insurance'	$ 12,000
General Aviation Bldg.	
WSI Weather Service	$ 1,550
Utilities incl. phone	$ 9,250
Advertising/1/2 co-op²	$ 1,200
Uniforms/ 1/2 co-op²	$ 1,000
Office Supplies & Equipment	$ 6,000

Fuel Truck Rental	
2 JetA @ $2500/mo	$ 60,000
1 Avgas truck @ $1000	$ 12,000
Fueling Related Costs	
Filters/supplies	$ 5,120
Fuel Farm Maintenance	$ 3,900
Equipment Maintenance	$ 4,000
Equipment Gas & Oil	$ 10,000
Fuel Sump Costs	$ 10,000
Credit Card Discounts[3]	$ 34,360
Deicing Fluid	$ 3,000
Amortized Start-up costs	$ 15,017
Depreciation	$ 8,670
Total Expenses	**$ 497,927**

The above expenses are stated as additional operating costs for the Airport to assume the fueling business. They do not reflect, in any way, the cost of other Airport operations. Fuel truck lease costs are calculated using estimates supplied by Phillips66. Heavy maintenance on trucks is the responsibility of Phillips, light and normal maintenance is the responsibility of the Airport.

If the airport is to go into the retail fuel business, it is imperative that it retain the exclusive use of the General Aviation Building in order to have an adequate base of operations and the visibility necessary to kick off the retail business. Since the main Airport terminal is located on the opposite side of the airfield, services to general aviation will of necessity be based on the west side and require a customer-friendly environment.

Table VI: Earnings based on Low Fuel Sales with some Discounts

Sales calculated at VA Aviation 5 year lows with some discounts	Projections
Total Fuel Revenue less cost of fuel	$ 725,066
Hangar & Tie Down Rental	$ 241,587
Services to Aircraft	$ 13,300
Total Revenue	$ 979,953
Total Expense	$ 497,927
Net Earnings	**$ 482,026**

Table VII: Earnings based on Deep Volume Discounts

Deep volume discount on some fuel with subsequent additional sales	Projections
Total Fuel Revenue less cost of fuel	$ 1,078,324
Hangar & Tie Down Rental	$ 241,587
Services to Aircraft	$ 13,300
Total Revenue	$ 1,333,211
Total Expense	$ 497,927
Net Earnings	**$ 835,284**

The projections for revenues from fuel sales are demonstrated in Tables VI and VII. A total of five scenarios are outlined in Appendix IV.

The Airport is well-placed to provide these additional aircraft services at a substantial earnings potential and contribution to the Airport's budget. One of the reasons the inclusion of limited FBO services at the Airport is so potentially profitable is because the Airport has maintained the substantial building maintenance and capital expense in the past. These expenses will not bring about additional costs of operations since they have been the purview of the Airport already.

The final financial projection included in this report is a cash-flow analysis. It demonstrates what additional funds will be available for Airport use to contribute to the overall Airport budget over the next five years, assuming the Airport invests in a limited FBO operation. This analysis uses 3% as the annual growth in revenue and expenses without additional investment in the operation. It is reasonable to assume that, after the operation is running smoothly, capital will be invested in other Airport enhancing, revenue producing projects which are needed for the general aviation community. T-hangars are needed and should be one of the first projects. Running the cash-flow on the lowest fuel sales projections and an average of the five scenarios both demonstrate significant return on investment. Over a five-year period, it is not unreasonable to expect additional cash to the Airport to be over $2-3 million. While some of those funds should be used to upgrade the FBO operations, there will certainly be a significant surplus for other Airport projects. Cash-flow scenarios are included in Appendix V.

Background Information on Similar Airports

To determine the norms in Airport operations in the general geographic area of LYH, a survey of Airports in Virginia, North Carolina, West Virginia, and the District of Columbia was taken. The survey was limited to Airports which sold JetA aviation fuel to omit the smaller Airports which could not be used as comparable. A list of those Airports is included as Appendix VI.

The three DC airports: Washington Dulles International, Regan National, and Manassas Regional have one or more FBO’s handling the aviation fueling.

There are 42 other airports in Virginia which sell JetA. Of that number:

- 16 airports (37%) have one or more FBO’s selling fuel.
- 27 airports (63%) are structured with the airport handling the fueling.

- Of the seven Virginia commercial service airports outside the DC area, only one has the fueling concession: Shenandoah Valley.

North Carolina has similar statistics to those of Virginia for airports selling JetA:

- 22 North Carolina airports (37%) have FBO's operating the fueling concession.
- 37 NC airports (63%) have airport run fueling.
- Only one NC commercial service airport handles its own fuel: Pitt-Greenville.

Nine of the 11 airports in West Virginia have airport-operated fueling. Only Charleston Yeager Airport and Eastern WV Regional Airport have based FBO's providing fuel. Seven of the WV airports have commercial service.

Overall:

- 35% of the airports in the survey area have one or more FBO's handling the fueling concession.
- 65% of airports operating fueling.
- Of airline served airports:
    - 14 (63%) airports have FBO's.
    - 8 (37%) of airports operate the fueling concessions.[iv]

Another way to establish how airports of similar size handle their fueling operations is to look at the Federal Aviation Administration's List of Commercial Service Airports based on CY 2013 Enplanements.[v]

Lynchburg Regional Airport ranked 243 on the FAA's preliminary draft of airports, so airports ranking 230 through 260 were examined to see which airports had similar characteristics to those of LYH. Most of the Airports in the size classification of LYH have one or more FBO's selling aviation fuel. To get a clear picture of the advantages and challenges of Airport-operated FBO's five additional airports were added to the list. Many of the Airport Managers in the Southern, Midwest, and Eastern regions representing those Airports were interviewed. A synopsis of those interviews is included. A list of those Airports is included as Appendix VII.

It was clear that most managers were pleased with their current circumstance as to who was offering fueling services at their airports whether it was the Airport or an FBO. The major exception to that was where a very long term contract limited the income and control the Airport Manager could have. Another concern expressed was where the Airport had to intervene in a distress situation to take over the fueling.

Surprisingly, FBO's and SASO's who did not have the fueling still seemed to thrive at airports. That has often been an argument for allowing the FBO to have the fueling: that it could not stay in business without it.

Airports which have been in the fueling business for some time get from 30-50% of their revenues from fueling. "We could not be self-sustaining without it." "We have flexibility to offer discounts to based pilots who pay high taxes to be based here." "Our Linemen are cross-trained for ARFF and security."

Since the Environmental Protection Agency requires that owners have cradle-to-grave responsibility for pollutants, maintaining control of the fuel seems to be important to many Airport Managers.

Quality control of product and customer service were also extremely important to Managers.

Control over negotiating terms with airlines to attract additional air service was demonstrated to be of greater importance to Airport Managers than to FBO's. The Airport Managers are looking out for the services provided to the community across the board, not just to the customer base that will generate the highest profits. It also gave the Managers the opportunity to offer ground support services to ultra-low cost air carriers who look for an inexpensive turn for their aircraft.

Few airports in the study have more than one FBO; however, those that did have competition felt it helped to keep prices in check.

Lessons learned from Airport Manager interviews:

- No long-term contracts.

- Competition helps keep fuel prices in check.

- Ability to cross-train employees.

- Stability of fuel supply. Airports which have had to assume the fueling operation as a result of an FBO going out of business have had very difficult transitions.

- Airport control of fueling revenues does not kill FBO's and SASO's.

- Airports which provide fuel services reap large financial benefits: 30-50% of annual operating budgets.

- Airport Managers who have fueling services have:
  - Better control over customer service;
  - Better control over quality control of product;
  - Better control over pollution prevention;
  - Greater ability to attract airline service, specifically ULCC's; and
  - Greater latitude in working with the GA community to provide facilities & services.[vi]

In summary, Airports can provide good customer service through Airport-operated or privately-operated fuel providers. With Airports operating the fueling; however, the revenues available for Airport operation and facility expansion are higher.

Timeline of Steps Necessary to Implement an Airport-Operated Limited FBO

Four to six months should be allowed to implement the assumption of FBO services by the Airport. Once approvals have been received by the Airport Commission and the Lynchburg City Council, a start-up date should be established. January and February are the slowest months of the year for fuel sales and the most costly for operations. Preheating and deicing aircraft are activities which should not be initial duties of novice Linemen.

The initial activities on the timeline will be implemented by the Airport Administrative staff and/or a consultant. Airport users, tenants, and pilots should be sought out for input into the implementation. It will not only help to get the buy-in of the stakeholders, they have some excellent, money-saving suggestions. Sometimes free advice is worth a lot.

Some activities should be begun before hiring the Line Chief, but should not be finalized until his input is considered. That will put off the final adoption of standard operating procedures, personnel scheduling, job descriptions, and specific department requirements.

Negotiating contracts should be begun early with the understanding that the Airport's schedule may not coincide with the other parties.

A list of specific activities in an implementation timeline is included as Appendix VIII.

Summary

This study has provided a preliminary review of an Airport-operated, limited FBO service at Lynchburg Regional Airport. Financial analyses are estimates of the revenue and costs which would be generated by this operation and stated as additional revenues and expenses to existing airport operations. The Airport-operated limited FBO will be an expansion of the Airport's current business model. In the past, the business structure of the Lynchburg Regional Airport has not included fuel revenues generated by Airport employees nor the Airport's exercise of FAA authorized exclusive rights; however, it is a common business model for many airports to incorporate these business activities to generate revenues for Airport operations.

These analyses predict additional net earnings that would flow to the Airport budget over a five-year period to be greater than $2 million. Modifications to the initial premises of this analysis will impact the financial results. Variable items, such as equipment costs, fuel sales, and rental revenues are stated in ranges and averaged in the final reports; however, details are provided in the Appendices.

The largest Airports in the country do have FBO's providing the fueling services; however, many Airports the size of Lynchburg Regional Airport do have

Airport-operated fuel sales. Those Airports report that fuel sales constitute 30-50% of their annual operating budgets and provided additional benefits to the communities they serve. Airports which have had to assume FBO operations without adequate preparation report that it creates a very difficult situation.

Preparation being a major key to success, a timeline of activities is included to begin the process of the Airport's assumption of limited FBO services.

---

[i] Average fuel sales for Virginia Aviation were calculated for 2009-2013 for retail fuel sales. Airline and into-plane fuel sales were estimated since there was a reduction in commercial flights during that period.

[ii] An allowance for anticipated increases in annual fuel volume based on better terms for based customers was presumed to offset any reduction in fuel sales from the Virginia Aviation operation to the Airport operation of fuel sales.

[iii] Ibid. Footnote i

[iv] Airnav.com List of Airports Provided

[v] Faa.gov List of Airports Provided

[vi] Telephone interviews conducted with Airport Managers at similarly sized Commercial Service Airports Oct. 2014.

Appendix I

Start-up Costs

Amortization Calculations

Depreciation of Start-up Equipment

LYH General Aviation Offices & Support Equipment Oct-14

LYH Ground Support Equipment	**New or Like New**	**Used**	**Lease**	
Golf Cart or Gator	$ 6,300	$ 1,200		
Forklift		$ 3,500		
Ground Power Unit (GPU/APU)		$ 7,000		
Lav Cart		$ 4,000		
Air Stairs - Truck mounted not included in total		$ 19,000		
Air Stairs maintenance		$ 6,000		
Aircraft Preheater		$ 6,000		
Deicing Cart		$ 12,000		
Courtesy Car/van	$ 15,000	$ 4,000		
2 JetA Trucks			5000/mo	
1 100LL Trucks			1000/mo	
3 Ladders	$ 750	$ 750		
Misc. Tools	$ 500	$ 500		
Tractor w/tow bars or tug	$ 20,000	$ 9,000		
Pick-up Truck	$ 19,000	$ 7,000		
		$ 60,950		**$60,000-$100,000**
General Aviation Bldg. & Office Equipment				
Weather Computer	$ 900	$ 200		
Office Computer	$ 900	$ 400		
POS Machine	$ 500			
Desk	$ 260	$ 35		
Chair	$ 50			
Side Chairs	$ 200			
Coffee Machine	$ 300	$ 60		
Microwave	$ 40			
Telephone	$ 100			
Refrigerator for caterings	$ 600	$ 150		
Icemaker	$ 1,250	$ 450		
Telvision	$ 300			
	$ 5,400	$ 1,295		**$1300-$5400**

Fuel Farm Maintenance Supplies		
Fuel Tank Filters	$	3,570
HydroKits	$	234
PVC Gloves	$	20
Stainless Steet Pails	$	150
Supplies & Equipment for Receiving Jet A & 100LL	$	1,500
Absorbent pads for spills	$	75
	$	**5,549**
Supplies & Equipment for Linemen		
Radios	$	1,500
Uniforms & PPE 5 Linemen	$	2,500
Rain suits	$	375
	$	**4,375**

Start-up Uniforms		
Jeans	$	450
Shirts	$	375
Jackets	$	375
Caps	$	50
Boots	$	750
Safety Glasses	$	25
Ear Muffs	$	25
Ear Plugs/bag	$	17
Embroidery	$	300
Work Gloves	$	20
Total	**$**	**2,387**

Start-up consulting, legal, admin., adv.	$	30,000	$	30,000
Start-up costs for personnel	$	26,896	$	26,896
Reasonable start-up costs on GSE Equipment	$	60,000	$	100,000
GA Building & Equipment	$	1,300	$	5,400
Fuel Farm Supplies	$	5,550	$	5,550
Supplies & Equipment for Linemen	$	4,375	$	4,375
Total Range	$	128,121	$	172,221

	Year				
Average to calculate into Amortization for Annual Expenses	1	$	150,171	$	15,017
Amortization over 10 years estimated at 3% per annum	2	$	154,676	$	15,468
	3	$	159,316	$	15,932
	4	$	164,096	$	16,410
	5	$	169,019	$	16,902
	6	$	174,089	$	17,409
	7	$	179,312	$	17,931
	8	$	184,691	$	18,469
	9	$	190,232	$	19,023
	10	$	195,939	$	19,594
		$	1,721,542	$	172,154

Straight line depreciation of GSE 10 years	$8000/annum
Straight line depreciation of GA Term. & Office Equipment 5 years	$670/annum

Appendix II

Other Revenue Gains

& Losses

LYH Other Revenue Losses and Gains **14-Oct**

Income on VA rentals

Hangar 1 w/office to Freedom	$	30,000	8% Increase		
Flight School	$	6,972	No change		
Ramp/Landing Fees	$	27,000	At 100%		
Hangar 5 Rental to Tenants	$	100,000	Large aircraft only		
Hangar 2	$	7,500	Should be increased		
Hangar 3	$	12,000	4 planes	Monthly	$250 average
Hangar 4	$	24,000	8 planes	Monthly	$250 average
Hangar 6 - Centra	$	24,500			
Training Classroom	$	3,615			
Tie Downs	$	6,000	10 planes	Monthly $50	
	$	241,587			

Income from Aircraft Services

Deicing	$	6,000
Cargo	$	4,000
Preheating	$	600
Lav Services	$	1,500
GPU	$	1,200
	$	13,300

Loss of VA Aviation Income

Hangar Rent & GA Termal	$	135,576
Fuel Flowage	$	25,000
Thru-put fees	$	60,000
Ramp/Landing Fees	$	20,250
	$	240,826

Appendix III

Airport Increased Annual Operating Costs

to Provide Limited FBO Services

LYH **14-Oct**

Airport Increased Annual Operating Costs to provide limited FBO services

		Year 1	Year 2	Year 3	Year 4	Year 5
Salaries & Benefits						
Salaries	$ 199,680	$ 199,680	$ 205,670	$ 211,841	$ 218,196	$ 224,742
Employee Benefits	$ 101,180	$ 101,180	$ 104,215	$ 107,342	$ 110,562	$ 113,879
Insurance[1]	$ 12,000	$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506
General Aviation Bldg.						
WSI Weather Service	$ 1,550	$ 1,550	$ 1,597	$ 1,644	$ 1,694	$ 1,745
Utilities incl. phone	$ 9,250	$ 9,250	$ 9,528	$ 9,813	$ 10,108	$ 10,411
Advertising/1/2 co-op[2]	$ 1,200	$ 1,200	$ 1,236	$ 1,273	$ 1,311	$ 1,351
Uniforms/ 1/2 co-op[2]	$ 1,000	$ 1,000	$ 1,030	$ 1,061	$ 1,093	$ 1,126
Office Supplies & Equipment	$ 6,000	$ 6,000	$ 6,180	$ 6,365	$ 6,556	$ 6,753
Fuel Truck Rental						
2 JetA @ $2500/mo	$ 60,000	$ 60,000	$ 61,800	$ 63,654	$ 65,564	$ 67,531
1 Avgas truck @ $1000	$ 12,000	$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506
Fueling Related Costs		$ -	$ -	$ -	$ -	$ -
Filters/supplies	$ 5,120	$ 5,120	$ 5,274	$ 5,432	$ 5,595	$ 5,763
Fuel Farm Maintenance	$ 3,900	$ 3,900	$ 4,017	$ 4,138	$ 4,262	$ 4,389
Equipment Maintenance	$ 4,000	$ 4,000	$ 4,120	$ 4,244	$ 4,371	$ 4,502
Equipment Gas & Oil	$ 10,000	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255
Fuel Sump Costs	$ 10,000	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255
Credit Card Discounts[3]	$ 34,360	$ 34,360	$ 35,391	$ 36,452	$ 37,546	$ 38,672
Deicing Fluid	$ 3,000	$ 3,000	$ 3,090	$ 3,183	$ 3,278	$ 3,377
Amortized Start-up costs	$ 15,017	$ 15,017	$ 15,468	$ 15,932	$ 16,409	$ 16,902
Depreciation	$ 8,670	$ 8,670	$ 8,670	$ 8,670	$ 8,670	$ 8,670
Total Expenses	$ 497,927	$ 497,927	$ 512,865	$ 528,250	$ 544,098	$ 560,421

[1] Based on insurance company estimate.
[2] Co-op may be used for advertising, equipment, training, dues, premiums & uniforms.
Calculated at $.005/per gallon purchased from supplier less contract fuel.
Fuel supplier will provide training & materials.
[3] Based on current average credit card charges.

Appendix IV

Airport Increased Annual Revenues

& Expenses from Limited

FBO Operations

LYH - Revenue & Expense Projections in several scenarios Oct-14

Anticipated Sales Volume		
Total Fuel Revenue less cost of fuel	$	981,054
Hangar & Tie Down Rental	$	241,587
Services to Aircraft	$	13,300
Total Revenue	$	1,235,941
Expenses	$	497,927
Net Earnings	**$**	**738,014**
Volume discount on some fuel with current anticipated sales		
Total Fuel Revenue less cost of fuel	$	938,723
Hangar & Tie Down Rental	$	241,587
Services to Aircraft	$	13,300
Total Revenue	$	1,193,610
Total Expense	$	497,927
Net Earnings	**$**	**695,683**
Deep volume discount on some fuel with subsequent additional sales		
Total Fuel Revenue less cost of fuel	$	1,078,324
Hangar & Tie Down Rental	$	241,587
Services to Aircraft	$	13,300
Total Revenue	$	1,333,211
Total Expense	$	497,927
Net Earnings	**$**	**835,284**
Sales calculated at VA Aviation 5 year lows with some discounts		
Total Fuel Revenue less cost of fuel	$	725,066
Hangar & Tie Down Rental	$	241,587
Services to Aircraft	$	13,300
Total Revenue	$	979,953
Total Expense	$	497,927
Net Earnings	**$**	**482,026**

Sales calculated at VA Aviation 5 year highs with some discounts (airline at 3 year high)

Total Fuel Revenue less cost of fuel	$	1,050,364
Hangar & Tie Down Rental	$	241,587
Services to Aircraft	$	13,300
Total Revenue	$	1,305,251
Total Expense	$	497,927
Net Earnings	**$**	**807,324**

Appendix V

Airport Projected Cash Flow Analyses

For Limited FBO Operation

LYH Cash Flow Generated by Airport Operation of Limited FBO Based on Lowest Fuel Sales Scenario Oct-14

	Year 1	Year 2	Year 3	Year 4	Year 5
Forward Balance	0	$ 482,026	$ 978,773	$ 1,490,683	$ 2,018,210
Total Fuel Revenue less cost of fuel	$ 725,066	$ 746,818	$ 769,223	$ 792,299	$ 816,068
Hangar & Tie Down Rental	$ 241,587	$ 248,835	$ 256,300	$ 263,989	$ 271,908
Services to Aircraft	$ 13,300	$ 13,699	$ 14,110	$ 14,533	$ 14,969
Total Revenue	$ 979,953	$ 1,009,352	$ 1,039,632	$ 1,070,821	$ 1,102,946
Salaries & Benefits					
Salaries	$ 199,680	$ 205,670	$ 211,841	$ 218,196	$ 224,742
Employee Benefits	$ 101,180	$ 104,215	$ 107,342	$ 110,562	$ 113,879
Insurance[1]	$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506
General Aviation Bldg.					
WSI Weather Service	$ 1,550	$ 1,597	$ 1,644	$ 1,694	$ 1,745
Utilities incl. phone	$ 9,250	$ 9,528	$ 9,813	$ 10,108	$ 10,411
Advertising/1/2 co-op[2]	$ 1,200	$ 1,236	$ 1,273	$ 1,311	$ 1,351
Uniforms/ 1/2 co-op[2]	$ 1,000	$ 1,030	$ 1,061	$ 1,093	$ 1,126
Office Supplies & Equipment	$ 6,000	$ 6,180	$ 6,365	$ 6,556	$ 6,753
Fuel Truck Rental					
2 JetA @ $2500/mo	$ 60,000	$ 61,800	$ 63,654	$ 65,564	$ 67,531
1 Avgas truck @ $1000	$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506
Fueling Related Costs					
Filters/supplies	$ 5,120	$ 5,274	$ 5,432	$ 5,595	$ 5,763
Fuel Farm Maintenance	$ 3,900	$ 4,017	$ 4,138	$ 4,262	$ 4,389
Equipment Maintenance	$ 4,000	$ 4,120	$ 4,244	$ 4,371	$ 4,502
Equipment Gas & Oil	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255
Fuel Sump Costs	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255
Credit Card Discounts[3]	$ 34,360	$ 35,391	$ 36,452	$ 37,546	$ 38,672
Deicing Fluid	$ 3,000	$ 3,090	$ 3,183	$ 3,278	$ 3,377
Amortized Start-up costs	$ 15,017	$ 15,468	$ 15,932	$ 16,409	$ 16,902
Depreciation	$ 8,670	$ 8,670	$ 8,670	$ 8,670	$ 8,670
Total Expenses	$ 497,927	$ 512,604	$ 527,722	$ 543,294	$ 559,333
Cash Flow	**$ 482,026**	**$ 978,773**	**$ 1,490,683**	**$ 2,018,210**	**$ 2,561,823**

LYH Cash Flow Generated by Airport Operation of Limited FBO Based on an Average of 5 Fuel Sales Scenarios Oct-14

	Year 1	Year 2	Year 3	Year 4	Year 5
Forward Balance	0	$ 731,666	$ 1,485,543	$ 2,262,295	$ 3,062,611
Total Fuel Revenue less cost of fuel	$ 974,706	$ 1,003,947	$ 1,034,066	$ 1,065,088	$ 1,097,040
Hangar & Tie Down Rental	$ 241,587	$ 248,835	$ 256,300	$ 263,989	$ 271,908
Services to Aircraft	$ 13,300	$ 13,699	$ 14,110	$ 14,533	$ 14,969
Total Revenue	$ 1,229,593	$ 1,266,481	$ 1,304,475	$ 1,343,609	$ 1,383,918
Salaries & Benefits					
Salaries	$ 199,680	$ 205,670	$ 211,841	$ 218,196	$ 224,742
Employee Benefits	$ 101,180	$ 104,215	$ 107,342	$ 110,562	$ 113,879
Insurance[1]	$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506
General Aviation Bldg.					
WSI Weather Service	$ 1,550	$ 1,597	$ 1,644	$ 1,694	$ 1,745
Utilities incl. phone	$ 9,250	$ 9,528	$ 9,813	$ 10,108	$ 10,411
Advertising/1/2 co-op[2]	$ 1,200	$ 1,236	$ 1,273	$ 1,311	$ 1,351
Uniforms/ 1/2 co-op[2]	$ 1,000	$ 1,030	$ 1,061	$ 1,093	$ 1,126
Office Supplies & Equipment	$ 6,000	$ 6,180	$ 6,365	$ 6,556	$ 6,753
Fuel Truck Rental					
2 JetA @ $2500/mo	$ 60,000	$ 61,800	$ 63,654	$ 65,564	$ 67,531
1 Avgas truck @ $1000	$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506
Fueling Related Costs					
Filters/supplies	$ 5,120	$ 5,274	$ 5,432	$ 5,595	$ 5,763
Fuel Farm Maintenance	$ 3,900	$ 4,017	$ 4,138	$ 4,262	$ 4,389
Equipment Maintenance	$ 4,000	$ 4,120	$ 4,244	$ 4,371	$ 4,502
Equipment Gas & Oil	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255
Fuel Sump Costs	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255
Credit Card Discounts[3]	$ 34,360	$ 35,391	$ 36,452	$ 37,546	$ 38,672
Deicing Fluid	$ 3,000	$ 3,090	$ 3,183	$ 3,278	$ 3,377
Amortized Start-up costs	$ 15,017	$ 15,468	$ 15,932	$ 16,409	$ 16,902
Depreciation	$ 8,670	$ 8,670	$ 8,670	$ 8,670	$ 8,670
Total Expenses	$ 497,927	$ 512,604	$ 527,722	$ 543,294	$ 559,333
Cash Flow	**$ 731,666**	**$ 1,485,543**	**$ 2,262,295**	**$ 3,062,611**	**$ 3,887,196**

Appendix VI

Airports in Geographical Area:

DC, VA, NC, & WV

LYH Fuel Survey **Sep-14**

2013 Air Service Ranking	Airport ID	Airport Name	Location	Fuel Sales	JetA	100LL	Based Aircraft
			Virginia				
	VJI	Virginia Highlands	Abington	Airport	x	x	67
	BCB	Va Tech/Montgomery Exec.	Blacksburg	Airport	x	x	38
	BKT	A. C. Perkinson/Blackstone Army	Blackstone	Airport	x	x	12
	VBW	Bridgewater	Bridgewater	Dynamic AV	x	x	66
169	CHO	Charlottesville/Albemarle	Charlottesville	Landmark	x	x	68
	CJR	Culpepper Regional	Culpepper	Airport	x	x	114
	DAN	Danville Regional	Danville	General AV	x	x	33
	PSK	New River Valley	Dublin	Airport	x	x	50
	EMV	Emporia/Greensville Reg.	Emporia	Airport	x	x	6
	FVX	Farmville Regional	Farmville	Airport	x	`x	26
	FKN	Franklin Mun./JB Rose	Franklin	Airport	x	x	24
	EZF	Shannon	Fredericksburg	Shannon Airport, LLC	x	x	91
	FRR	Front Royal-Warren Co	Front Royal	Cass AV		x	55
	HLX	Twin Co.	Galax Hillsville	Airport	x	x	15
	GVE	Gordonsville Mun.	Gordonsville	None			23
	HSP	Ingalls	Hot Springs	Airport	x	x	3
	JYO	Leesburg Exec	Leesburg	ProJet	x	x	248
	LKU	Louisa Co	Louisa	Airport	x	x	44
243	LYH	Lynchburg Reg	Lynchburg	Freedom	x	x	82
	MKJ	Mountain Empire	Marion-Wytheville	Airport	x	x	27
	MTV	Blue Ridge	Martinsburg	Airport	x	x	53
	MFV	Accomack Co	Melfa	Airport	x	x	22
160	PHF	Newport News/Wlmsbg. Int.	Newport News	Rick AV & Atlantic AV	x	x	121
69	ORF	Norfolk Int.	Norfolk	Landmark	x	x	91
	PVG	Hampton Roads Exec	Norfolk	VA Aviation Assoc.	x	x	174
	CPK	Chesapeake Reg	Norfolk	Horizon AV	x	x	94
	OMH	Orange Co	Orange	Airport	x	x	31
	PTB	Dinwiddie Co	Petersburg	Airport	x	x	53

2013 Air Service Ranking	Airport ID	Airport Name	Location	Fuel Sales	JetA	100LL	Based Aircraft
			Virginia				
	JFZ	Tazewell Co.	Richlands	Airport	x	x	10
67	RIC	Richmond Int.	Richmond	Million Air & Richmond Jet	x	x	92
	FCI	Richmond Exec - Chesterfield Co	Richmond	Dominion AV	x	x	104
	OFP	Hanover Co. Mun.	Richmond/Ashland	HOVA	x	x	98
148	ROA	Roanoke Reg	Roanoke	Landmark	x	x	118
	AVC	Mecklenburg-Brunswick Reg	South Hill	Airport	x	x	25
	RMN	Stafford Reg	Stafford	Airport	x	x	59
326	SHD	Shennandoah Valley Reg	Stauton	Airport	x	x	84
	SFQ	Suffolk Reg	Suffolk	Airport	x	x	62
	XSA	Tappahannock-Essex Co	Tappahannock	Airport	x	x	29
	AKQ	Wakefield Mun	Wakefield	Airport	x		25
	HWY	Warrenton-Fauquier	Warrenton	Airport	x	x	102
	FYJ	Middle Peninsula Reg	West Point	Airport	x	x	33
	JGG	Williamsburg-Jamestown Reg	Williamsburg	Airport	x	x	67
	OKV	Winchester Reg	Winchester	Airport	x	x	102
	LNP	Lonesome Pine	Wise	Liberty Flying Serv	x	x	20
			DC Area				
	HEF	Manassas Reg	Washington	APP Jet Center & Dulles AV	x	x	404
23	IAD	Washington Dulles Int	Washington	Landmark & Signature	x	x	54
25	DCA	Regan	Washington	Signature	x	x	
			West Virginia				
454	BKW	Raleigh Co. Mem.	Beckley	Airport	x	x	52
	BLF	Mercer Co.	Bluefield	Airport	x	x	21
163	CRW	Yeager	Charleston	Executive Air Terminal	x	x	111
373	CKB	North Central WV	Clarksburg	V1 (Airport)	x	x	80
	EKN	Elkins-Randolph Co	Elkins	Airport	x	x	19
225	HTS	Tri-State	Huntington	Airport	x	x	43
392	LWB	Greenbrier Valley	Lewisburg	Airport	x	x	26

2013 Air Service Ranking	Airport ID	Airport Name	Location	Fuel Sales	JetA	100LL	Based Aircraft
			West Virginia				
	MRB	Eastern WV Reg	Martinsburg	Aero-Smith	x	x	72
384	MGW	Morgantown Mun	Morgantown	Airport	x	x	49
395	PKB	Mid-Ohio Valley Reg	Parkersburg	Airport	x	x	65
	HLG	Wheeling/Ohio Co.	Wheeling	Airport	x	x	40
			North Carolina				
	VUJ	Stanly Co	Albemarle	Airport	x	x	30
	RHP	Western Carolina Reg	Andrews	Andrews-Murphy Air Serv	x	x	54
	HBI	Asheboro Reg	Asheboro	Cardinal Air	x	x	34
140	AVL	Asheville Reg	Ashville	Landmark	x	x	174
	MRH	Michael Smith Field	Beaufort	Southern Air	x	x	67
	BUY	Burlington-Alamance Reg	Burlington	SouthSky & Burlington	x	x	122
	IGX	Horace Williams	Chapel Hill	Airport	x	x	17
8	CLT	Charlotte/Douglas Int.	Charlotte	Wilson Air Center	x	x	92
	CTZ	Clinton/Sampson Co.	Clinton	Airport	x	x	26
	JQF	Concord Reg	Concord	Airport	x	x	189
	ONX	Currituck Co.	Currituck	Airport	x	x	45
	EDE	North Eastern Reg	Edenton	Airport	x	x	24
	ECG	Elizabeth City Reg	Elizabeth City	Airport	x	x	91
	EYF	Curtis L. Brown Jr. Field	Elizabethtown	Airport	x	x	17
	ZEF	Elkin Mun	Elkin	Airport	x	x	19
	HRJ	Harnett Reg Jetport	Erwin	Warren AV	x	x	46
	FAY	Fayetteville Ret	Fayetteville	Landmark	x	x	65
	AKH	Gastonia Mun	Gastonia	Fly Carolina	x	x	32
	GWW	Wayne Exec Jetport	Goldsboro	Airport	x	x	55
91	GSO	Piedmont Triad Int	Greensboro	Landmark	x	x	86
256	PGV	Pitt-Greenville	Greenville	Airport	x	x	58
	HKY	Hickory Reg	Hickory	Airport	x	x	68
191	OAJ	Albert J. Ellis	Jacksonville	Jackson Flying Serv.	x	x	44
	GEV	Ashe Co	Jefferson	Airport	x	x	33

2013 Air Service Ranking	Airport ID	Airport Name	Location	Fuel Sales	JetA	100LL	Based Aircraft
			North Carolina				
	DPL	Duplin Co	Kenansville	Airport	x	x	22
	ISO	Kinston Reg Jetport	Kinston	Airport	x	x	37
	EXX	Davidson Co	Lexington	Fly High Lexington	x	x	68
	IPJ	Lincolnton - Lincoln Co	Lincolnton	Airport	x	x	75
	LHZ	Triangle North Exec	Louisburg	Airport	x	x	121
	LBT	Lumberton Reg	Lumberton	Airport	x	x	51
	MQI	Dare Co Reg	Manteo	Airport	x	x	51
	MEB	Laurinburg-Maxton	Maxton	Scotland Aero Serv	x	x	14
	EQY	Charlotte-Monroe Exec	Monroe	Airport	x	x	68
	MRN	Foothills Reg	Morganton	Airport	x	x	58
	MWK	Mount Airy/Surry Co	Mount Airy	R-A Tech	x	x	50
210	EWN	Coastal Carolina Reg	New Bern	Tidewater Air	x	x	82
	UKF	Wilkes Co	North Wilkesboro	Airport	x	x	27
	SUT	Cape Fear Reg Jetport	Oak Island	Airport	x	x	88
	HNZ	Henderson/Oxford	Oxford	Air Cobra II, LLC	x	x	44
	SOP	Moore Co	Pinehurst	Airport	x	x	67
	PMZ	Plymouth Mun	Plymouth	Airport	x	x	13
39	RDU	Raleigh Durham Int	Raleigh Durham	TAC Air & Landmark	x	x	176
	SIF	Rockingham Co Shiloh	Reidsville	Airport	x	x	54
	IXA	Halifax-Northampton	Roanoke Rapids	Airport	x	x	21
	RCZ	Richmond Co	Rockingham	Airport	x	x	6
	RWI	Rocky Mount-Wilson Reg	Rocky Mount	Air Care Inc	x	x	12
	TDF	Person Co	Roxboro	Red Mountain AV	x	x	30
	FQD	Rutherford Co	Rutherfordton	Airport	x	x	38
	RUQ	Rowan Co	Salisbury	Airport	x	x	109
	TTA	Raleigh Exec	Sanford	Airport	x	x	105
	EHO	Shelby-Cleveland Co	Shelby	Airport	x	x	38
	JNX	Johnston Co	Smithfield	Airport	x	x	87
	SVH	Statesville Reg	Statesville	Statesville Flying Serv	x	x	74
	AFP	Anson Co	Wadesboro	Airport	x	x	30

2013 Air Service Ranking	Airport ID	Airport Name	Location	Fuel Sales	JetA	100LL	Based Aircraft
			North Carolina				
	ACZ	Henderson Field	Wallace	Airport	x	x	25
	OCW	Warren Field	Washington	Airport	x	x	21
	CPC	Columbus Co Mun	Whiteville	Airport	x	x	27
130	ILM	Wilmington Int	Wilmington	Aviat Mall	x	x	116
	INT	Smith Reynolds	Winston Salem	Landmark	x	x	93

2013 Air Service Ranking	Airport ID	Airlines
169	CHO	AA,DL,UA,US
243	LYH	US
160	PHF	DL,F9,US,PE
69	ORF	AA,DL,WN,US,US

Airline Codes Legend

Alaska Airlines	AS
AeroMexico	AM
Air Canada	AC
AirTran	FL
Allegiant Air	G4
American Airlines	AA
Delta Airlines	DL
Frontier Airlines	F9
Insel Air	71
Jet Blue	B6
Lufthansa	LH
People Express	PE
Silver Airways	3M
Southwest Airlines	WN
Spirit Airlines	NK
United Airlines	UA
US Airways	US
Virgin America	VX

2013 Air Service Ranking	Airport ID	Airlines
67	RIC	AA,AM,B6,DL,US,US,WN
148	ROA	AA,DL,UA,US,G4
326	SHD	UA
23	IAD	37 Airlines
25	DCA	AA,AS,B6,DL,US,VX,WN
454	BKW	UA
163	CRW	AA,DL,PE,UA,US, NK(seasonal)
373	CKB	UA,G4
225	HTS	US,G4
392	LWB	3M

2013 Air Service Ranking	Airport ID	Airlines
384	MGW	UA
395	PKB	UA
140	AVL	DL,UA,US,G4
8	CLT	AA, AC,DL,F9,B6,LH,71,WN,UA,US
91	GSO	AA,UA,US,DL,G4,F9
256	PGV	US
191	OAJ	DL,US

2013 Air Service Ranking	Airport ID	Airlines
210	EWN	DL,US
39	RDU	FL,WN,US,DL,UA,AA,AC,F9,B6

2013 Air Service Ranking	Airport ID	Airlines
130	ILM	DL,US

Appendix VII

Airports of Similar Size

Based on CY13 Enplanements

2013 Air Service Ranking	Airport ID	Airport Name	City	State	Fuel Provider	Airlines	Airline Codes Legend	
230	PSE	Mercedita	Ponce	PR			Alaska Airlines	AS
231	HDN	Yampa Valley	Hayden	CO			AeroMexico	AM
232	LSE	La Crosse Mun	La Crosse	WI			Air Canada	AC
233	HYA	Boardman/Polando Field	Hyannis	MA			AirTran	FL
234	CLL	Easterwood Field	College Station	TX			Allegiant Air	G4
235	TOL	Toledo Express	Toledo	OH	Nat Flt, Grand Aire, Tol AV	AA,G4	American Airlines	AA
236	TYR	Tyler Pounds Reg	Tyler	TX			Delta Airlines	DL
237	CMI	Univ of IL - Willard	Savoy	IL	Flight Star	AA	Frontier Airlines	F9
238	MTJ	Montrose Reg	Montrose	CO			Insel Air	71
239	ABI	Abilene Reg	Abilene	TX			Jet Blue	B6
240	FSM	Fort Smith Reg	Fort Smith	AR	TAC Air	AA,DL	Lufthansa	LH
241	ADQ	Kodiak	Kodiak	AK			People Express	PE
242	NYL	Yuma Int	Yuma	AZ			Silver Airways	3M
243	LYH	Lynchburg Reg	Lynchburg	VA	Freedom AV	US	Southwest Airline	WN
244	SCK	Stockton Metro	Stockton	CA			Spirit Airlines	NK
245	SPI	Abraham Lincoln Capital	Springfield	IL	McClelland AV, Horizon AV	AA,G4,UA	United Airlines	UA
246	SIT	Sitka Rocy Gutierrez	Sitka	AK			US Airways	US
247	SAF	Sante Fe Mun	Santa Fe	NM			Virgin America	VX
248	MHK	Manhatten Reg	Manhattan	KS	KS Air Ctr, Heartland AV	AA	Cape Air	9K
249	LCH	Lake Charles Reg	Lake Charles	LA	Freeman Jet Center	AA,UA		
250	MKK	Molokai	Kaunakakai	HI				
251	SBY	Salisbury Reg	Salsbury	MD	Bay Land AV	US		
252	ACT	Waco Reg	Waco	TX				
253	SJT	San Angelo Reg	San Angelo	TX				
254	LWS	Lewiston - Nez Perce Co	Lewiston	ID				
255	OTZ	Ralph Wien Mem	Kotzebue	AK				
256	PGV	Pitt-Greenville	Greenvile	NC	Airport	US		
257	FLO	Florence Reg	Florence	SC	Airport	US		
258	1G4	Grand Canyon West	Peach Springs	AZ				
259	CSG	Coumbus	Columbus	GA	Airport	DL		
260	HXD	Hilton Head	Hilton Head	SC	Signature	US		

2013 Air Service Ranking	Airport ID	Airport Name	City	State	Fuel Provider	Airlines
Similar Airports with Airport-operated FBO's						
207	UNV	University Park	State College	PA	Airport	DL,UA
329	ART	Watertown Int.	Watertown	NY	Airport	AA
225	HTS	Tri-State Airport	Huntington	WV	Airport	US,G4
326	SHD	Shenandoah Valley Reg	Stauton	VA	Airport	UA
161	AGS	Augusta	Augusta	GA	Airport	DL,US

Appendix VIII

Timeline of Activities

For Transition to Airport-Operated

Limited FBO Operations

LYH - Checklist of Activities for Transition to Airport-Operated Limited FBO Operations

Days before Retail Service Begins	Activity
120	Receive approval from Airport Commission
120	Receive approval from City Council
120	Bring a consultant on board for implementation activities
120	Write Job Evaulations for Line Dept. jobs including necessary KSA'a
120	Write Job Descriptions for Line Service Department
120	Develop organizational chart for Line Service Department
120	Develop a business plan for the Line Service Department
120	Begin selection process for fuel supplier
120	If RFP is to be issued for fuel supplier: write RFP
120	Develop scheduling for Line Service Personnel
110	Advertise Line Chief position
90	Set up software to integrate FBO services into Airport Accounting System
90	Begin internal development of current Airport Staff for implementation
90	Hold meetings with large Airport users and tenants
90	Hold a Public Meeting for based pilots to discuss implementation
90	Begin Writing SOP's for Line Service Department
60	Hire Line Chief
59	Advertise Linemen & CRS positions
59	Begin Line Chief Training - Part 139 & Airport specific
59	Begin purchasing GSE
59	Enter into contract with fuel supplier/arrange delivery of trucks
59	Negotiate Airline fueling contract
59	Negotiate Military fueling contract
58	Order signage for General Aviation Terminal (fuel supplier provided)
56	Begin NATA Supervisor's training for Line Chief
45	Finalize Line Service Department's duties & schedules
45	Complete SOP's with Department Heads' review
40	Begin NATA online Safety 1st training for maintenance department personnel

Days before Retail Service Begins	Activity	
35	Develop advertising program for initial notification to based pilots	
30	Order fuel farm maintenance supplies	
30	Hire line personnel	
30	Negotiate volume discount program with major users	
21	Begin NATA online Safety 1st training for Linemen	
15	Hire CRS's	
14	Open fuel fund bank account	
14	Train CRS's to maintain accounting records/Fuel ordering/customer service	
10	Begin OTJ training for Linemen	
7	Assume control of GA Terminal	
6	Move in equipment and set up offices in GA Terminal	**Firm Date**
5	Install new signage (fuel supplier provided)	
4	Post and review "In Case of Emergency" rules at Line Service Office	
0	Midnight physical inventory of fuel tanks	

Start-up costs will include the following personnel costs
60 days Line Chief
30 days Linemen
15 days CRS's

Lynchburg Regional Airport Commission

Monday, October 27th, 2014

FREEDOM AVIATION

Option 1 Observations/Concerns

- Salaries to Support Fueling/GA Terminal Operations
- Revenue Projections
- Capital Investment Low
- Competitive FBO Proffers Not Considered

FREEDOM AVIATION

Consultant

Staff Salaries: $199, 680.00

Conservative Cash Flow (Year End): $497, 928.00

Virginia Aviation (Current / Historical)

Staff Salaries: $310,000.00

Year End 2013: $385,000.00

Difference: $223,248

Disregarded Income:

Airline / Mil Thru-put Fees: $40,119.74

Rent Increases (Overall, One FBO): $100,000.00

GA Investment (Proffers): $100,000.00

New Construction Land Lease: $60,000.00

Infrastructure: $3.2M +

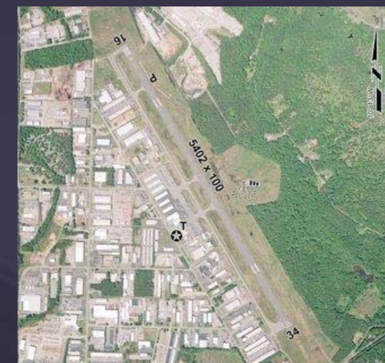
Total: $300,119.74 "Lost" Cash Flow

$3.2M Assets

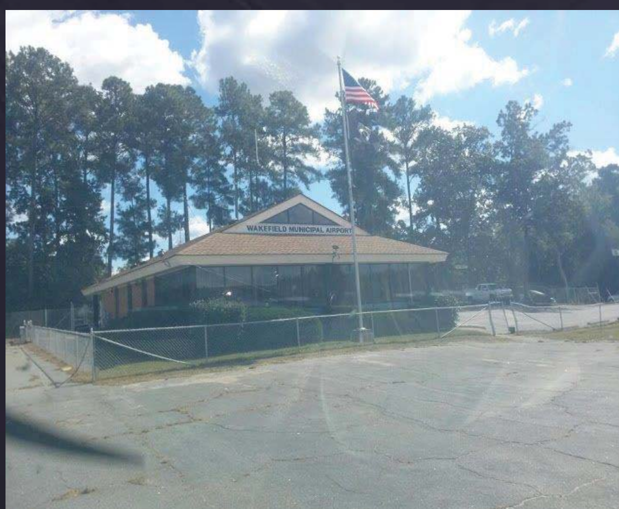
FREEDOM AVIATION

Comparative Airports

Blackstone



Hanover County



Wakefield Municipal

Louisa County

Farmville Airport

FREEDOM AVIATION

Risks/Concerns:

- Investing public monies into a “startup” operation
- Fuel quantities projected, not guaranteed
- Reduced airline fueling/Loss of Airline
- Military fuel contract reinstatement?
- Airfield Congestion/No Separation
- Public Benefit?
  - Capital Investment
  - No New Business
  - Events/Community Outreach
  - Operational Hours
- Fair Competition?
- “New” Freedom Aviation

FREEDOM AVIATION

Option 2 Concerns

GA Community

- Reduces Hangar Space
- No real additional revenue, just one tenant vs. another
- Competition is not being created in this scenario, which was a stated point of concern in FA retaining all current facilities

Financial Projection Inaccuracies

FREEDOM AVIATION

Modified Option 2

FA Proposal:

- 2.5 year initial lease assignment
- Management of Fuel Farm
- Retain Hangar #5
- City Takes Hangars 3, 4 & 6

FA Commits:

- New hangar(s)
- Renegotiate lease rates
- Competitive pricing
- GA Investment
- First class customer service
- Full service FBO
- Community benefits
- Pursue new business

FREEDOM AVIATION

Financial Projections to City

Airline / Mil Thru-put Fees: $40,119.74

Rent Increases (Overall, One FBO): $100,000.00

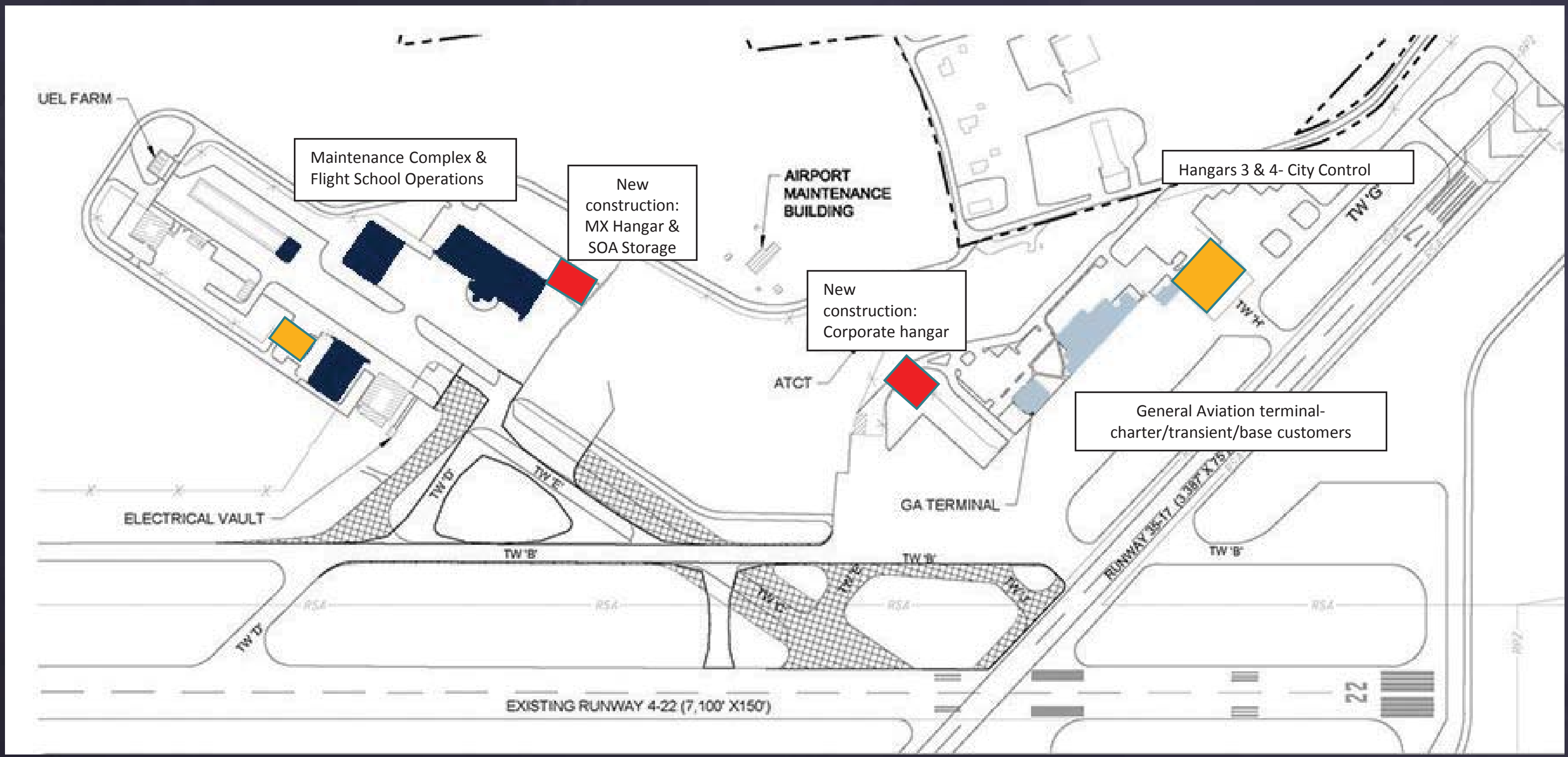
GA Investment (Proffers): $100,000.00

New Construction Land Lease: $60,000.00

Infrastructure: $3.2M +

Total: $300,119.74 "Lost" Cash Flow
$3.2M Assets

FREEDOM AVIATION



FREEDOM AVIATION

Summary

- Private Entity Investment
- Fuel Sale Forecast > Private Entity
- Decongests Airfield
- GA Benefits
- Public Benefits
- New Business > Economic Development/Job Creation
- Long term vs short term strategy

FREEDOM AVIATION

Virginia AVIATION

FREEDOM AVIATION

Time Tested. Customer Approved.

FREEDOM AVIATION

Freedom Aviation – Modified Option 2 Proposal Summary

Lynchburg Regional Airport Commission

Monday, October 27th, 2014

Proposed Terms

Lease Duration: 2.5 Year Initial Lease Term
Fuel Farm: Retain management and operation of fuel farm
Hangars: Retain all hangars & facilities currently in VA leasehold, less Hangars 3, 4 & 6

Commitments

- (2) New hangars, approximately 14,800sf each in size, totaling over $3.2M in asset accrual and new land lease revenues for the City
- Renegotiate lease rates on current Virginia Aviation Leasehold facilities to adjust for current market values, approximately $100,000.00 or more per year than currently being paid
- Maintain a competitive pricing model for our customers
- Invest annually in GA-specific improvements, up to $100,000.00 per year
- First class customer service
- Full service FBO, including fueling, hangar, charter, maintenance, avionics, flight training, aircraft sales, & more
- Community benefits: events, outreach, education
- Pursue new business development on the airport

Financial Projections to City

Airline/ Military Thru-Put Fees Retained: $40,119.74
Rent Increases (Overall): $100,000.00
GA Investments: $100,000.00
New Construction Land Leases: $60,000.00

Infrastructure: $3.2M+ construction investments

Projected Total: $300,119.74 + $3.2M Assets

MINUTES OF
THE
LYNCHBURG REGIONAL AIRPORT COMMISSION
SPECIAL MEETING
October 27, 2014
4:00 p.m.

PRESENT:

Robert Day
Stewart Hobbs
Don Brown
Kimball Payne
Bert Dodson
Debra Allen
Lynch Christian
Charles Nowlin

ABSENT:

Mike Davidson

STAFF PRESENT:

Mark Courtney, Airport Director
Rick Stein, Deputy Airport Director
Wes Campbell, Airport Finance Director

NOTE: The audiofile of this meeting in its entirety has been posted to the Airport's website at: *http://www.lynchburgva.gov/airport-commission-minutes-audiofiles)*

(1) CALL TO ORDER:

The meeting was called to order at 4:00 p.m. Mr. Stewart Hobbs said that Mr. Mark Courtney would make a presentation, followed by the consultant, Carolyn Strock, who would also make a presentation, then the staff would make a presentation, followed by a public comment period. The Commission members would then hold discussions and make a recommendation. He then turned the meeting over to Mr. Courtney.

(2) To consider the recent acquisition of Virginia Aviation by Freedom Aviation as it pertains to the disposition of certain leasehold rights for the use of Fixed Base Operation (FBO) facilities at Lynchburg Regional Airport.

a. Staff Introduction

Mr. Courtney explained to the Commission that the spreadsheet that was distributed to the Commission was developed to compare all four options that had been considered. He said everyone understood that the first two options are the ones that we have mainly been pursuing, but the Commission had expressed interest in both Options #3 and #4; that is, either a straight out rebid on the Virginia Aviation leasehold or some type of management contract for the operation of a second FBO, utilizing the Virginia Aviation facilities.

He then introduced consultant Carolyn Strock, and gave a summary of her professional qualifications and experience.

b. Consultant Presentation

Ms. Strock began with a PowerPoint presentation which is attached. [The following summarizes various questions raised during her presentation.]

Mr. Lynch Christian asked for a breakdown of the roughly $200,000 in salaries in her operating cost budget, taking into consideration 3 shifts or 2 shifts, how many people are on a shift, what kind of staffing was put behind that number.

Mrs. Strock said based her numbers on two sources, one being the Lynchburg census for salaries for like jobs in the area and the other was based on the airport and the skill level necessary to be in that position. She said she came up with one line chief, two customer service representatives and four additional linemen for two shifts.

Mr. Hobbs asked if that was one line chief and four lineman per shift.

Mrs. Strock said no, that was the total, and that staggering the start time and the lunch times and so forth would make that work. She said also one of the things that was outlined in the presentation is that maintenance personnel should be cross trained to assist in a pinch or during heavy fueling demand. There followed a general discussion.

Mr. Christian asked where the numbers for the parking and ramp fees came from, was it something that was provided by the Airport Commission staff or was it based on her experience.

Mrs. Strock responded that it was a combination, a combination of what the airport was getting on their T-hangars, what the airport was getting on other hangars. She pointed out that the airport had not made any money for the last 5 – 7 years on Hangars 1 and 2, so she said she upped those up about 8% just to get a return on investment. She further explained the issue.

Mr. Courtney said we do make a distinction between those hangars that may end up being leased out to another business or a single operator that is more turn-key with their type of operation as opposed to those that house individual aircraft that will need add-on services, tugging and that type of thing, which commands higher revenue for hangars than a straight lease.

Mr. Bert Dodson asked Mrs. Strock when she was in Parkersburg if they had lost air service over the years or if they had stabilized commercial air service.

Mrs. Strock replied that they had lost Mesa Air and ended up with essential air service which was a nightmare. She went on to further discuss the issue.

c. Staff presentation

Mr. Courtney said he and Mr. Kim Payne had both been having meetings with Freedom Aviation with Mr. Dave Young and Ms. Jenna Campbell on possible options as far as the make-up of a Freedom/Virginia

Aviation FBO operation here, and based on those talks, Mr. Payne was going to give a summary and overview of where we stood and how we came up with these numbers.

Mr. Kim Payne said he did not want to represent his remarks as any kind of an agreement because there is no agreement here; these are the things that were discussed.

He said a couple of the larger issues here were the theme of the airport being a direct landlord for some tenants without going through a middle man, specifically with the Centra lease and Hangar 6 and Smith Mountain Lake Aviation in Hangar 3. The airport has received some interest directly in Hangar 5 as well but it would be misrepresentative to say that Freedom would be willing to give that up without any further discussion. He emphasized that this is a scenario based on the leases for the remaining facilities at market rate. He said regarding Hangar 1 and Hangar 2, we have not done anything in terms of doing an appraisal.

He said this does include leasing the space, the private space in the General Aviation Terminal; however, we have discussed the possibility of leasing the entire General Aviation Terminal to Freedom. He said doing that would require we pay off the entitlement funds as described in note #4 on the comparison spreadsheet. He said there may actually be some financial reason to go ahead and do that based on the market rate rents that could be received for the entire General Aviation Terminal and it would also clear up a lot of issues about how that space gets used. He said that is something that could actually be considered for Option 3 as well.

He said we went back and forth on a timetable for this and this was structured as a two and one half year provisional lease, which is a little bit less than the time that remains on the current lease, but it would get us to the end of a fiscal year basically, through June of 2017. He said we had talked about a lease as short as two years and then just figured that we ought to go ahead and align this. The fuel farm agreement would remain on a month-to-month basis, and that how we manage that…and if it continues to be managed the way it is now… that would certainly be an option.

He said they had encouraged Freedom to build their proposed hangar for their other aircraft storage, and he said he thought that what happens with Hangar 5 might have something to do with that. He said they had also discussed the idea of self-service fueling as being an option on either Option 1 or Option 2.

He said we have also discussed going forward that any facilities that are built for the Liberty School of Aeronautics would be handled as a separate lease, or a separate franchise, on the airport to keep the distinction between Freedom Aviation, which is the private business, and the Liberty School of Aeronautics, which is the school related activities.

He said in essence this doesn't completely grant what Freedom asked for, but is something that moves in the direction of giving the lease for a period of time to see how Freedom Aviation does operating the FBO…all of the facilities except for those that would be excluded for that period of time.

d. Public Comment Period

Mr. Hobbs asked Mr. Dave Young to start off with his presentation.

Mr. Young gave a presentation which is attached.

There followed a public comment period with additional questions and comments from various Commission members, the City Manager as well as other members of the community.

The audiofile of this meeting in its entirety, including the public comments, is available on the Airport's website at: *http://www.lynchburgva.gov/airport-commission-minutes-audiofiles)*

(3) Commission deliberation and requested action:

The Commission will review and discuss the FBO facility-use options under consideration for the purpose of making a recommendation to Lynchburg City Council.

Mr. Hobbs stated that the public comment period was over and asked if anyone on the Commission or staff, Mr. Courtney or Mr. Payne, had any comments.

Mr. Lynch Christian said he had a couple of questions. He said he was looking at Freedom's modified proposal and he wanted to be sure that he understood it. He said it models Mr. Courtney's Option 2 which is right out in Mr. Courtney's comparative column but it has some changes. He said the lease term is the same, retaining management and operation of fuel farm is the same, retain all hangars and facilities currently under the VA Aviation leasehold but there is a ____________________ applied to ___________ hangars 3, 4, and 6 ______ go directly to their airport and ___________ would go directly to their airport. He said so Centra for example would be directly to ______ airport and 4 down on the end would be directly.

Mr. Young responded that yes, it would.

Mr. Christian asked…what about Smith Mountain Lake…..

Mr. Young responded that would be directly to the airport because they are Hangar #3. He also said that would free-up Hangar #4 so any pilot that wanted to deal directly with the City, for Mr. Courtney to provide hangar space as he has expressed he has _________ of doing.

Mr. Courtney said he would like to back up for a minute. He said the problem with Hangar #4 is that it is a conventional Hangar and we do not have the FBO line operation to be able to move the aircraft in and out so there is no way to move the aircraft.

Mr. Christian said, so from your position, you would rather 4 stay….

Mr. Courtney responded that yes, unless we were in a limited FBO operation scenario in which case we would have line personnel that could move the aircraft.

Mr. Christian said what about 3?

Mr. Courtney responded that 3 would be something that, he thought most of the aircraft owners there, smaller aircraft, they are able to pull their aircraft in and out themselves.

Mr. Christian continued his questions of Mr. Young who responded accordingly.

Mr. Payne said if he could clarify that, in the July 23rd letter which they kept talking about as being the proffer letter, there was $60,000, $59,472 additional rent for the Virginia Aviation leasehold.

Mr. Christian said…and now that has been increased to $100,000.

Mr. Payne said, as Ms. Jenna Campbell was explaining that would be on everything, within everything the City would lease to the new combined entity, would be up for negotiation.

Ms. Campbell further explained.

Mr. Payne said Mr. David Falwell was exactly right, it was about the fuel but it is also about the GA Terminal because those two are so closely linked together.

Mr. Hobbs said…so Mr. City Manager, is this something that is still open to negotiation?

Mr. Courtney said excuse me, and asked if he could clarify. He asked if Mr. Hobbs was talking about Option 2 as being….

Mr. Hobbs said he was talking about what Mr. Young gave…..

Mr. Courtney said the intention with Option 2 was always recognizing the fact that we had only reached a certain point as far as the basic structure of where we were in negotiations for that possible option. He said we always understood that if that option were to be pursued, we would still have to go back to the negotiating table and start putting the final proposal together…but the key is staff was looking at this as an opportunity to say through this process: OK, the decision has been made to go with Option 2, it goes back to staff to negotiate with Freedom on a more specific breakdown and more specific mutually agreed upon conditions and commitments, then we can bring it back. It is ultimately set to come back anyway.

Mr. Hobbs said what you need at this point from us, was whether we want to go with Option 1 or go with Option 2.

Mr. Courtney said…or Option 3 or 4 if you want to discuss those.

Mr. Hobbs said he thought they had sort of passed that line.

Mr. Payne said what Council had asked them to do when this went to Council was to come back with kind of a cost-benefit analysis which this spreadsheet is an attempt to do. He said he thought again that Mr. David Falwell had summed it right up, it is a philosophical issue between who is going to control the public asset that is the airport, whether it is going to be controlled by the City, the City will still own it but whether it will be leased to a private entity and so in some cases it really depends on how you feel about who should be running things…which is a very reasonable thing to have difference of opinion about. He said Council did not seem to be of one mind either, so they asked us to bring all these alternatives and some analysis.

Mr. Don Brown said Option 2, you want to operate the FBO but you are going to give up Hangar 5, is that what I'm hearing.

Mr. Payne said that is what we proposed but that is not what….

Mr. Brown said that is what is on Option 2, that they give up Hangar 5 and Operate Hangar 1 and the FBO.

Mr. Courtney said Option 2 includes, and was intended to contain, a certain amount of divestiture of the assets of Virginia Aviation, primarily to avoid problems with exclusive rights violations…but nonetheless from our basic discussions we were in agreement that there would be some divesture of those facilities. He said we are at a point now that Hangar 5 is a sticking point, just like Hangar 4 is a sticking point for him now because he said he really cannot take Scenario 2 with Hangar 4 because he cannot service those aircraft…but that does not mean that we cannot continue to negotiate the Option #2 to be able to come to some type of agreement or sweeten the deal or…..

Mr. Hobbs said if we are talking about Hangar 5 being a hang-up then he understood where Mr. Moorefield was coming from. He said you are talking about building two hangars…is one of those a replacement for Hangar 5?

Mr. Young responded no because they were fully occupying Hangar 5 right now. He said one thing he would comment on as far as 1, 3 and 4, they are willing to keep those as well. He said they were trying to offer them to the City, options for satisfying supporting the GA pilots.

Mr. Payne said we started this by being particularly focused on the Centra Hangar and Smith Mountain Lake, that we did not see any reason to have a middle man in a direct lease of those facilities. He said in the meantime as these discussions have gone on we have actually been approached by somebody who says they are interested in putting a large aircraft in Hangar 5 and there is nowhere else that it will fit right now. He said they are probably talking to the same person, we just want to satisfy that aircraft owner. He said he really did not care where, he just wanted to satisfy the aircraft owner.

Mr. Young said they could do that with the current Hangars that they have without displacing the business that is going on in Hangar 5.

Mr. Brown asked how they would do that if it would not go into Hangar 5 where would you put it.

Mr. Young responded that they would put it in their new Hangar. [It was established that the new Hangar was the Falwell Hangar.]

Mr. Payne said just for total clarity there is a third Option for an owner of a large aircraft, the owner of a large aircraft can build their own hangar if they wish and we are certainly open to that.

Mr. Bob Day said he would like to go back to what Mr. David Falwell said…he said he thought that he had captured the essence of this issue directly, and that is it is the fueling. He said everything else you can talk about on the margin, but right now according to the spreadsheet and his notations, if we go with the Liberty/Freedom Aviation portion the City's revenue is going to go up by some $60,000 - $70,000, but if the City takes over the fueling and become a limited FBO, the City's portion of the revenue is going to go up maybe $250,000 - $500,000 compared to what they are making right now. He commented that that is a lot of money for the City that stays on this airport.

Mr. Day said it is going to enable this airport to do three things that they cannot do today: He said the first is to answer a lot of the suggestions from the general aviation community that we heard in the forum that we cannot do today because we do not have the money. The second is if a new airline comes in here, or some new flights are at risk and we have to discount the fuel, or we have to do something to entice them to come, then the airport will have the money to be able to do that. Lastly, if someday some MRO shows up here and we have got to work with the EDA and try to get them in here then we have some money to play that game in terms of designing the building or doing _______ but you do not get a whole big industry coming in here unless you have the money to spend and right now we don't have any money to play that game.

Mr. Day said this land is the only land that the City has that is really developable, and if you look at their strategic plan that they put out in 2014, there isn't any place else in Lynchburg that they can really grow and bring in jobs except this place right here and we have got to have some money in order to play that game for economic development. He said he thought it was about fueling and he thought it was about money…that is why Mr. Young is interested in it. He said he tips his hat to everything that Liberty has done over there, they are growing at a fantastic rate and they were running a great business. He said it is important for this municipal airport to have the fueling, to have the money so that it can control its growth. He said if we don't do that, we simply say goodbye to our future and other people decide that for us, and he said that he was not willing to give up.

Mr. Bert Dodson said he served 12 years on City Council and Mr. Hobbs served 2 and they always did the budget and every year they had to see how much subsidy the airport needed from the City. Over 18 years the City taxpayers, not Bedford County, not Campbell County and not Amherst County, but the City taxpayers paid $8 million to subsidize this airport and that is the bottom line figures that he asked for this morning that Mr. Wes Campbell and Mr. Courtney gave to us.

Mr. Dodson said he always wanted to have an Authority. He said we are the only airport in the state run by City government that does not have an Authority. He said Campbell County and other counties were not willing to go in with us as an Authority where their taxpayers would have to subsidize the airport similar to the City of Lynchburg.

He said as far as the $200,000…the $310,000, flip a coin maybe $250,000. He asked when Mr. Payne retires one day, who is going to replace him with airport experience? He asked when Mr. Courtney retires one day who is going to replace him? He said we need an Airport Authority here and this is a wonderful opportunity to establish an Airport Authority by taking over the services outlined in Option 1.

He said that, with all due respect to Freedom Aviation, he thought they would be successful regardless of what happens…but almost $8 million of City taxpayer dollars over the last 18 years has gone to operate this airport and now, there is no way that the City can get the money back because of the enterprise fund, but we can take the money that we make off the fuel farm and other entities and hopefully create an Authority in the future that we can grow.

He said we have a wonderful opportunity, not just today but 5 to 10 years down the road to set the platform for this Airport Authority to be established, for jobs to be created. He said he does the pest control for the Richmond Authority and they have always got something going on, and to make a long story short, we have an economic engine here that people replace us in the future, replace the City Manager or the Airport Manager can really jump start the economy a great deal in relation to economic development.

Mr. Courtney said he would just like to add one thing relative to the airline industry…the industry is changing and consolidating quite a bit, but things are stabilizing as the airlines have been more profitable this last quarter than they ever have in history. They are actually generating operating margins of anywhere from 10% to 16% for the majors and that is unheard of.

He said there are opportunities with ultra-low-cost carriers, and he actually has one ultra-low-cost carrier that expressed interest in Lynchburg. There are other opportunities for expansion of existing service because of the retirement of the 50-seat Regional Jet. Opportunities like American, US Airways/American as they start moving to 70–76 seat aircraft to replace those. And now, we are financially healthy as well.

He said he just had Mike Boyd send him an email over the weekend saying that there are real opportunities for us to upgrade because we have the fare yield, we have the size, we have the basic market demand and sufficient passenger flow to be able to support those larger aircraft both from a revenue standpoint as well as number of passengers.

He said…so there are serious opportunities to be able to utilize revenues like this to be able to provide deep discounts for fuel. He said Ms. Strock had found some airports for a period of time would offer no into-plane fee because of the tremendous increase they get in parking lot revenue. We could also offer reduced ground handling services, other inducements and financial incentives to get another airline here.

He said he had just attended World Routes Airline Planners conference in Chicago, and airlines are starting to look for opportunities because they are profitable, they have stabilized…and those airports that are most aggressively incentivizing are going to get the opportunity to be able to get that service.

Mr. Hobbs said at this point someone needs to make a motion as to what we recommend as we are a recommending body to City Council for the future operation of what goes on at this airport.

Mr. Dodson said he moved to make a recommendation to Lynchburg City Council to exercise Option #1 on the list that we have in relation to our decision.

Mr. Bob Day seconded the motion.

Mr. Hobbs said the motion is moved and seconded, is there further discussion. He said with no further discussion he would call for a vote by a show of hands. He then said all in favor raise your right hand.

The motion passed on the following vote:

Mr. Payne did not vote and Mr. Christian abstained with all remaining members voting for the motion. Mr. Davidson was not in attendance.

Mr. Hobbs said the motion carries.

(4) Adjournment

There being no further business, the meeting was adjourned.

PURPOSE OF THIS REPORT

Freedom Aviation / Virginia Aviation (FA/VA) submits this Report in support of its request to the City of Lynchburg (the "**City**") for an assignment of Virginia Aviation's lease with the City to Freedom Aviation (the "**Lease Assignment**"). For purposes of this Report, "**FA/VA**" refers to the combined operations of Freedom Aviation and Virginia Aviation.

Before Lynchburg City Council on February 24, 2015, are two proposals concerning the future of FBO operations at the Airport:

(1) The request from FA/VA for the Lease Assignment; and
(2) A recommendation from the Airport Commission for the City to operate as limited Fixed Based Operator (**FBO**) using property currently leased by Virginia Aviation, based on data provided for the City in a report prepared by C.E. Strock Consulting (the "**Strock Report**").

This Report (a) addresses recurring questions relating to the combined operations of FA/VA, (b) identifies discrepancies in the economic analysis presented in the Strock Report, and (c) provides reasons why FA/VA is the better choice over the City to operate an FBO.

The ultimate recommendation of this Report is for the City to collaborate with FA/VA in order to negotiate lease agreements that allow for the continual growth and expansion of the FA/VA business model at the Lynchburg Regional Airport, to the benefit of the City, all Airport users including General Aviation and Airline, and the community at large.

Freedom Aviation retained two consultants to assist with the preparation of this Report -- (1) Philip Solomon of Heart of Virginia Aviation, Inc. (for a comparative analysis of the Strock Report) and (2) A. Fletcher Mangum of Mangum Economics (for an economic impact study of FA/VA on Lynchburg). Appendix A includes Mr. Mangum's summary report, and Appendix B includes the consultants' resumes.

For further information, please contact:

David L. Young, President
Freedom Aviation and Virginia Aviation
Office: 434.401.2181
Email: dlyoung@liberty.edu

Jenna K. Campbell, Project Manager
Freedom Aviation and Virginia Aviation
Office: 434.401.2181
Email: jcampbell@flyfreedomaviation.com

ABOUT FREEDOM AVIATION/VIRGINIA AVIATION (FA/VA)

Freedom Aviation purchased Virginia Aviation in June 2014. In connection with the transaction, FA/VA requested the City to approve the Lease Assignment for facilities and fuel control.

FA/VA is a one-stop full-service FBO at the Lynchburg Regional Airport (the "**Airport**") with a combined 30 years of experience. FA/VA offers a full array of aeronautical services to Airport users including:

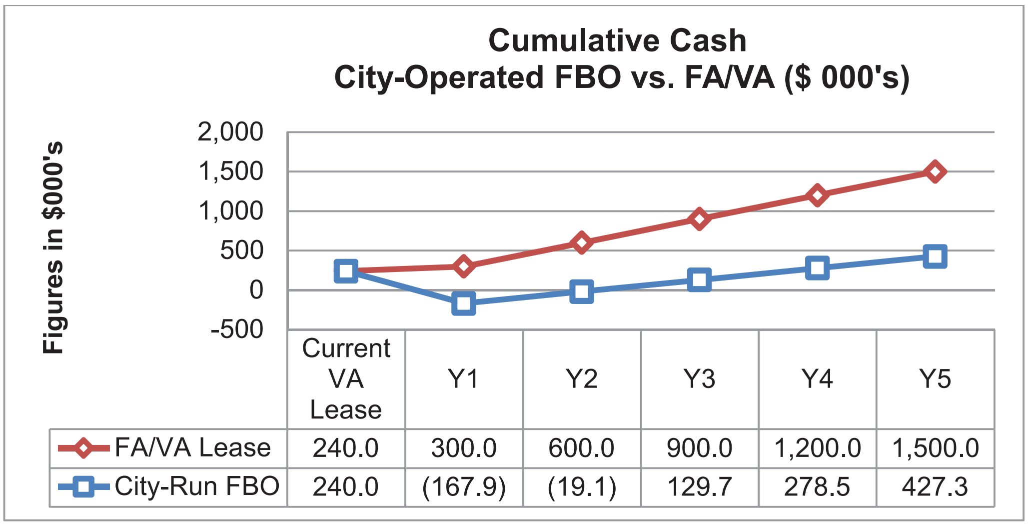
- General Aviation (GA) customers based at the Airport,
- Transient GA customers based outside of the Airport,
- Commercial airliners servicing the Airport, and
- Military aircraft operators.

The broad range of quality services offered by FA/VA keeps the Airport competitive among the regional airports.

WHY FA/VA INSTEAD OF A CITY-OPERATED FBO?

- The cash potential to the City, as depicted in the Strock Report, is not significant enough to (1) compromise the services currently provided to Airport users by FA/VA, or (2) dilute the Airport's opportunities to be competitive in the market.
  - The City will **subsidize its FBO operations by at least $102,000** in the first year.
  - After the first year, the City could generate approximately $149,000 each year from its FBO operations.

- The **cash flow to the City from FA/VA would be significant**, in amounts **totaling approximately $300,000 each year** ($240,000 currently from Virginia Aviation plus approximately $60,000 of increased rent offered previously by Freedom Aviation)**.**



	Current VA Lease	Y1	Y2	Y3	Y4	Y5
FA/VA Lease	240.0	300.0	600.0	900.0	1,200.0	1,500.0
City-Run FBO	240.0	(167.9)	(19.1)	129.7	278.5	427.3

- The **economic impact of FA/VA** on the Lynchburg community **is significant** and will continue to increase:

Categories of Impact	**2014**	**2017**	**Increase %**
Employment (# *Jobs*)	114	204	**79%**
Labor Income (*Salaries Associated with # Jobs*)	$4,342,063	$7,184,806	**65%**
Output (*Economic Activity Generate in Community*)	$6,994,521	$11,259,464	**61%**
Fiscal Impact (*Total Tax Dollars Generated*)	$430,650	$698,713	**62%**

- FA/VA will continue to **provide benefits to the GA customer** by (1) maintaining competitive fuel pricing and hangar rental rates, (2) maintaining exceptional customer service, and (3) investing in capital improvement and expansion projects to renovate and construct hangars.

- **FA/VA will not increase pricing above** what can be sustained in a **competitive market** due to three sources of market pressure:
  (1) The pricing and availability of aviation fuel and hangar storage at surrounding airports creates price controls;
  (2) The ability of modern private aircraft to tanker fuel by purchasing at other locations; and
  (3) The availability of developable land for future and additional FBOs at the Airport.

  This view is **consistent with the position of the U.S. Department of Justice (DOJ) in confirming a decision not to challenge combining the only two FBOs at a Connecticut Airport.** The DOJ concluded that while the combination of two FBOs would "result in [the combined operator] being the 'solitary (but not exclusive)' FBO at the Airport, [the combined operator] will not be able to impose supra-competitive prices due to sufficient pressure from these three sources mentioned above.

- FA/VA will **continue to support and provide services to the airlines that meet and exceed current service levels,** which are achieved through economies of scale made possible through merged operations and sharing of resources.

- The **Federal Aviation Administration** (FAA) **recognizes that a private enterprise like FA/VA is far better suited** than the City to **operate an FBO**.

- **FA/VA** has the vision of **creating an Aeronautical Center of Excellence (ACE)** at the Airport **in partnership with the City.** The ACE will take advantage of the unique academic and commercial synergies of Liberty University's School of Aeronautics and combined operations of FA/VA. The ACE will offer a first-of-its-kind aviation program and facilities in support of all means of aerospace education, secure Lynchburg as an aviation hub and headquarters for operational locations domestically and internationally, and attract specialized aviation business and provide economic benefits to the local community.

- **FA/VA has the financial support of Liberty University to sustain and grow FA/VA operations**. In addition, the combination of FA/VA and Liberty University's School of Aeronautics provides the region with a unique asset that supports a critical state and national need for academic training of pilots, aircraft mechanics, and airport personnel, which also makes Lynchburg a prime location for aviation-related business development.

COMPARATIVE FINANCIAL ANALYSIS OF THE STROCK REPORT

The following provides a comparative analysis of the Airport Commission's and Freedom Aviation's forecasts of potential cash generated by a City-operated FBO at the Airport. Based on the adjusted cash forecast, **the City would incur greater financial gains in a long-term lease arrangement with FA/VA**.

- Strock Report: Forecasts that the City-operated FBO will generate annual cash of approximately $482,000 for the City.
- Freedom Aviation (Philip Solomon):
  - Year 1: No additional cash generated. The City will be required to subsidize operations by at least $102,000 for start-up costs, replacement of fuel inventory and equipment purchases (fuel inventory and equipment which are currently owned by Virginia Aviation).
  - After Year 1: City FBO will generate less cash than the approximately $300,000 that the City would receive from Virginia Aviation.

Mr. Solomon prepared the adjusted forecasts using actual operational data from Freedom Aviation and Virginia Aviation, reviewing historical trends in fuel sales and markups and consulting with a team of aviation industry experts. In doing so, significant disparities have been identified in the Strock Report forecast, as shown in the table below:

	Cash Forecast for City-Operated FBO ***(Numbers are given in Thousands of Dollars)***	**Strock Report Forecast***	**Strock Report (Page and Table References)**	**Adjusted Forecast**
1	**Projected Cash Generation – First Year Only**	**482.0**	P9 - Table VI & Appendix V	**(102.0)**
2	**Projected Cash Generation – Future Years/Per Year**	**482.0**		**148.8**
3	**Loss of Cash Income from Virginia Aviation – City-Operated FBO**	**0**	P6 - Table III & Appendix II but **not** included in Table VI or Appendix V	**(300.0)**
	Disparities:			
4	Start-up Costs, Equipment Purchases and Fuel Inventory (applies to first year only)	0	Not shown as cash out	(250.3)
5	Depreciation and Amortization (after first year)	(23.7)	Appendix V	0
6	Fuel Sales – Markup and Volume	725.1	P5, P9, Appendices IV & V	644.0
7	Rental Income (buildings)	241.6	P6 Table IV, P9 Table VI, Appendices II, IV and V	211.6
8	Personnel Costs (salary, benefits and insurance)	(300.9)	P7 – Table V	(513.8)
9	Other expenses (Insurance)	(197.1)	P7, P8 – Table V, appendices III & V	(229.1)

**Though the Strock Report suggested a City-operated FBO could generate cash of up to approximately $835,000 each year, Mr. Solomon believes that this figure is unrealistic based on historical declines of fuel volume and sales experienced by Virginia Aviation due to competition at the Airport from Freedom Aviation and regional alternatives.*

Notes to Explain "Adjusted Forecast"

1. Projected Cash Generation – First Year. The Strock Report excludes all cash requirements for setting up the operation and purchasing equipment. Freedom Aviation includes these amounts as actual cash to be paid out to suppliers in the year when these costs will be incurred. (See also note 4 below)

2. Projected Cash Generation – Future Years. The Strock Report includes depreciation of equipment and amortization of startup costs as cash paid out each year, instead of reflecting the full amount of these costs as cash paid out in the first year when they will be incurred. (See also note 5 below)

3. Loss of Cash Income from Virginia Aviation – City-Operated FBO. If the City establishes and operates an FBO, the City will no longer receive approximately $300,000 of cash from Virginia Aviation, comprised of:

a. $240,000 as stated in the Strock Report reflecting current payments being made by Virginia Aviation to the City, and
b. Approximately $60,000 of additional rent offered by Freedom Aviation to be paid each year upon the City's approving the Lease Assignment.

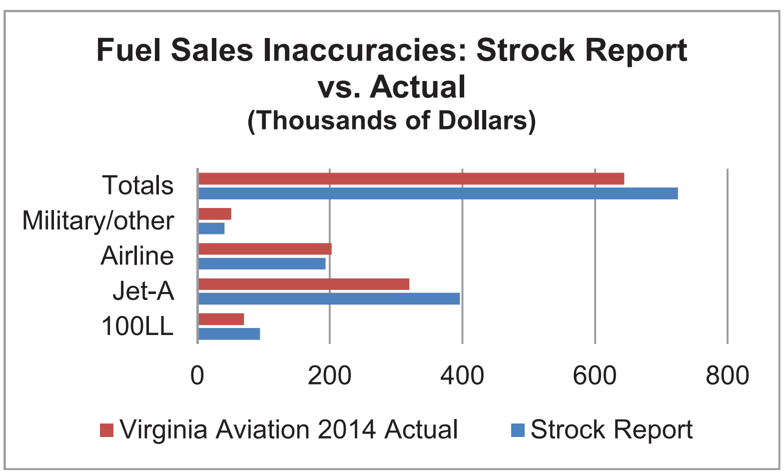
It is worth noting that the Strock Report does not take into consideration the loss of the $240,000 being paid by Virginia Aviation as a reduction in cash income. In fact, a critical statement on page 10 of the Strock Report refers to $2-3 Million of "Additional cash to the airport." Strock fails to deduct risk free cash that the Airport currently receives from Virginia Aviation or the additional $60,000 per year offered in rent increase.

4. Start-up Costs, Equipment Purchases and Fuel Inventory. The Strock Report lists a total of approximately $170,000 of start-up costs and equipment purchases that are never reflected in the projections as cash paid out. The Strock Report excludes cash requirements for purchasing fuel to fill the three fuel tanks, which are currently filled with inventory owned by Virginia Aviation. These amounts are paid out in the first year only.

5. Depreciation and Amortization. Start-up costs and equipment purchase require cash outlays in the first year and should not be reflected (as they are in the Strock Report) as cash payments made in future years. This adjustment increases the amount of cash received by the City after the first year.

6. Fuel Sales. Cash from fuel sales are calculated by multiplying the markup per gallon of fuel (see chart below) by annual gallons sold. The variation in the adjusted fuel sales forecast is based on (a) lower markups achieved by Virginia Aviation in 2014 (see below) and (b) external fuel sales of Virginia Aviation in 2014 in gallons. In other words, the adjusted forecast for fuel sales excludes fuel sales that would be retained by Freedom Aviation or Virginia Aviation and not transferred to the City (e.g., fuel sales to Liberty University). **Not factored** into the adjustments is any reduction in markups or overall sales volume that result from competition from Freedom Aviation, future self-fueling operations, regional competitors, new private FBOs, or declining fuel sales of Virginia Aviation. If these factors are added into this comparative analysis, it would result in an adjustment to the further detriment of the City's forecast in the Strock Report. Specifically, in order for the City to achieve the markups in the Strock Report, the City would have to increase fuel prices by as much as 80 cents per gallon (Jet-A retail) despite declining fuel prices and competition from Freedom Aviation and others. A price increase would neither be sustainable without significant loss of volume nor be in line with the City's declared goal of fostering a competitive fueling market.

	Markup *($'s Per Gallon)*				**Cash From Fuel Sales Based on Markup** *(Thousands of Dollars)* **See Also Diagram Below**		
Fuel Type:	**Strock Report**	**Virginia Aviation 2014 Actual**	**Price Increase Assumed in Strock Report**		**Strock Report**	**Virginia Aviation 2014 Actual**	**Difference**
100LL	2.38	1.77	0.61		94.4	70.4	-24.0
Jet-A	2.40	1.60	0.80		396.2	320.0	-76.2
Airline	0.76	0.65	0.11		193.3	202.6	9.3
Military/other	0.87	0.85	0.02		41.2	51.0	9.8
Totals					**725.1**	**644.0**	**-81.1**



7. Rental Income. Freedom Aviation excludes $30,000 of additional rent included in the Strock Report that would result from the City increasing hangar rental rates. Such increased hangar rates would not be sustainable in the current market and would put the City at odds with its desire to protect the General Aviation community.

8. Personnel Costs. Total employment costs of just over $300,000 cited in the Strock Report depend on a staff level of approximately seven people. The adjusted forecast includes employment costs for eleven people, because Freedom Aviation has determined that this is a minimum staff requirement to ensure the safe, efficient, and excellent level of service currently provided to the airlines and GA transient and based aircraft. The adjusted forecast also includes employee benefits at the level offered by the City of Lynchburg for existing airport employees and adequate worker's compensation coverage. Worker's compensation coverage was not included in the Strock Report.

9. Other Expenses. Other expenses include costs such as liability and hangar insurance, uniforms, crew cars, and other services needed to support a fueling operation. The adjusted column represents an increase in annual insurance premiums, crew car, and uniform expenses, based on Virginia Aviation's operational history.

RESPONSIVE DISCUSSION ADDRESSING CONCERNS

Since Freedom Aviation and Virginia Aviation submitted the request to the City for approval of the assignment to Freedom Aviation of the City's lease with Virginia Aviation, a recurring number of questions and concerns have been raised by City representatives and the General Aviation community. Some of the following questions and concerns have been addressed and discussed in the Report.

(1) Why is FA/VA the best option for providing FBO services at the Airport?

FA/VA is a private enterprise and in a better position than the City or its Airport Commission to operate an FBO. According to the FAA, "most airport sponsors recognize that aeronautical services are best provided by profit-motivated, private enterprises." Municipally-run FBOs are more common at small airfields that are unable to attract a private FBO operator. This is consistent with the findings in the Strock Report, which cites data suggesting private FBO airports attract higher tenant counts:

Average Tenant Count

	Airport-run FBO	**Private FBO**
Virginia Airports	44 tenants	100 tenants
North Carolina Airports	52 tenants	72 tenants
West Virginia Airports	39 tenants	76 tenants

Offering only fuel and hangar services as the City's plan proposes demonstrates a lack of expertise in regards to the GA business model. This limited service model reduces the attractiveness of the Airport to GA traffic and commercial airline traffic over time (e.g., no maintenance). Reduced services equate to decreased value to the aviation community and places significant downward pressure on growth.

(2) Does Freedom Aviation's acquisition of Virginia Aviation mean that Liberty University is taking over the Airport?

NO. This is an inaccurate perception. FA/VA is a stand-alone, for-profit company that operates pursuant to (and abides by) applicable federal, state and local laws, rules and regulations, and pays all required taxes. With Liberty University as its owner, Freedom Aviation has the University's strong financial support, which guarantees Freedom Aviation's ability to sustain and grow its operations. This financial backing reduces the strain on City government resources and provides a significant economic benefit to the region's citizens, and businesses. In addition, the combination of Freedom Aviation and Liberty University's School of Aeronautics provides the region with a unique asset that not only addresses the critical state and national need for pilots, aircraft mechanics, and airport personnel, but also makes Lynchburg a prime location for aviation-related business development. **Liberty University is not involved with the day-to-day operations or management of FA/VA.**

(3) Is FA/VA an equal opportunity employer?

Yes. FA/VA is committed to employing a diverse workforce, and follows all federal, state, and local laws and regulations regarding discrimination and harassment that apply to the company.

FA/VA does not tolerate discrimination on the basis of race or color, gender, religion, national origin, sexual orientation, disability, or any characteristic that is protected under the law. Applicants for employment with Freedom Aviation and Freedom Aviation employees will have an equal opportunity in employment-related matters such as, for example, hiring, wages and benefits, and working conditions.

(4) What is the impact of a combined operation of FA/VA on the commercial airline service at the Lynchburg Regional Airport?

FA/VA will have a positive and beneficial impact on commercial airliners as it continues to support and provide services to the airliners at a high level that meets and exceeds current service levels. This standard can be achieved through economies of scale made possible through merged operations and sharing of resources. It is unlikely the City can provide essential airport support functions (e.g., fueling, servicing, hangaring, and maintenance) to GA customers without the risk of interrupting and compromising service to the commercial airliners.

(5) Why is it important for Virginia Aviation to retain control of the fuel supply?

Fuel sales are integral to an entity engaged in the FBO business. Controlling the fuel supply is essential to the success and profitability of an FBO as revenues from fuel sales help offset an operator's fixed costs of maintaining and ensuring the availability of other FBO support functions and services that are mandated by the Airport in its minimum operating standards. A City-operated FBO would try and compete by exempting itself from its own standards with the consequent loss of other services. Control of the fuel supply allows FA/VA to do the following:

- Offer a one-stop comprehensive selection of services to the Airport users – local and transient GA customers, commercial airliners and military aircraft operators;
- Compete in the marketplace as a mature FBO offering a broad range of services; and
- Foster opportunities for growth at the Airport that is also beneficial to the City of Lynchburg as well as current and future Airport users.

(6) Do the combined operations of FA/VA create a monopoly or anti-competitive effects at the Airport?

NO. The U.S. Department of Justice (DOJ) considered this very issue involving the only two FBOs desiring to combine operations at a Connecticut Airport. The DOJ concluded that while the combination of two FBOs would "result in [the combined operator] being the 'solitary (but not exclusive)' FBO at the Airport, [the combined operator] will not be able to impose supra-competitive prices due to sufficient pressure from three sources: (1) the pricing and availability of aviation fuel and hangar storage at surrounding airports; (2) the ability of modern private aircraft to tanker fuel; and (3) the availability of developable land for future and additional FBOs at the Airport." On this basis, the DOJ confirmed its decision not to challenge the business combination.

While FA/VA may have a competitive advantage at the Airport, its existence as the "solitary (but not exclusive FBO)" does not create a monopoly. Because the three sources cited in the DOJ opinion letter also exist at the Lynchburg Airport, FA/VA will not be able to engage in pricing above what can be sustained in a competitive market.

(7) Will the City violate the FAA's prohibition against the granting of exclusive rights at the Airport by approving the assignment of the Virginia Aviation lease to Freedom Aviation?

NO. The request before City Council for approval of the Lease Assignment to Freedom Aviation neither requires the City to recognize FA/VA as the exclusive FBO at the Lynchburg Airport *nor* cause any action that denies the City's ability to consider interested and qualified service providers from competing at the Airport in the future. According to the FAA, "*The fact that a single business or enterprise may provide most or all of the on-airport aeronautical services is not, in itself, evidence of an exclusive rights violation*."

(8) Is there a cost of re-entry for the City to exercise the limited FBO option in the future?

NO. The City's decision to accept the Airport Commission's recommendation to operate a limited FBO does not position the City to assume a turn-key operation. While the Airport Commission's recommendation calls for the City to take back property currently leased by Virginia Aviation, the City has no right to any of the tangible assets in the possession of FA/VA to support any FBO services. The City would incur significant "start-up" costs to acquire assets such as fuel trucks and line equipment, whether the City started operations now or sometime in the future.

(9) How do the combined operations of Freedom Aviation and Virginia Aviation benefit the General Aviation (GA) customer?

FA/VA affords benefits to the GA customer by (1) maintaining competitive fuel pricing and hangar rental rates, (2) maintaining exceptional customer service (based on years of experience and employment of sufficient number of airport line personnel), and (3) investing in capital improvement and expansion projects to renovate and construct hangars.

(10) How does a City-operated FBO hurt the GA customer?

According to the Strock Report, the City will be required to increase fuel prices and hangar rental rates to achieve the cash projections on which the Airport Commission relied to recommend a limited FBO option for the City. Such increases are in direct conflict with the concerns raised by the City to protect the GA community.

(11) How can the City and FA/VA work together to create a vision for Lynchburg and the Commonwealth of Virginia?

FA/VA has a vision of creating an Aeronautical Center of Excellence (ACE) at the Airport in partnership with the City. The ACE will take advantage of the unique academic and commercial synergies of the University's School of Aeronautics and combined operations of FA/VA. The ACE will offer a complex aviation program and facilities attractive to commercial airliners, general aviation, corporate aviation, Lynchburg City and surrounding county school systems, aviation educators, and aviation-related businesses. The goal of the ACE is to provide all means of aerospace education, spanning domestically and internationally in its sphere of influence and offering an environmental and instructional culture rivaled by none. The ACE requires the collaborative participation of the City that, in the end, will secure Lynchburg on the map as an aviation hub and headquarters for operational locations across the nation and internationally, and attract specialized aviation business and provide economic benefits to the local community.

Economic and Fiscal Impact

In this section, we quantify the current and projected economic and fiscal contribution that Freedom/Virginia Aviation currently makes to the Lynchburg MSA through its own operations, as well as the economic and fiscal contribution attributable to out of town attendees at aeronautical events and conferences hosted by Freedom/Virginia Aviation.

Method

To empirically evaluate the regional economic impact attributable to Freedom/Virginia Aviation's operations, we employ a commonly used regional economic impact model called IMPLAN.[1] The IMPLAN model uses regional and national data on production and trade flows to construct region-specific economic multipliers and uses these multipliers to quantify economic impact.

Economic multipliers measure the ripple effects that an expenditure has as it makes its way through the economy. For example, as when Freedom/Virginia Aviation purchases goods and services from regional vendors – or when Freedom/Virginia Aviation employees use their salaries and wages to make household purchases – thereby generating income for someone else, which is in turn spent, thereby becoming income for yet someone else, and so on, and so on. Through this process, one dollar in expenditures generates multiple dollars of income. The mathematical relationship between the initial expenditure and the total income generated is the economic multiplier. The cumulative result of these ripple effects is called indirect impact when it refers to business to business transactions, and induced impact when it refers to household (employee) to business transactions.

In the analysis that follows, we also provide estimates for four categories of impact. The first is employment, or the number of jobs that are created in the regional economy in addition to the direct employment associated with Freedom/Virginia Aviation's operations. The second is labor income, or the salaries and wages associated with those jobs. The third is economic output, or the total amount of economic activity that is generated in the regional economy. The fourth is fiscal impact, or the total tax dollars that are generated by this economic activity.

[1] IMPLAN v.3 is produced by Minnesota IMPLAN Group, Inc. The datasets used in the analysis presented in this report are for 2010.

Current Freedom/Virginia Aviation Operations

In conducting our analysis of the economic impact that Freedom/Virginia Aviation had on the Lynchburg MSA in 2014, we employ the following assumptions:

- Total employment at Freedom/Virginia Aviation was 88 in 2014.[2]
- Wages and salaries paid to Freedom/Virginia Aviation employees who were residents of the Lynchburg MSA were $3,397,455 in 2014.[3]
- Freedom/Virginia Aviation expenditures for goods and services paid to Lynchburg MSA vendors were approximately $573,017 in 2014.[4]

By feeding these assumptions into the IMPLAN model, we obtain the estimates of economic impact shown in Table 1. What these data indicate is that, in addition to directly providing 88 jobs, $3.4 million in labor income, and $4.0 million in regional economic output in 2014, Freedom/Virginia Aviation's operations were also responsible for generating the following second round indirect and induced economic activity within the Lynchburg MSA: 1) 26 additional full-time-equivalent jobs, 2) $0.9 million in additional labor income, and 3) $3.0 million in additional economic output. In combination, this means that Freedom/Virginia Aviation's total 2014 economic impact on the Lynchburg MSA was: 1) 114 full-time-equivalent jobs, 2) $4.3 million in labor income, and 3) $7.0 million in economic output.

Table 2 provides additional data on the fiscal impact that was generated by this economic activity. As these data show, based on results from the IMPLAN model we estimate that Freedom/Virginia Aviation's 2014 operations generated $179,456 in additional state and local tax revenue and $251,194 in additional federal tax revenue, for a total of $430,650 in overall tax revenue.

[2] *Data Source*: Freedom/Virginia Aviation.
[3] *Data Source*: Freedom/Virginia Aviation.
[4] *Data Source*: Freedom/Virginia Aviation.

Table 1: Estimated Economic Impact of Freedom/Virginia Aviation on the Lynchburg MSA in 2014

First Round Direct Economic Activity			
	Employment	**Labor Income**	**Output**
Total First Round Activity	**88**	**$3,397,455**	**$3,970,472**
Second Round Indirect and Induced Economic Activity			
	Employment	**Labor Income**	**Output**
Wages and Salaries	4	$134,080	$395,760
Expenditures for Goods and Services	23	$810,528	$2,628,289
***Total Second Round Activity**	**26**	**$944,608**	**$3,024,049**
Total, Direct, Indirect, and Induced Economic Activity			
	Employment	**Labor Income**	**Output**
***Total Economic Activity**	**114**	**$4,342,063**	**$6,994,521**

**May not sum due to rounding.*

Table 2: Estimated Fiscal Impact of Freedom/Virginia Aviation on the Lynchburg MSA in 2014

	Local and State	**Federal**	**Total**
Total Direct, Indirect, and Induced Economic Activity	$179,456	$251,194	**$430,650**

Projected Freedom/Virginia Aviation Operations – 3 Year Planning Horizon

In conducting our analysis of the projected economic impact that Freedom/Virginia Aviation will have on the Lynchburg MSA in 2017, we employ the following assumptions:

- Total employment at Freedom/Virginia Aviation is projected to be 162 in 2017.[5]
- Wages and salaries paid to Freedom/Virginia Aviation employees who are residents of the Lynchburg MSA are projected to be $5,665,575 in 2017.[6]
- Freedom/Virginia Aviation expenditures for goods and services paid to Lynchburg MSA vendors are projected to be approximately $716,271 in 2017.[7]
- Between 2014 and 2017, Freedom/Virginia Aviation anticipates making $4.2 million in capital investments which will include the construction of two additional hangars.[8]

By feeding these assumptions into the IMPLAN model, we obtain the estimates of economic impact shown in Table 3. What these data indicate is that, in addition to directly providing 162 jobs, $5.7 million in labor income, and $6.4 million in regional economic output in 2017, Freedom/Virginia Aviation's operations are also projected to generate the following second round indirect and induced economic activity within the Lynchburg MSA: 1) 42 additional full-time-equivalent jobs, 2) $1.5 million in additional labor income, and 3) $4.9 million in additional economic output. In combination, this means that Freedom/Virginia Aviation's total 2017 economic impact on the Lynchburg MSA would be: 1) 204 full-time-equivalent jobs, 2) $7.2 million in labor income, and 3) $11.3 million in economic output.

Table 4 provides additional data on the projected fiscal impact that this economic activity would generate. As these data show, based on results from the IMPLAN model we estimate that Freedom/Virginia Aviation's projected 2017 operations will generate $293,042 in additional state and local tax revenue and $405,671 in additional federal tax revenue, for a total of $698,713 in overall tax revenue.

---

[5] *Data Source*: Freedom/Virginia Aviation.
[6] *Data Source*: Freedom/Virginia Aviation.
[7] *Data Source*: Freedom/Virginia Aviation. Based on an assumption of 25 percent growth in operations.
[8] *Data Source*: Freedom/Virginia Aviation. For ease of exposition and in the absence of other information, these expenditures are treated as if they are made in a single representative year, and it is further assumed that all contractors are drawn from the Lynchburg MSA.

Table 3: Projected Economic Impact of Freedom/Virginia Aviation on the Lynchburg MSA in 2017

First Round Direct Economic Activity			
	Employment	**Labor Income**	**Output**
Total First Round Activity	**162**	**$5,665,575**	**$6,381,846**
Second Round Indirect and Induced Economic Activity			
	Employment	**Labor Income**	**Output**
Wages and Salaries	5	$167,600	$494,700
Expenditures for Goods and Services	38	$1,351,631	$4,382,918
***Total Second Round Activity**	**42**	**$1,519,231**	**$4,877,618**
Total, Direct, Indirect, and Induced Economic Activity			
	Employment	**Labor Income**	**Output**
***Total Economic Activity**	**204**	**$7,184,806**	**$11,259,464**

**May not sum due to rounding.*

Table 4: Projected Fiscal Impact of Freedom/Virginia Aviation on the Lynchburg MSA in 2017

	Local and State	**Federal**	**Total**
Total Direct, Indirect, and Induced Economic Activity	$293,042	$405,671	**$698,713**

Finally, Table 5 provides data on the projected economic and fiscal impact on the Lynchburg MSA that would be attributable to Freedom/Virginia Aviation's anticipated $4.2 million investment in capital facilities between 2014 and 2017. As these data show, based on results from the IMPLAN model we estimate that the total economic and fiscal impact associated with this one-time pulse of economic activity would include: 1) 46 full-time-equivalent jobs, 2) $1.9 million in labor income, 3) $6.1 million in economic output, and 4) $601,085 in overall tax revenue.

Table 5: Estimated One-Time Economic and Fiscal Impact on the Lynchburg MSA from anticipated Freedom/Virginia Aviation Capital Expenditures between 2014 and 2017

Economic Impact			
	Employment	**Labor Income**	**Output**
First Round Direct Economic Activity	31	$1,178,796	$4,200,000
Second Round Indirect and Induced Economic Activity	15	$676,948	$1,943,810
***Total Economic Activity**	**46**	**$1,855,745**	**$6,143,810**
Fiscal Impact			
	Local and State	**Federal**	**Total**
Total Direct, Indirect, and Induced Economic Activity	$183,287	$417,798	**$601,085**

**May not sum due to rounding.*

Projected Freedom/Virginia Aviation Operations – 10 Year Planning Horizon

In conducting our analysis of the projected economic impact that Freedom/Virginia Aviation will have on the Lynchburg MSA in 2024, we employ the following assumptions:

- Total employment at Freedom/Virginia Aviation is projected to be 174 in 2024.[9]
- Wages and salaries paid to Freedom/Virginia Aviation employees who are residents of the Lynchburg MSA are projected to be $6,033,378 in 2024.[10]
- Freedom/Virginia Aviation expenditures for goods and services paid to Lynchburg MSA vendors are projected to be approximately $1,002,279 in 2024.[11]
- Between 2017 and 2024, Freedom/Virginia Aviation anticipates making an additional $3.8 million in capital investments which will include the construction of two additional hangars and a ramp.[12]

By feeding these assumptions into the IMPLAN model, we obtain the estimates of economic impact shown in Table 6. What these data indicate is that, in addition to directly providing 174 jobs, $6.0 million in labor income, and $7.0 million in regional economic output in 2024, Freedom/Virginia Aviation's operations are also projected to generate the following second round indirect and induced economic activity within the Lynchburg MSA: 1) 47 additional full-time-equivalent jobs, 2) $1.7 million in additional labor income, and 3) $5.4 million in additional economic output. In combination, this means that Freedom/Virginia Aviation's total 2024 economic impact on the Lynchburg MSA would be: 1) 221 full-time-equivalent jobs, 2) $7.7 million in labor income, and 3) $12.4 million in economic output.

Table 7 provides additional data on the projected fiscal impact that this economic activity would generate. As these data show, based on results from the IMPLAN model we estimate that Freedom/Virginia Aviation's projected 2024 operations will generate $318,288 in additional state and local tax revenue and $445,234 in additional federal tax revenue, for a total of $763,522 in overall tax revenue.

---

[9] *Data Source*: Freedom/Virginia Aviation.
[10] *Data Source*: Freedom/Virginia Aviation.
[11] *Data Source*: Freedom/Virginia Aviation. Based on an assumption of 40 percent growth in operations.
[12] *Data Source*: Freedom/Virginia Aviation. For ease of exposition and in the absence of other information, these expenditures are treated as if they are made in a single representative year, and it is further assumed that all contractors are drawn from the Lynchburg MSA.

Table 6: Projected Economic Impact of Freedom/Virginia Aviation on the Lynchburg MSA in 2024

First Round Direct Economic Activity			
	Employment	**Labor Income**	**Output**
Total First Round Activity	**174**	**$6,033,378**	**$7,035,657**
Second Round Indirect and Induced Economic Activity			
	Employment	**Labor Income**	**Output**
Wages and Salaries	6	$234,523	$692,234
Expenditures for Goods and Services	40	$1,439,378	$4,667,452
***Total Second Round Activity**	**47**	**$1,673,901**	**$5,359,686**
Total, Direct, Indirect, and Induced Economic Activity			
	Employment	**Labor Income**	**Output**
***Total Economic Activity**	**221**	**$7,707,279**	**$12,395,343**

**May not sum due to rounding.*

Table 7: Projected Fiscal Impact of Freedom/Virginia Aviation on the Lynchburg MSA in 2024

	Local and State	**Federal**	**Total**
Total Direct, Indirect, and Induced Economic Activity	$318,288	$445,234	**$763,522**

Finally, Table 8 provides data on the projected economic and fiscal impact on the Lynchburg MSA that would be attributable to Freedom/Virginia Aviation's anticipated $3.8 million investment in capital facilities between 2017 and 2024. As these data show, based on results from the IMPLAN model we estimate that the total economic and fiscal impact associated with this one-time pulse of economic activity would include: 1) 52 full-time-equivalent jobs, 2) $2.1 million in labor income, 3) $6.8 million in economic output, and 4) $734,491 in overall tax revenue.

Table 8: Estimated One-Time Economic and Fiscal Impact on the Lynchburg MSA from anticipated Freedom/Virginia Aviation Capital Expenditures between 2017 and 2024

Economic Impact			
	Employment	**Labor Income**	**Output**
First Round Direct Economic Activity	27	$1,043,393	$3,800,000
Second Round Indirect and Induced Economic Activity	25	$1,007,818	$3,041,066
***Total Economic Activity**	**52**	**$2,051,212**	**$6,841,066**
Fiscal Impact			
	Local and State	**Federal**	**Total**
Total Direct, Indirect, and Induced Economic Activity	$252,413	$482,078	**$734,491**

**May not sum due to rounding.*

Other Impacts – Conference and Event Attendee Spending

In conducting our analysis of the projected economic and fiscal impact that attendees to Freedom/Virginia Aviation hosted conferences and events have on the Lynchburg MSA, we employ the following assumptions:

- The typical number of annual attendees to Freedom/Virginia Aviation hosted conferences and events is 3,800.[13] Of that total, approximately 2,660 come from outside of the Lynchburg MSA. Approximately 290 of those out-of-area visitors stay one or more nights in the Lynchburg MSA, while the remaining 2,370 are "day-trippers" who do not stay overnight.[14]
- Overnight visitors typically spend about $203.80 per person per day in the Lynchburg MSA.[15]
- Day-trippers typically spend about $51.07 per person per day in the Lynchburg MSA.[16]
- Total spending by out-of-area visitors attending Freedom/Virginia Aviation hosted conferences and events is estimated to be $351,344 per year.[17]

By feeding these assumptions into the IMPLAN model, we obtain the estimates of economic impact shown in Table 9. As these data indicate, we estimate that the total economic and fiscal impact attributable to annual spending by out-of-area visitors to Freedom/Virginia Aviation hosted conferences and events would include: 1) 5 full-time-equivalent jobs, 2) $129,664 in labor income, 3) $242,199 in economic output, and 4) $65,038 in overall tax revenue.

[13] A typical roster of annual conferences and events would include the IA Conference, FreedomFest, the CPC Seminar, Women Can Fly, and Girl Scouts Aviation Day.
[14] *Data Source*: Freedom/Virginia Aviation.
[15] *Data Source*: Virginia Tourism Corporation.
[16] *Data Source*: Virginia Tourism Corporation.
[17] Based on attendees and attendance days provided by Freedom/Virginia Aviation and visitor spending estimates from the Virginia Tourism Corporation.

Table 9: Annual Economic and Fiscal Impact on the Lynchburg MSA from Out-of-Area Attendees to Freedom/Virginia Aviation Hosted Conferences and Events

Economic Impact			
	Employment	**Labor Income**	**Output**
First Round Direct Economic Activity	3	$66,383	$112,391
Second Round Indirect and Induced Economic Activity	2	$63,280	$129,808
***Total Economic Activity**	**5**	**$129,664**	**$242,199**
Fiscal Impact			
	Local and State	**Federal**	**Total**
Total Direct, Indirect, and Induced Economic Activity	$30,931	$34,107	**$65,038**

**May not sum due to rounding.*

Consultant Philip Solomon – Qualifying Credentials

Education:

BA (hons.) First Class (equivalent to Summa Cum Laude) in European Business Administration with Majors in Finance and Production Management (1983)
Diplôme du Centre d'études Supérieures Européennes de Management – Business degree from France also with highest honors (1983)

Professional Experience:

Director, Light Aircraft Manufacturer's Association (2010 – Present)
CEO, Mid-Atlantic Air Ventures Inc (2008 – Present) – Aircraft leasing company
Manager, Caravan Charters LLC (2007 – Present) – Aircraft leasing company
Chief Financial Officer, Heart of Virginia Aviation Inc (2004 – Present) – Full Service FBO in VA/FL and provider of Part 141 flight training to three colleges/universities in Florida and West Virginia
CEO, First Eclipse Limited (2002 – Present) – Aircraft leasing company
Director, Grainger Law Investments Ltd (2001 – Present) – UK property development company
CEO, Tecnam North America (2009 - 2014) – Exclusive distributor of Tecnam Aircraft to N. America
FAA Commercial, Instrument, CFI (fixed wing) with approximately 2,800 hours total time
Chartered Global Management Accountant (2011)
Chartered Management Accountant (1985)

Other Professional Experience:

- Former Director of Martinsville Chamber of Commerce (three year term)
- 23 years of prior experience in Multinational companies as Vice-President Finance/IT/Legal Affairs, Finance Director, Controller, Management Accountant, Plant manager – Automotive, Telecommunications, Packaging, Distribution, Injection molding and precision thin films (primarily window films) industries.
- Co-inventor of patent covering anti-reflective films for picture framing
- Significant experience in business appraisals, acquisitions, disposals, mergers, new ventures, capital purchases and project management in a global environment.

Consultant A. Fletcher Mangum – Qualifying Credentials

Education:

Ph.D. in economics (fields in Industrial Organization and Public Choice), George Mason University, Fairfax, VA, 1995.

M.A. in economics, George Mason University, Fairfax, VA, 1990.

B.A. in economics, College of William and Mary, Williamsburg, VA, 1978.

Professional Experience:

Managing Partner, Mangum Economics, LLC., present.

Associate Director for Governance and Accountability, and Chief Economist, State Council of Higher Education for Virginia, 1998 to 2002.

Senior Economic Analyst, Department of Planning and Budget, Commonwealth of Virginia, 1995 to 1998.

Senior Economist, Federal Judicial Center, U.S. Courts, 1991 to 1995.

Director, Billcast, 1988 to 1991.

Other Professional Experience:

- Member, Virginia Governor's and General Assembly's Joint Advisory Board of Economists, present.
- Instructor, Virginia Commonwealth University, present.
- President, Virginia Association of Economists, March 2010 to March 2011.
- Member, Governor Elect McDonnell's Transition Team, Richmond, November 2009 to January 2010.
- Member, Governor Elect Gilmore's Transition Team, Richmond, November 1997 to January 1998.
- Advisory Committee Member, National Center for State Courts, September 1992 to June 1993.

Additionally, Mr. Mangum has conducted over 161 economic impact studies, authored more than 26 papers and publications, provided 20+ expert testimonies and conducted over 79 presentations and appearances throughout his career.

DRAFT

Freedom Aviation & Virginia Aviation

Lynchburg City Council
February 24th, 2015

The Question:

City-Run FBO

or

FA/VA FBO

Request:

City approves two resolutions:

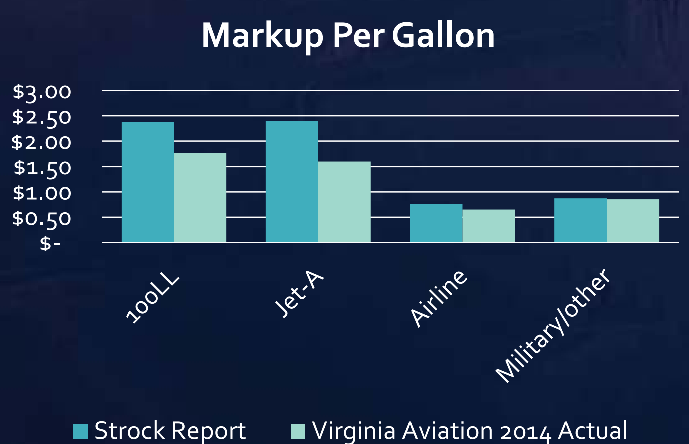
1) Assign the remaining VA lease
2) Move forward with negotiations for a long-term agreement between City & FA/VA

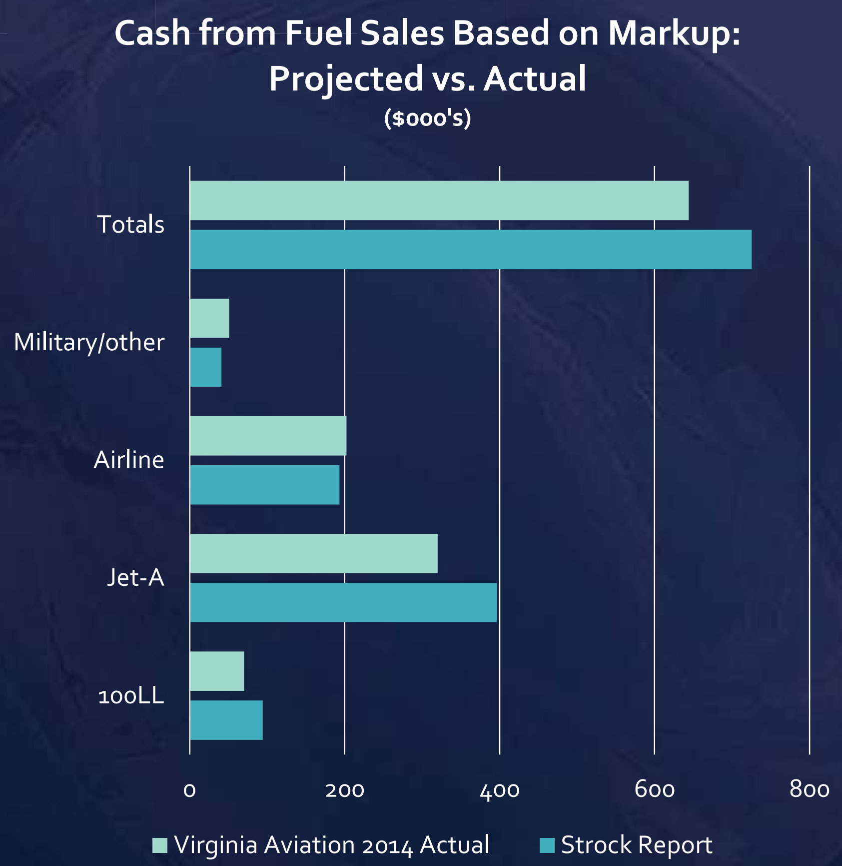

Why?

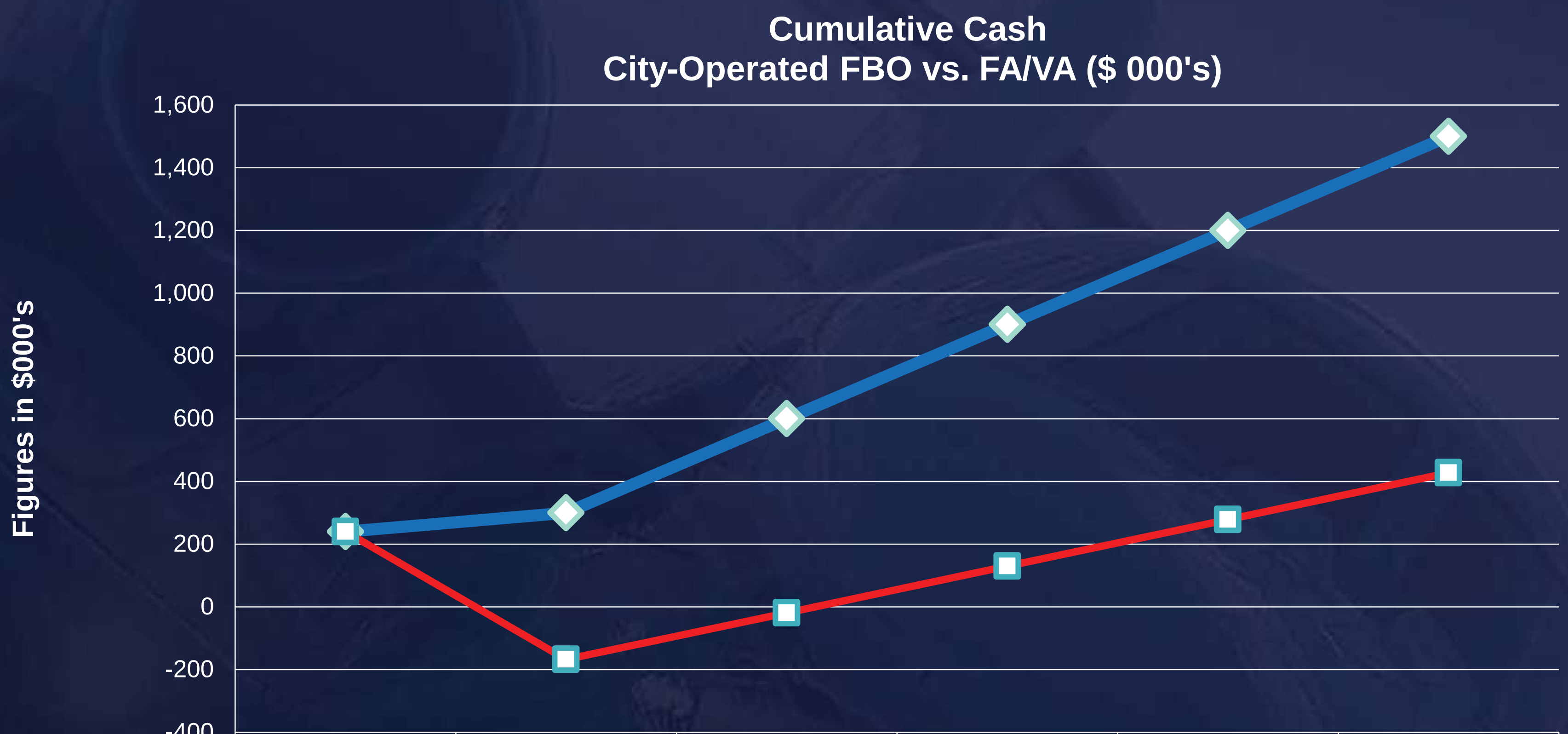
City-Run FBO: Can you count on the numbers in the Strock Report?

Discrepancies:

- Fuel volume & markup
- Hangar rates
- Personnel costs
- Insurance



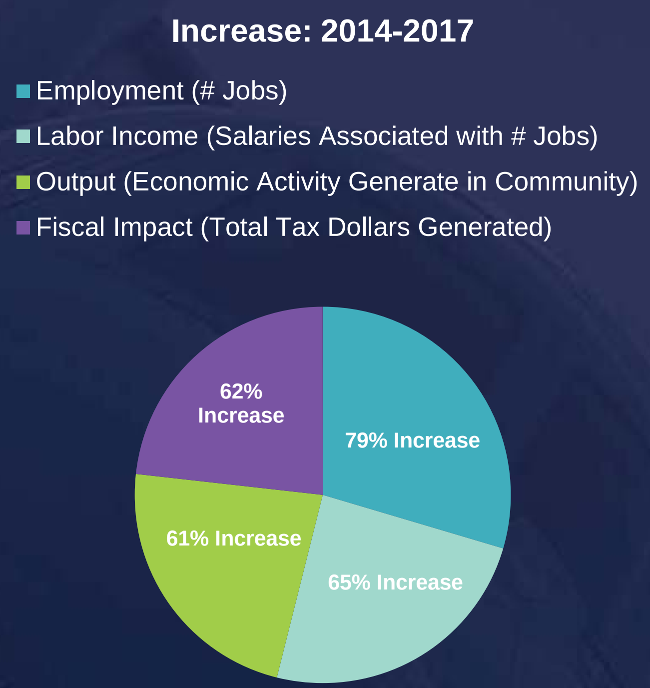




	Current VA Lease	Y1	Y2	Y3	Y4	Y5
FA/VA Lease	240.0	300.0	600.0	900.0	1,200.0	1,500.0
City-Run FBO	240.0	(167.9)	(19.1)	129.7	278.5	427.3

FA/VA is the best financial choice for the City of Lynchburg

Categories of Impact	2014	2017
Employment (*# Jobs*)	114	204
Labor Income (*Salaries Associated with # Jobs)*	$4,342,063	$7,184,806
Output (*Economic Activity Generated in Community*)	$6,994,521	$11,259,464
Fiscal Impact (*Total Tax Dollars Generated*)	$430,650	$698,713



Economic impact of FA/VA on the Lynchburg community is significant

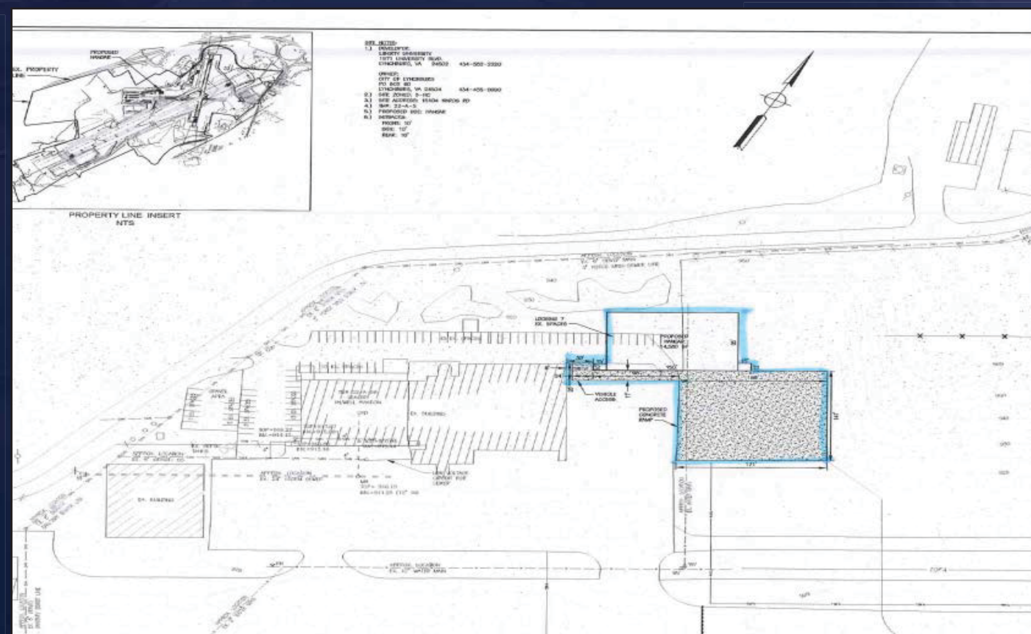
FA/VA is the best choice for the community

- Women Can Fly
- CPC Seminars
- Girl Scouts Aviation Day
- Freedom Fest
- IA Seminar
- Pilots n Paws

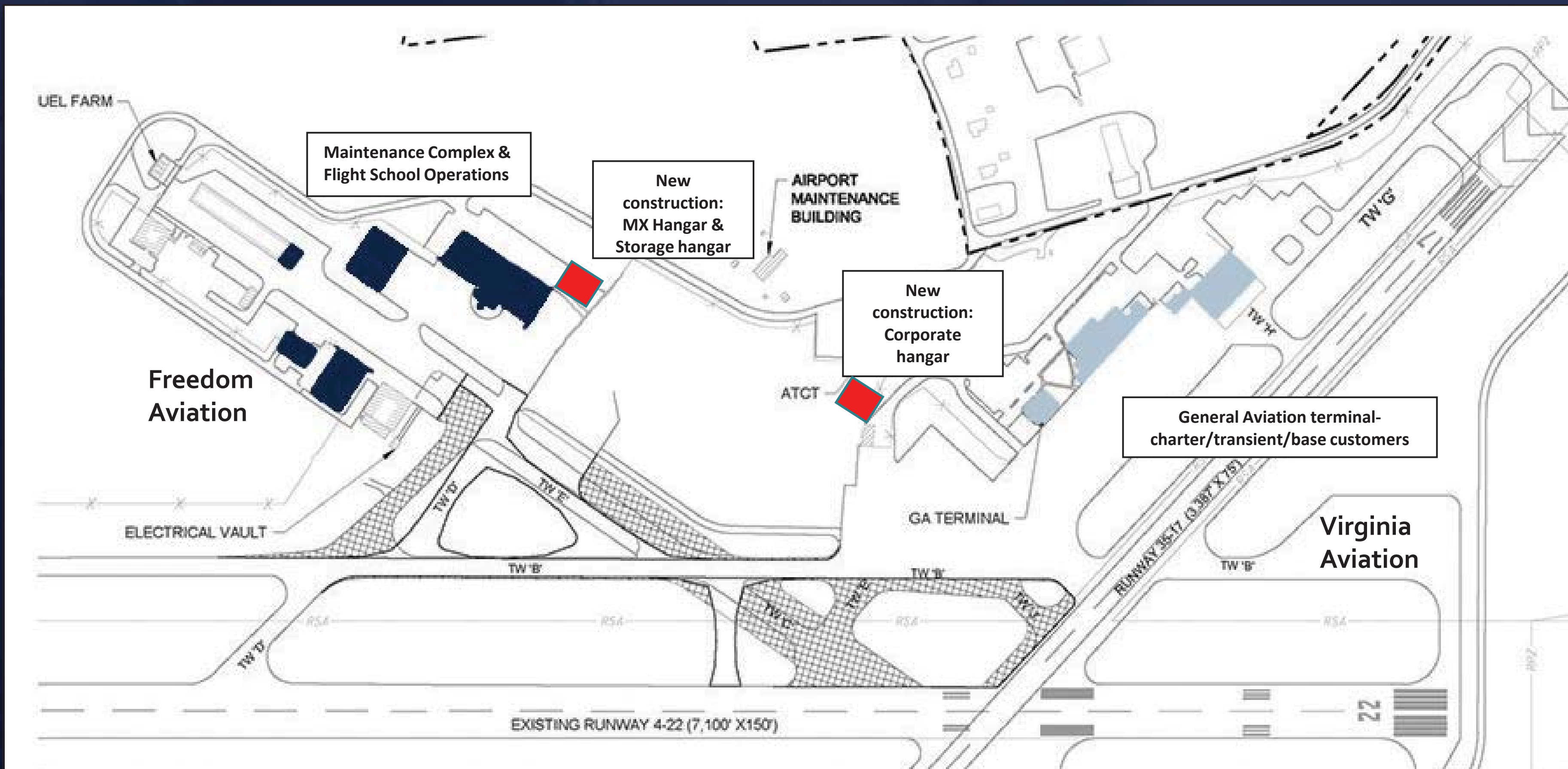
Economic Impact			
	Employment	Labor Income	Output
First Round Direct Economic Activity	3	$66,383	$ 112,391
Second Round Indirect and Induced Economic Activity	2	$63,280	$ 129,808
*Total Economic Activity	5	$129,664	$ 242,199

Fiscal Impact			
	Local and State	Federal	Total
Total Direct, Indirect, and Induced Economic Activity	$30,931	$34,107	$65,038

FA/VA is the best option for airport users



FA/ VA Fuel Farm Management: Best for Competitive Pricing



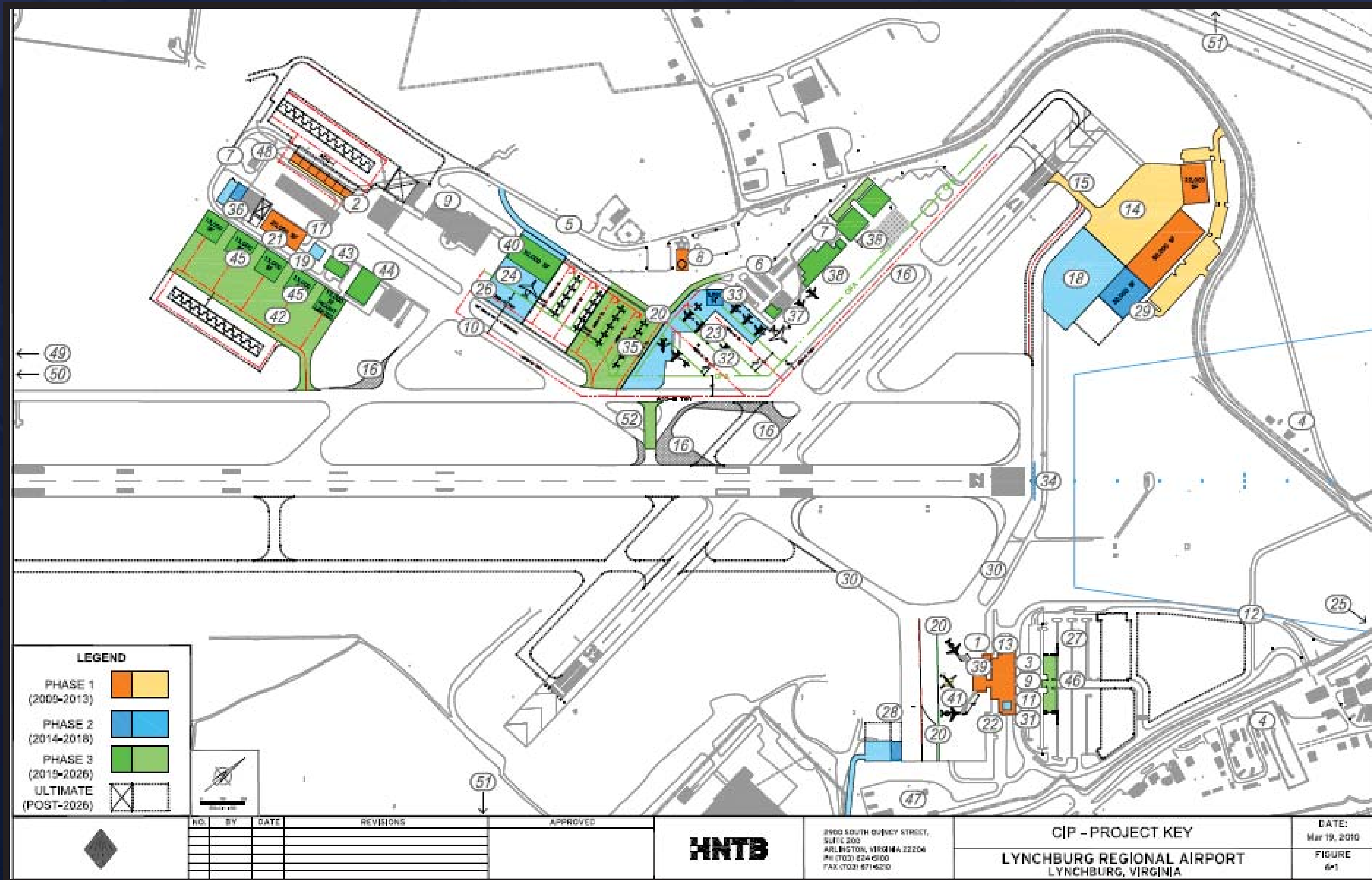
Airport Facilities: FA/VA Immediate Utilization

Lynchburg Regional Airport: The Future

FA/VA Vision: Aviation Center of Excellence

How is this achieved?

- Commercial & Academic Synergies: FA/VA & LUSOA
- Partnership: FA/VA & City



Future Development

Freedom Aviation: Projected Economic Impact on Lynchburg MSA 2024

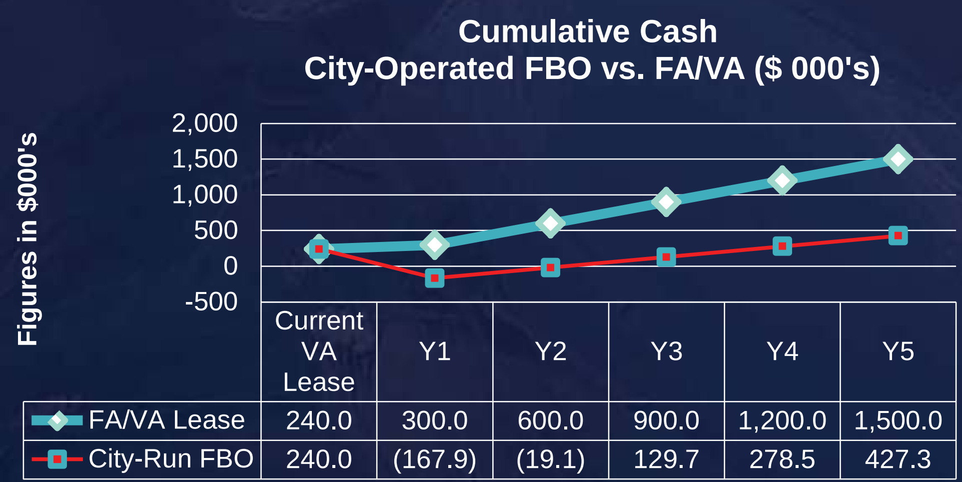
Total, Direct, Indirect, and Induced Economic Activity			
	Employment	Labor Income	Output
Total Economic Activity	221	$ 7,707,279	$ 12,395,343

Fiscal Impact			
	Local and State	Federal	Total
Total Direct, Indirect, and Induced Economic Activity	$318,288	$ 445,234	$ 763,522

Academic Excellence

Commercial Enterprises

Freedom Aviation is the best choice for the short & long term future of the Lynchburg Regional Airport.



	Current VA Lease	Y1	Y2	Y3	Y4	Y5
FA/VA Lease	240.0	300.0	600.0	900.0	1,200.0	1,500.0
City-Run FBO	240.0	(167.9)	(19.1)	129.7	278.5	427.3

Total, Direct, Indirect, and Induced Economic Activity			
	Employment	Labor Income	Output
Total Economic Activity	221	$ 7,707,279	$ 12,395,343

Request:

City approves two resolutions:

1) Assign the remaining VA lease
2) Move forward with negotiations for a long-term agreement between City & FA/VA

Decide for the future of the airport.

Decide with Freedom.

FREEDOM AVIATION

Airport FBO Case Outline
February 2015

I. FBO History

1. July 1999 – Virginia Aviation (VA) awarded new 5-year FBO lease with 5-year option (5/5)
2. Feb. 2002 – Britannia Aviation – awarded 5/5 for former airline maintenance facility
3. Sep. 2003 – Britannia lease assigned to Aviation Technical Services (ATS); same owner
4. Feb. 2004 – ATS lease assigned to Falwell Aviation
5. Jan. 2005 – Falwell approved to operate as FBO with limited fueling rights
6. April 2007 – Falwell awarded second 5-year option
7. July 2007 – Falwell awarded 20-year franchise contingent on construction of new hangar
8. July 2008 – VA awarded new 5/5 lease concurrent with:
9. July 2008 – Separate fuel farm lease agreement approved for sharing fuel farm with Fallwell
10. Jan. 2010 – Liberty acquires Falwell; becomes Freedom Aviation
11. Feb. 2011 – VA sold to Jim Walker
12. July 2013 – VA 5-year option exercised; assignment language revised to block future sale
13. Oct. 2013 – Freedom requests that Council amend prohibition in franchise on airline fueling
14. Fall 2013 – Freedom negotiates for 73,041 SF land lease to construct 14,250 SF hangar (stalled)
15. April 2014 – Freedom requests lease assignment after purchase of VA
16. May 2014 – Special Commission meeting
17. June 2014 – Council public hearing
18. October 2014 – Special Commission meeting
19. February 2015 – Council public hearing

II. Airport FBO Supports Overall Airport Goals

1. To preserve and enhance airline service.
2. Ensure that airport aeronautical services are provided to <u>all</u> classes of users.
3. Support and enhance the general aviation community.
4. Provide opportunities for aeronautical businesses to expand through airport's Master Plan & CIP.
5. Maintain an open and competitive business environment for existing or new businesses.
6. Continue to maximize airport revenues in order to avoid any General Fund Subsidy while creating an opportunity to generate a surplus to fund aeronautical facility expansion and local match grant requirements.
7. Ensure City compliance with FAA Sponsor Assurances prohibiting the establishment of an exclusive right (Sponsor Assurance #23). Part of statutory obligations as a recipient of FAA Airport Improvement Program (AIP) grant funding.

III. Competitive Rationale

1. The airport has long maintained a goal of encouraging competition among FBOs at LYH. This has worked well for over 10 years.
2. The airport's Commission-approved Strategic Plan established as part of its mission that the airport shall "...*maintain a competitive business environment while at all times operating in the public interest.*"

3. A competitive FBO environment can continue to exist if the airport actively assumes the role of a limited FBO for retail fuel sales, airline/military fuel sales and operating out of the airport-owned General Aviation Terminal, most existing Virginia Aviation aircraft storage hangars, and continues to maintain control of the airport-owned fuel farm.
4. In the past, the two FBOs have been subsidized by the airport through its airline generated, direct and indirect revenue streams in the interest in fostering and maintaining FBO competition. An airport FBO will provide additional net earnings to the airport to help offset that subsidy while retaining a competitive environment.
5. After evaluating various options, the Lynchburg Regional Airport Commission voted unanimously (with one abstention) to recommend that City Council approve the Airport FBO option.

IV. Business Case for Airport FBO

1. An aviation consultant contracted by the airport performed a detailed financial analysis of projected revenues and expenses and concluded that an airport-operated FBO could expect earnings of between $482,026 and $835,384 annually.
2. Over a five-year period, additional cash contribution to the airport fund could amount to some $2-$3 million, which could then be used for various capital-related airport projects.
3. All earnings from an Airport FBO would be required under FAA guidelines to remain on-airport to be used for airport purposes; private FBOs have no such mandate and are free to funnel profits off-airport.
4. This would be a natural expansion of the airport's current business model and would represent the application of a vertically integrated business strategy that would expand the airport's revenue base.
5. The airport owns all of the facilities necessary to operate an airport FBO with virtually no debt service; the General Aviation Terminal was funded with 84% state funding made possible by LYH airline passenger traffic.
6. In terms of comparable airport-operated FBOs, nearly two-thirds (63%) of airports in Virginia and North Carolina that sell JetA fuel are structured as airport-operated FBOs.
7. Approximately a dozen airport directors from airports that operate an airport FBO that were interviewed separately or as part of the airport report all expressed very positive financial and operating results as a result of the decision to operate the FBO.
8. All airport directors from those airports cited maintaining competitive fuel pricing as a major advantage.
9. Those directors at air carrier airports noted the additional benefit of being able to offer deep jet fuel discounts as an incentive to airlines to initiate or add service were particularly valuable.

The consultant’s report concluded that, in the case of airports providing fuel services, the revenues generated for the operation of the airport and facility expansion are higher. While the largest airports in the country generally have FBOs providing the fueling services, many airports the size of LYH have airport-operated fuel sales. Of those, it was reported that fuel sales constitute 30-50 percent of their annual operating budgets and provided additional benefits to the communities they serve.

V. Other Notable Points Outside of Report

1. Airports are unique business entities. As a city department, LYH is defined and structured as a "Proprietary Business-Type Fund."
2. As a recipient of FAA grant funds, it is necessary for LYH to operate as a business in order to fulfill the requirements of our FAA Sponsor Assurances to make the airport as self-sustaining as possible.

3. A number of existing aeronautical customers and potential tenants have expressed a preference for doing business with an airport-operated FBO.

VI. **Airport FBO Advantages**

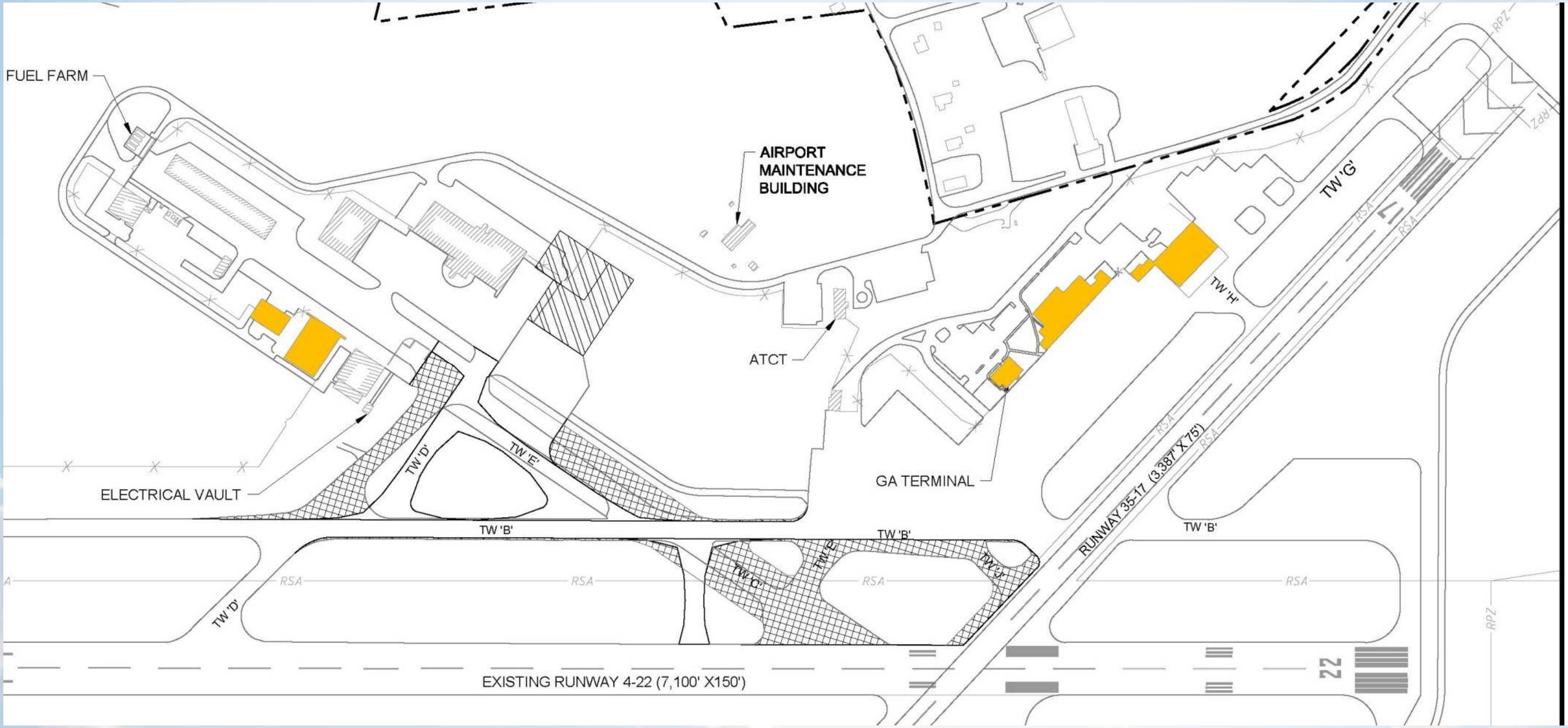
1. Stable, predictable GA/based customer services.
2. Competitive fuel and aircraft storage prices.
3. All profits stay on airport, plowed back into facilities.
4. Accountable to the public/user. Customers have direct channel to City Manager/Commission/City Council.
5. Ample opportunity for tenant and stakeholder input.
6. Ability to cross-train airport FBO personnel to perform additional airport tasks for greater efficiency/productivity.
7. Lower overhead without the executive-level staff salaries.
8. Ability/incentive to build more T-Hangars.
9. Flexible – Able to adjust or even reinstate traditional private FBO model.
10. Airline incentives – can offer steep discounted fuel for new airline service (new airline/new route/more frequency).
11. Backed by established Master Plan & ACIP Planning process.
12. Ensures public infrastructure is used/operated in the public interest.

VII. **What if airport lost *all* airline service?**

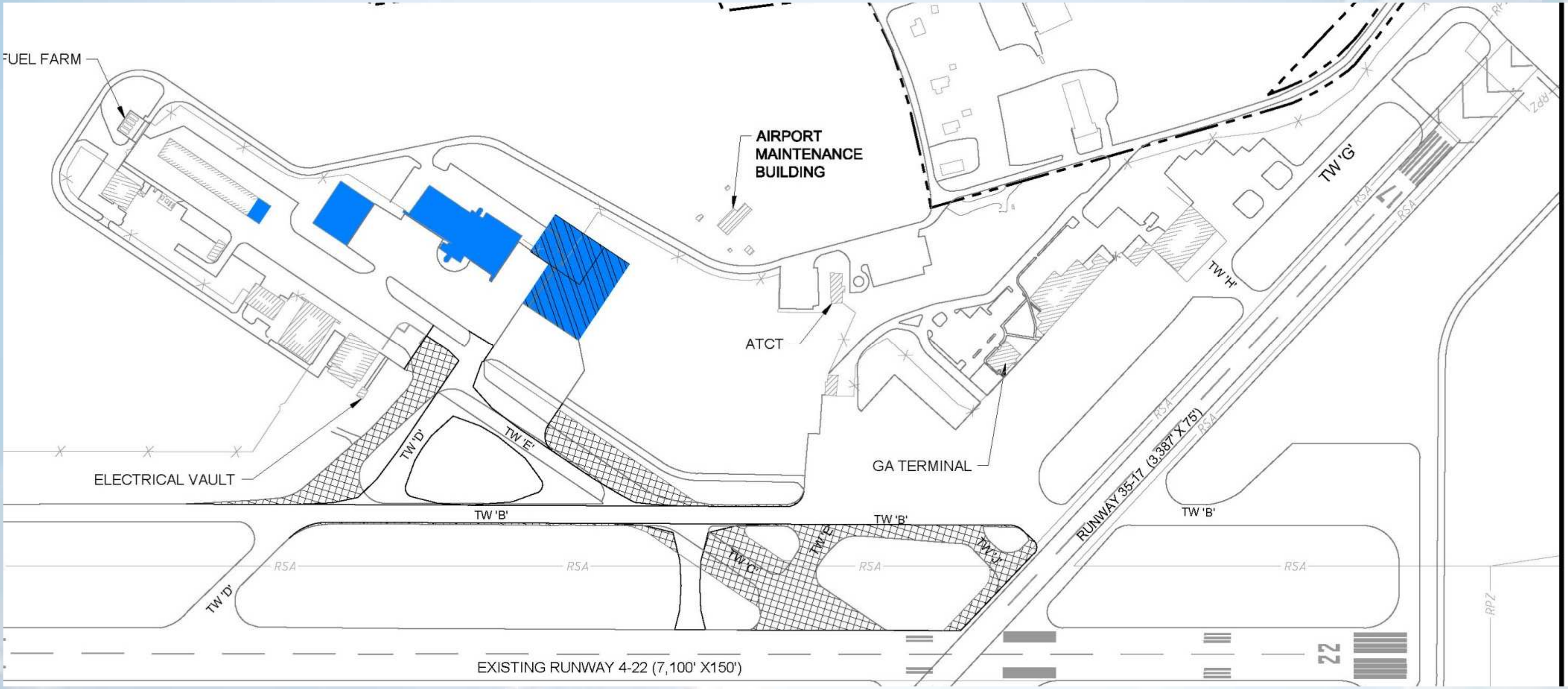
1. Creation of an airport-run FBO would provide a level of assurance that the airport (budget) could operate on a self-sustaining basis and eliminate, or reduce appreciably, recurring/ongoing City subsidy.

Contact: Mark Courtney, Airport Director
Lynchburg Regional Airport
(434) 455-6089
mark.courtney@lynchburgva.gov

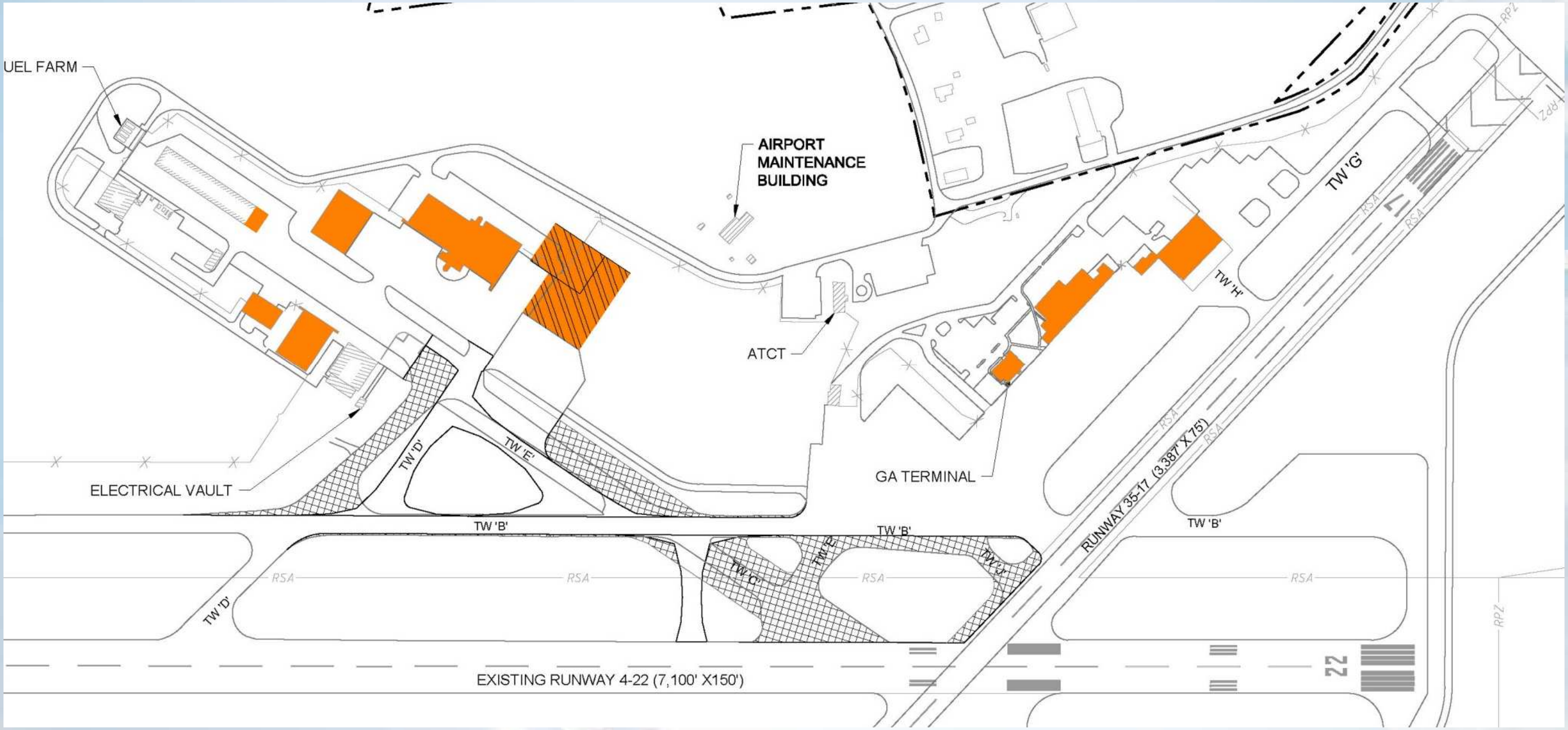
Virginia Aviation

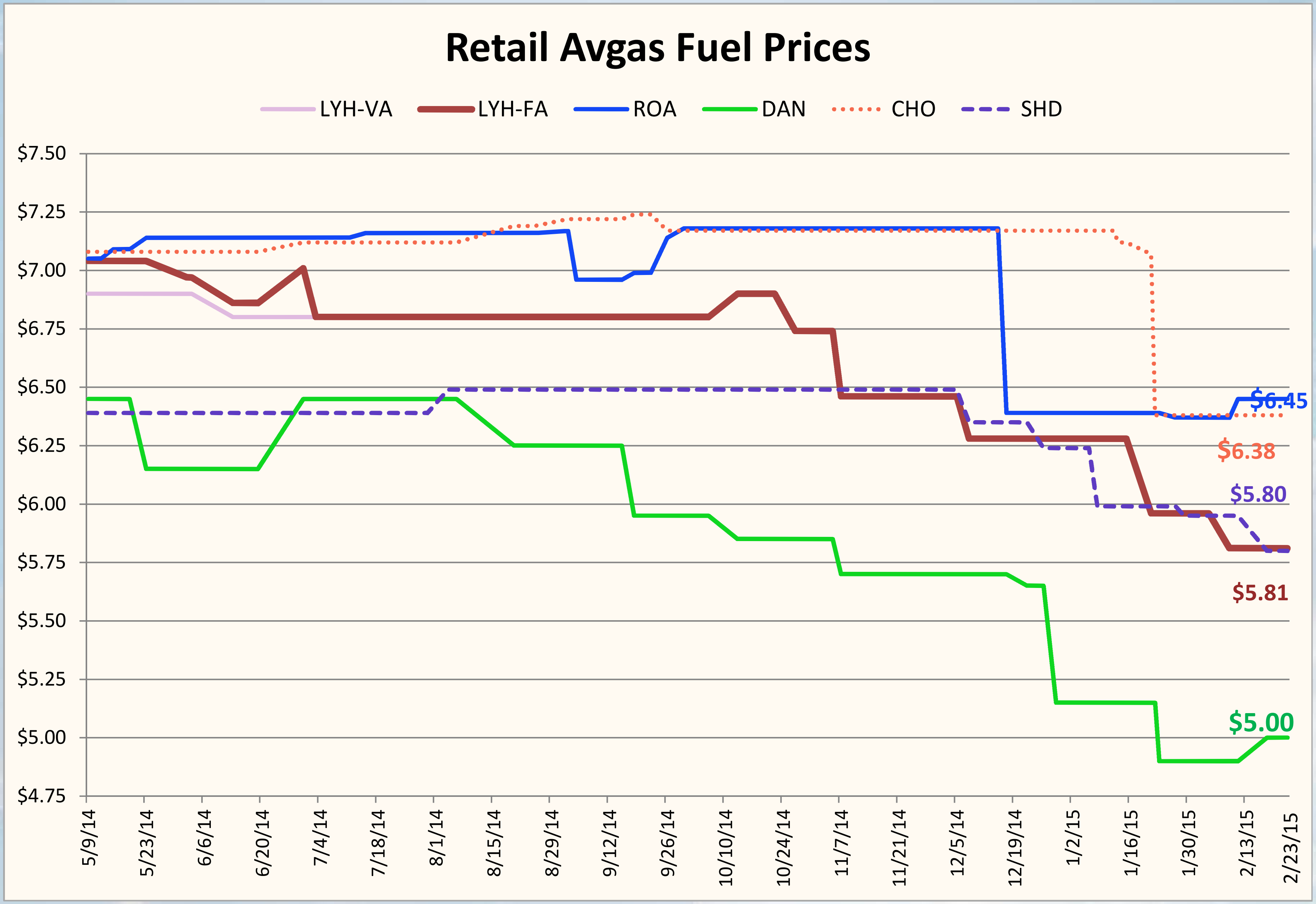


Freedom Aviation

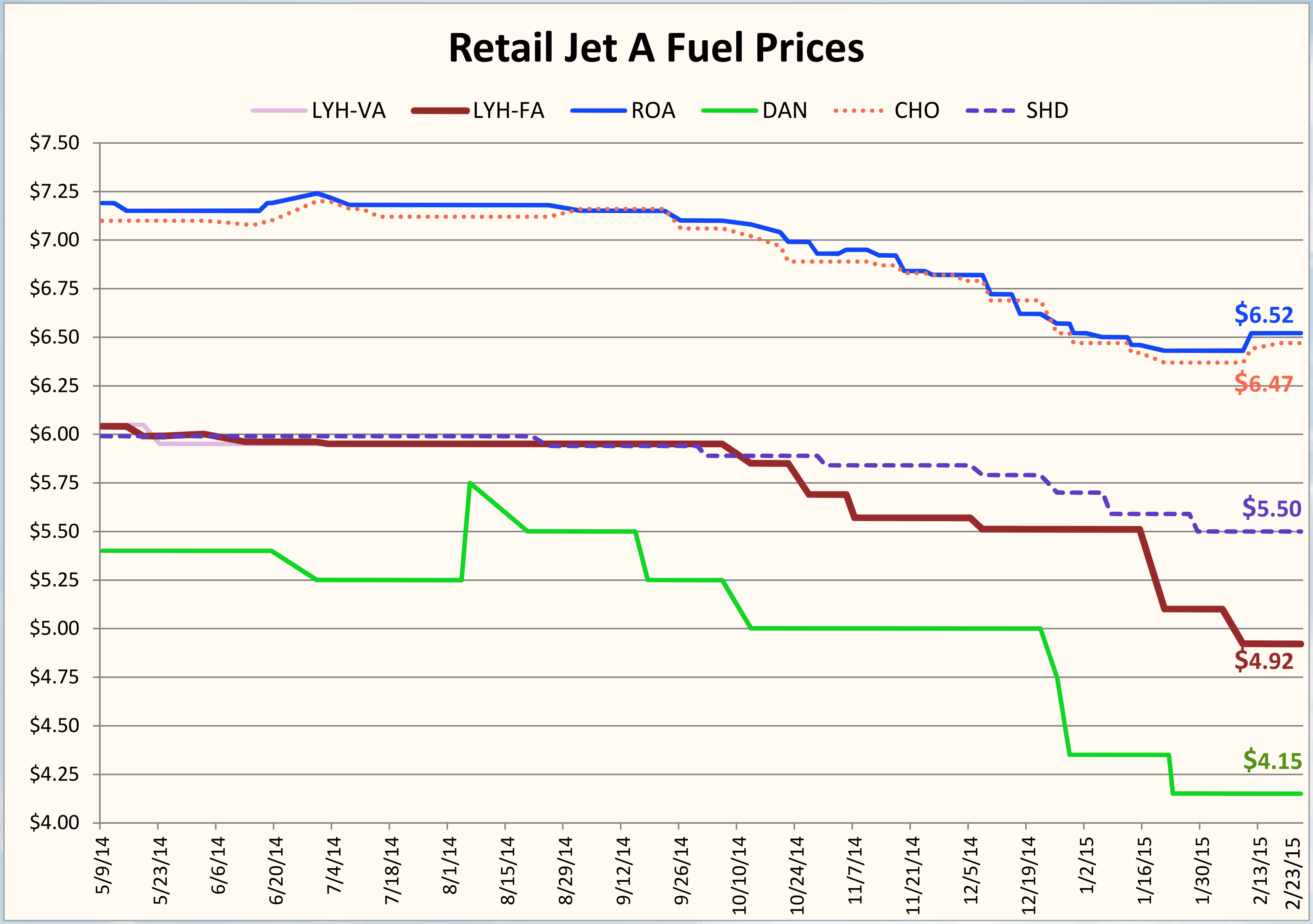


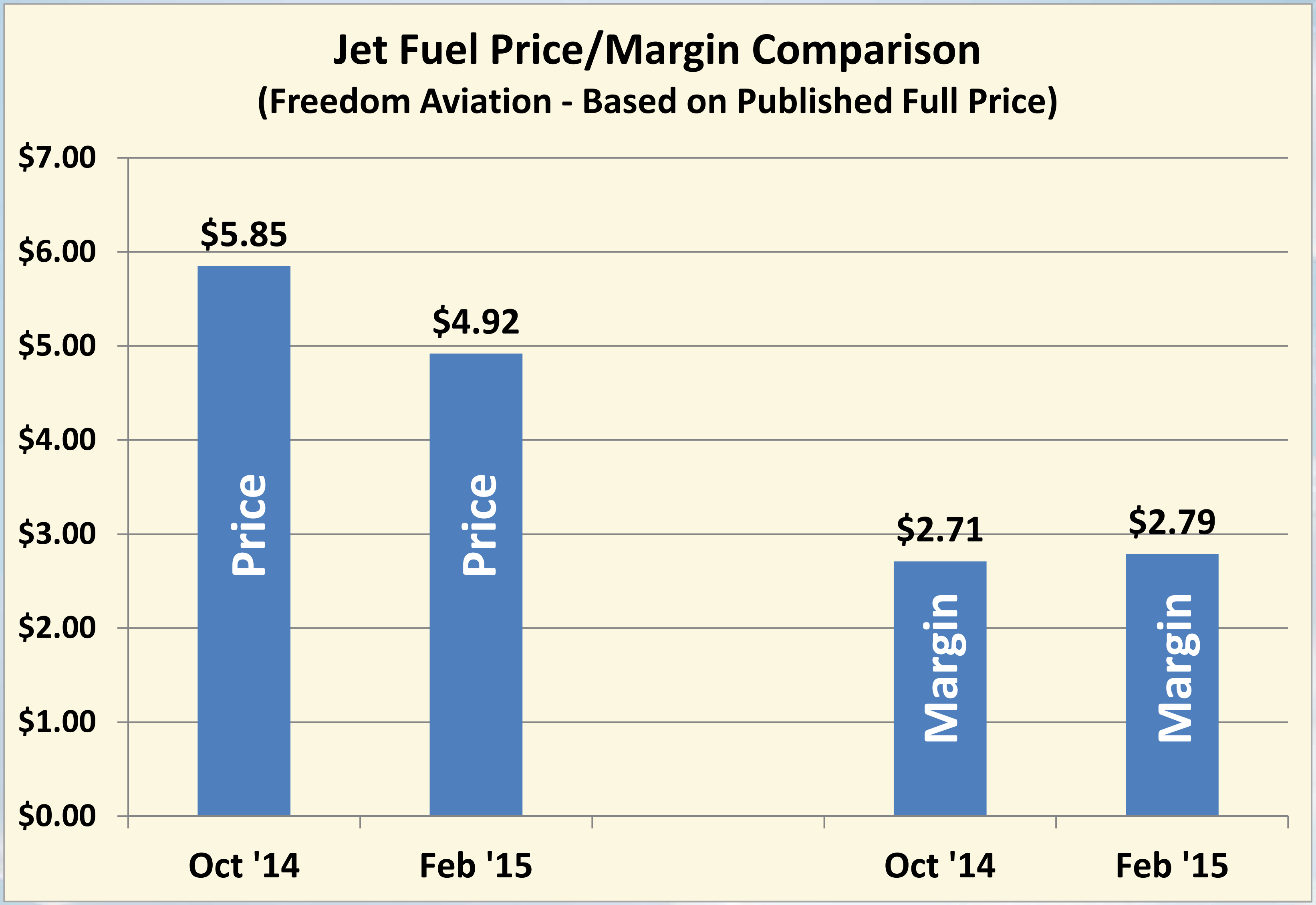
Combined

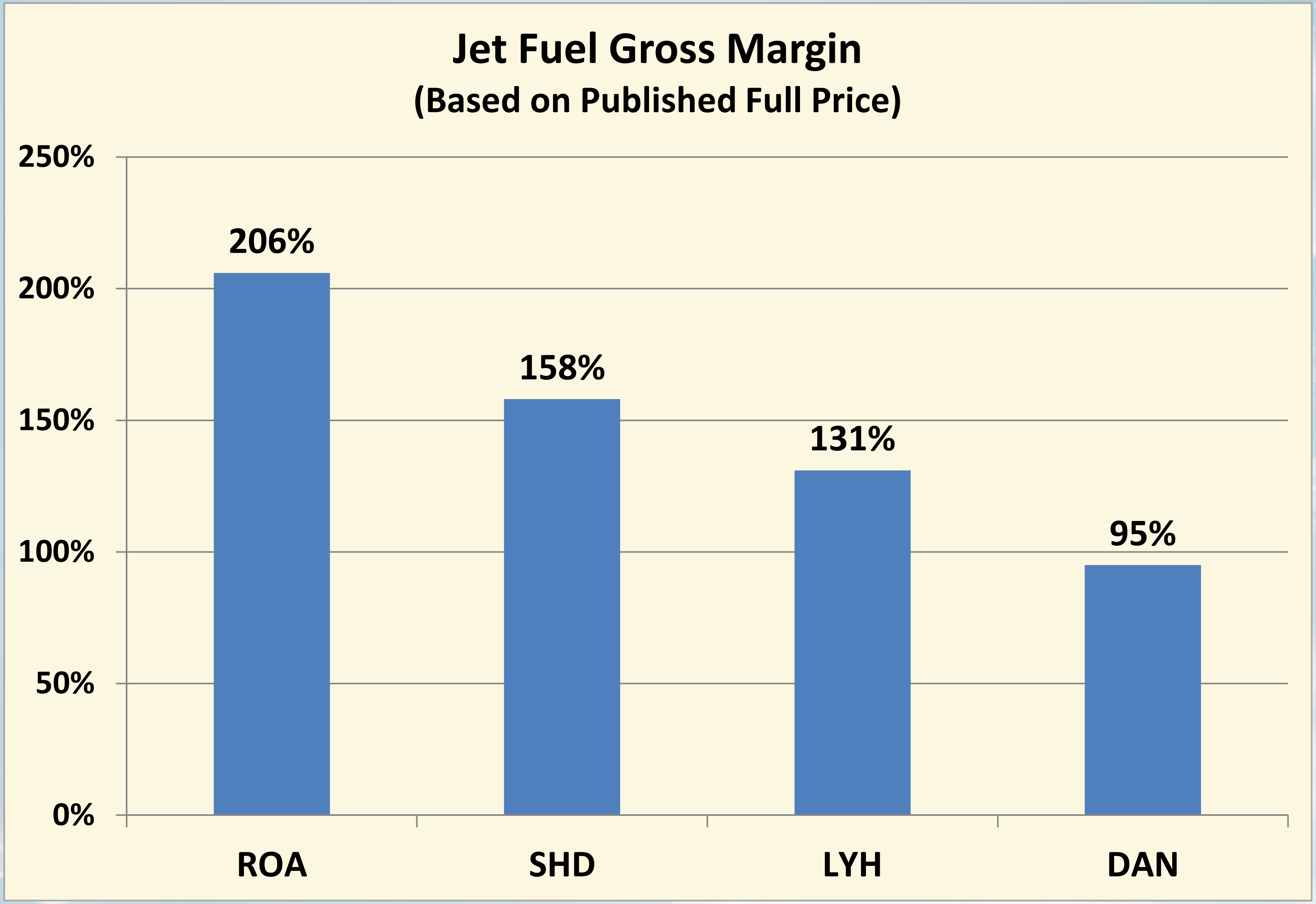

UEL FARM
AIRPORT MAINTENANCE BUILDING
ATCT
ELECTRICAL VAULT
GA TERMINAL
TW 'G'
TW 'H'
TW 'D'
TW 'E'
TW 'B'
TW 'C'
TW 'J'
RSA
RPZ
RUNWAY 35-17 (3,387' X 75')
22
EXISTING RUNWAY 4-22 (7,100' X150')

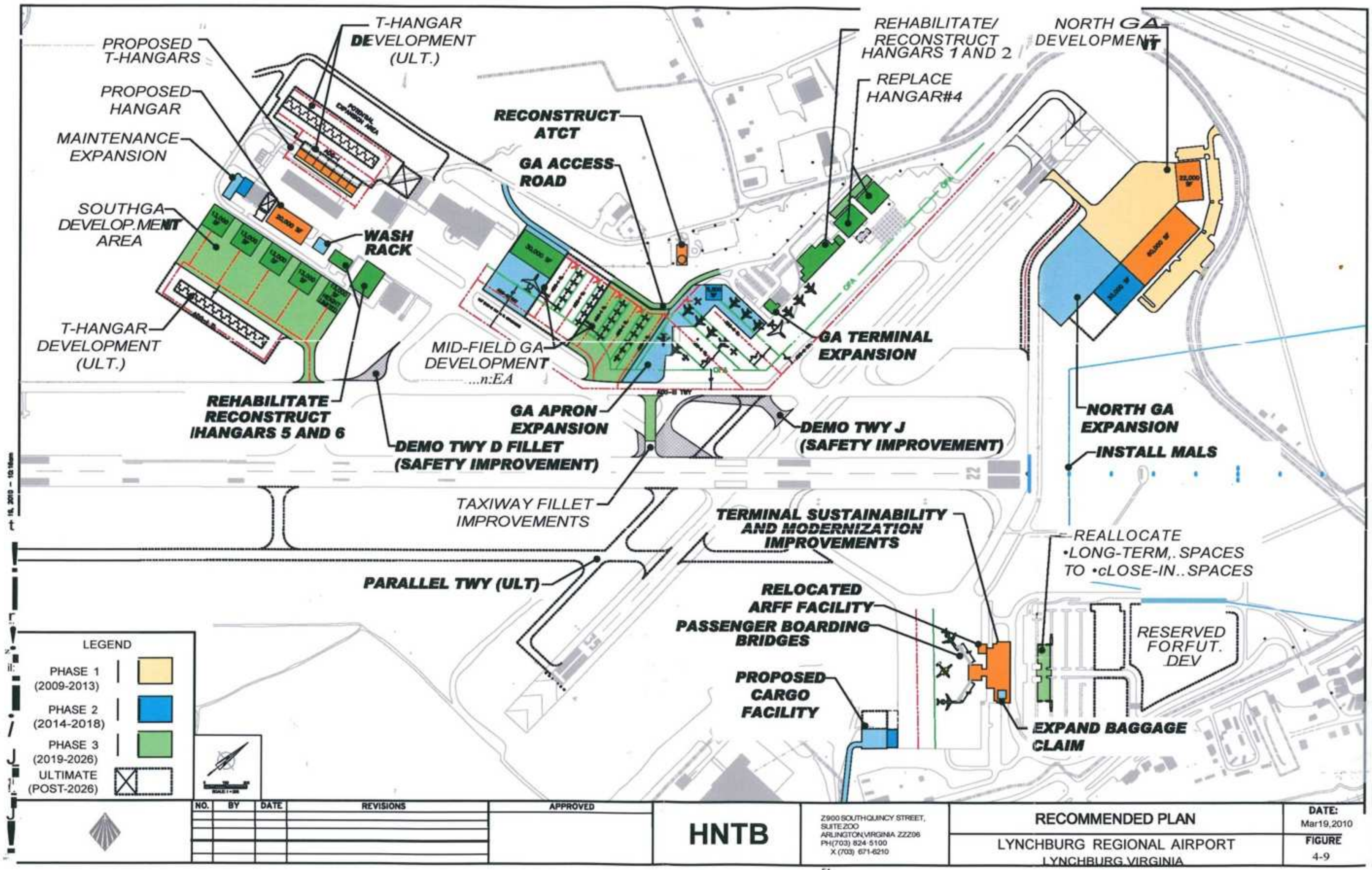


LYNCHBURG REGIONAL AIRPORT

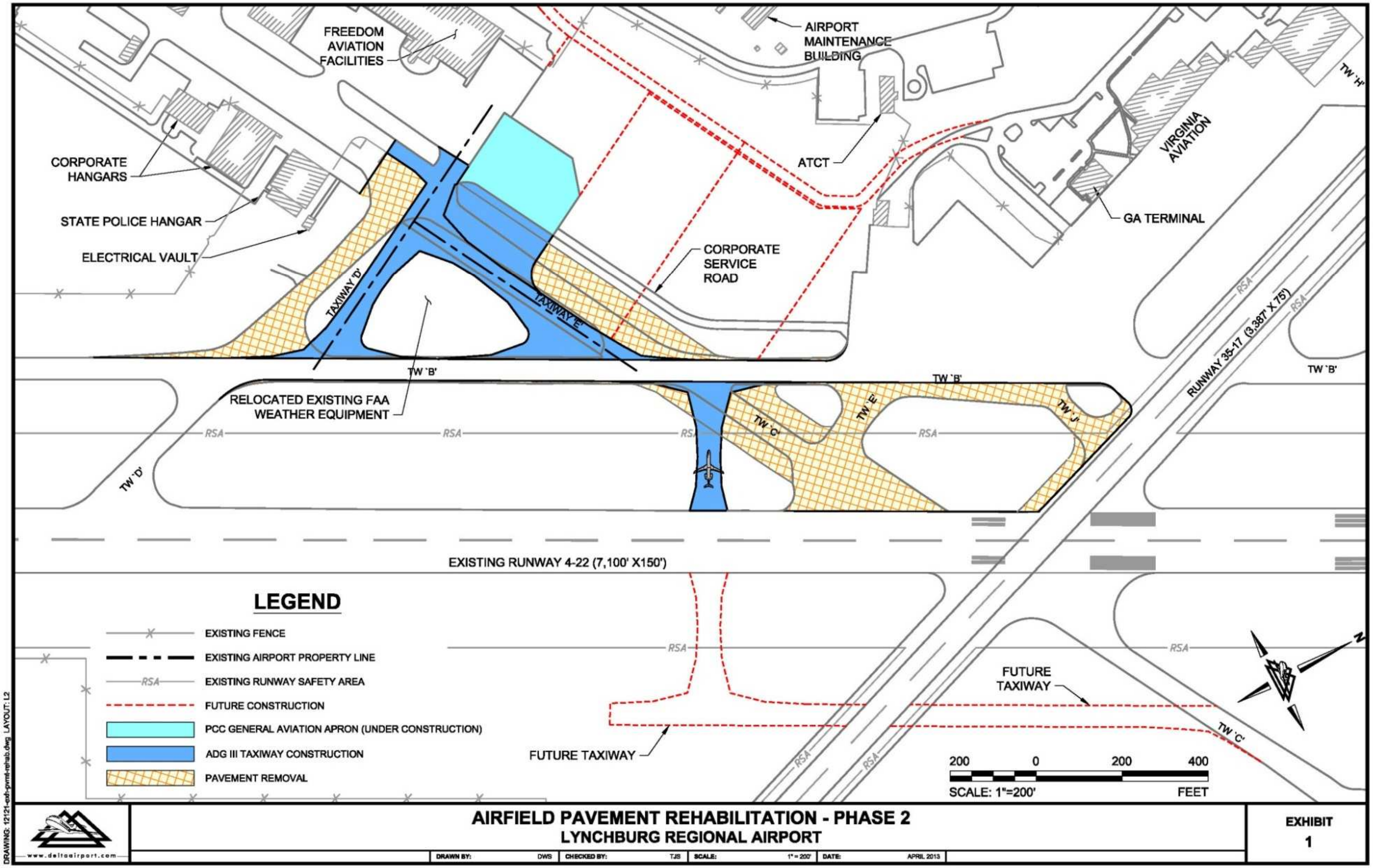

Retail Jet A Fuel Prices
LYH-VA
LYH-FA
ROA
DAN
CHO
SHD
$7.50
$7.25
$7.00
$6.75
$6.50
$6.25
$6.00
$5.75
$5.50
$5.25
$5.00
$4.75
$4.50
$4.25
$4.00
$6.52
$6.47
$5.50
$4.92
$4.15
5/9/14
5/23/14
6/6/14
6/20/14
7/4/14
7/18/14
8/1/14
8/15/14
8/29/14
9/12/14
9/26/14
10/10/14
10/24/14
11/7/14
11/21/14
12/5/14
12/19/14
1/2/15
1/16/15
1/30/15
2/13/15
2/23/15


Jet Fuel Price/Margin Comparison
(Freedom Aviation - Based on Published Full Price)
$7.00
$6.00
$5.00
$4.00
$3.00
$2.00
$1.00
$0.00
$5.85
$4.92
$2.71
$2.79
Price
Price
Margin
Margin
Oct '14
Feb '15
Oct '14
Feb '15


Jet Fuel Gross Margin
(Based on Published Full Price)
250%
200%
150%
100%
50%
0%
206%
158%
131%
95%
ROA
SHD
LYH
DAN


PROPOSED T-HANGARS
T-HANGAR DEVELOPMENT (ULT.)
PROPOSED HANGAR
MAINTENANCE EXPANSION
SOUTH GA DEVELOPMENT AREA
WASH RACK
T-HANGAR DEVELOPMENT (ULT.)
REHABILITATE RECONSTRUCT HANGARS 5 AND 6
DEMO TWY D FILLET (SAFETY IMPROVEMENT)
RECONSTRUCT ATCT
GA ACCESS ROAD
MID-FIELD GA DEVELOPMENT
GA APRON EXPANSION
TAXIWAY FILLET IMPROVEMENTS
PARALLEL TWY (ULT)
REHABILITATE/ RECONSTRUCT HANGARS 1 AND 2
REPLACE HANGAR#4
NORTH GA DEVELOPMENT
GA TERMINAL EXPANSION
DEMO TWY J (SAFETY IMPROVEMENT)
NORTH GA EXPANSION
INSTALL MALS
TERMINAL SUSTAINABILITY AND MODERNIZATION IMPROVEMENTS
REALLOCATE LONG-TERM SPACES TO CLOSE-IN SPACES
RELOCATED ARFF FACILITY
PASSENGER BOARDING BRIDGES
PROPOSED CARGO FACILITY
RESERVED FOR FUT. DEV
EXPAND BAGGAGE CLAIM
LEGEND
PHASE 1 (2009-2013)
PHASE 2 (2014-2018)
PHASE 3 (2019-2026)
ULTIMATE (POST-2026)
NO. BY DATE REVISIONS APPROVED
HNTB
RECOMMENDED PLAN
LYNCHBURG REGIONAL AIRPORT
LYNCHBURG VIRGINIA
DATE: Mar19,2010
FIGURE 4-9

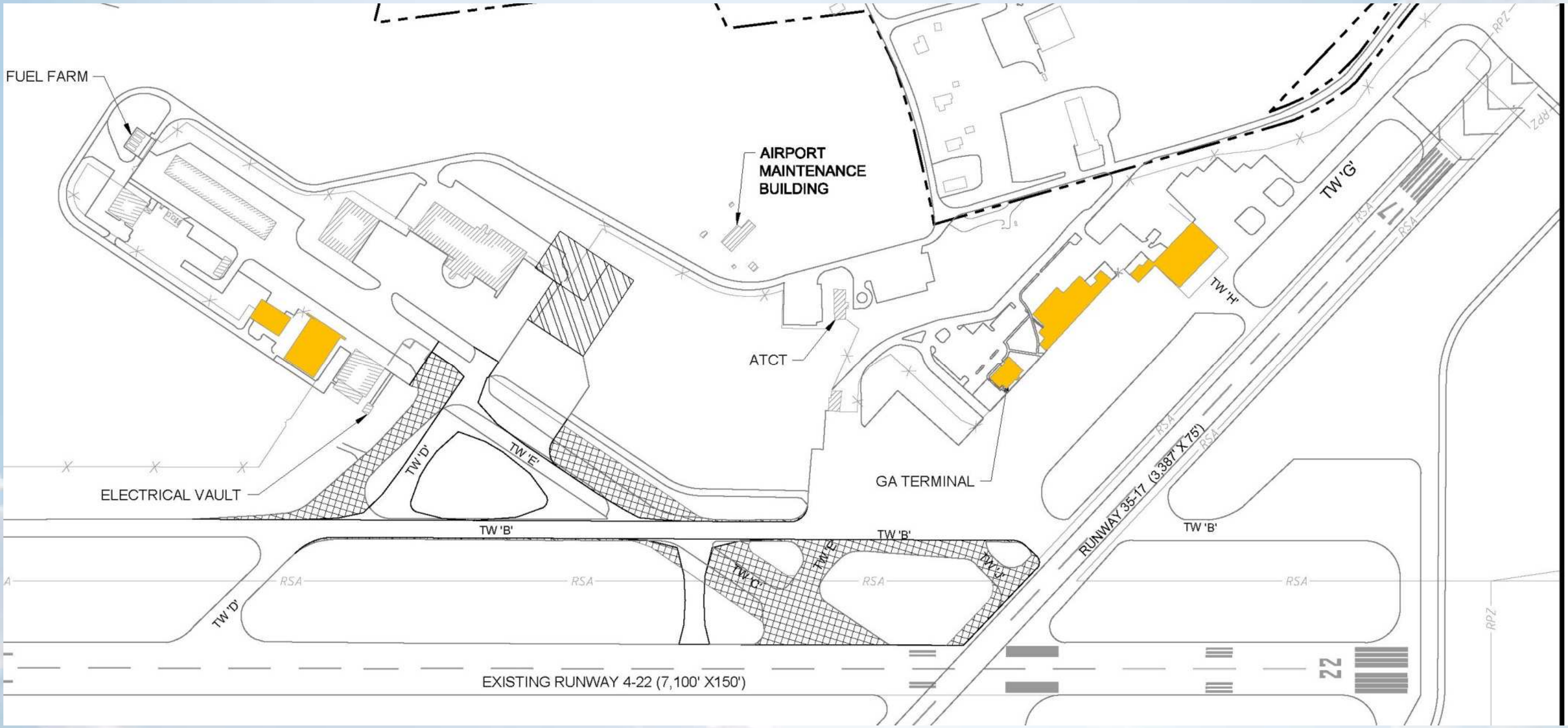
Airfield Pavement Rehabilitation – Phase 2



Capital Projects Funding Summary as of December 31, 2013

Description	Federal Entitlements	Federal Discretionary	State Entitlements	State Discretionary	PFC Revenue	Local	Total
Obstruction Removal - Runway 4/22	243,695		24,293			7,504	275,492
Acquire Snow Removal Equipment			153,690	300,287		113,584	567,561
Construct Snow Equipment Building	854,608		94,287			1,401	950,295
Overlay Runways 17/35 & 4/22	1,000,000	2,701,906	283,452	81,172	46,000	699	4,113,229
Rental Car Facility						1,074,649	1,074,649
State Police Hangar			44,881			515,321	560,202
Sanitary Sewer Extension						297,372	297,372
Rehab General Aviation ramp			110,279		276,000		386,279
General Aviation Terminal			929,528	141,352		216,334	1,287,215
TSA Office / vending area						59,700	59,700
MUFIDS/Snow Equip./Access Road/Boarding Ramp	935,917		33,659		400,000		1,369,576
Rehab N. General Aviation apron			88,560			22,140	110,701
Design - Rehab Taxiway B & RW 4-22 Drainage	187,960		19,641			1,244	208,845
Rehabilitate Taxiway B (Construction)	1,331,685		147,965				1,479,650
Runway 4-22 Drainage Rehab (Construction)	813,340		42,526			281	856,147
Runway 4-22 Extension (Phase I - EA)	335,425		37,271				372,696
Capital Security, perimeter fencing, etc.(AIP-22)	328,333						328,333
T-Hangar Construction			289,802			650,374	940,176
Rehab Hangar #8 Ramp			99,624			24,906	124,530
Realign Hangar/Airport Road Intersection			107,288			26,822	134,109
Runway 4-22 Extension (Phase II - Land Acquisition)	152,682		8,036				160,718
Runway 4-22 Extension (Phase III - Design)	485,402		25,547			1,298	512,247
Airport Wash Rack Project (design)			27,579			6,895	34,474
Security Camera System			27,456			6,864	34,320
Runway 4-22 Extension (Phase IV - Construction)	2,494,026	7,076,737	1,392,981		1,875,000	756	12,839,500
Runway 4-22 Extension (Phase V - Construction)		1,807,329	95,123				1,902,452
ARFF Building (design)	130,349		6,861			87	137,297
ARFF Vehicle Acquisition	608,666		32,145			3,131	643,942
Rehab Hangar 7 Ramp			373,457		60,000	33,364	466,821
Small Community Air Service Dev Grant 2006	grant expired unused						0
Master Plan Update	388,426		51,393			7,738	447,557
ARFF Building (construction)	1,371,889		72,205			14,969	1,459,063
North GA Development Area (EA only)			24,789			6,197	30,986
Terminal Projects (escalators/HVAC/Security & Alarms)	1,336,664		70,447			137,892	1,545,003
Rehab Terminal Apron / Taxiways (Phase I)	2,790,000		310,000				3,100,000
MidField GA Apron (new construction)			890,000			222,500	1,112,500
Rehab Terminal Apron / Taxiways Phase II	4,171,320		470,040			1,640	4,643,000
GRAND TOTAL	$19,960,387	$11,585,972	$6,384,805	$522,811	$2,657,000	$3,455,661	**$44,566,636**
Average % Participation (all projects)	44.79%	26.00%	14.33%	1.17%	5.96%	7.75%	100.00%

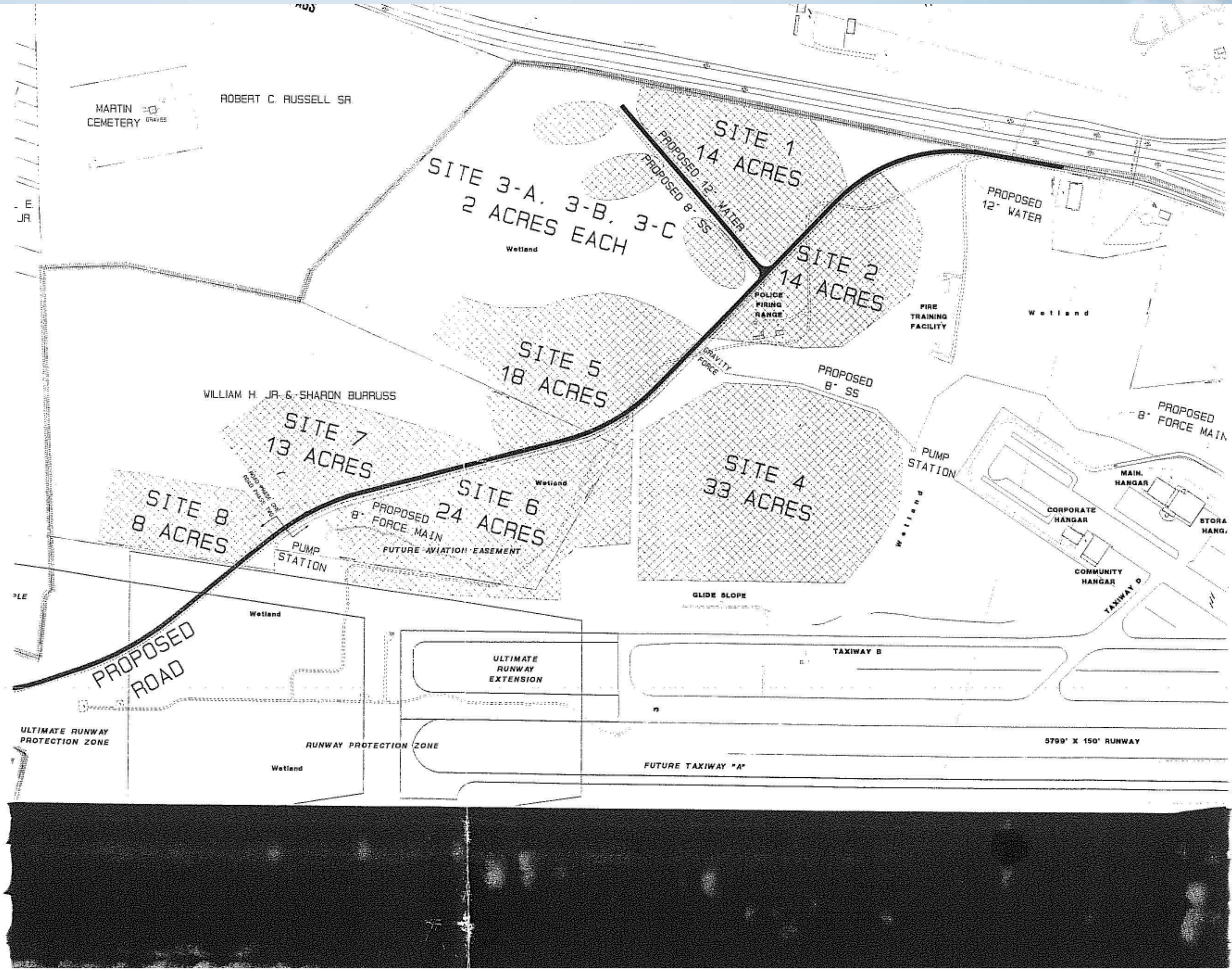
Virginia Aviation



LYNCHBURG REGIONAL AIRPORT

Additional Data

Air Commerce Park



Annual Fuel Sales (Gallons)

	2009	2010	2011	2012	2013
Airline	593,576	549,451	300,591	255,695	264,324
Military	43,966	38,466	91,523	79,009	70,123
Jet Fuel					
Virginia Aviation	165,344	237,653	231,242	226,160	195,434
Freedom Aviation	265,177	239,250	248,474	244,945	241,761
Total Retail Jet (Airport)	***430,521***	***476,903***	***479,716***	***471,105***	***437,195***
AvGas					
Virginia Aviation	63,989	58,273	51,520	39,741	63,566
Freedom Aviation	58,357	69,170	94,624	106,597	99,509
Total AvGAs (Airport)	***122,346***	***127,443***	***146,144***	***146,338***	***163,075***
TOTAL ALL FUEL	***1,190,409***	***1,192,263***	***1,017,974***	***952,147***	***934,717***

U. S. Department of Transportation
Federal Aviation Administration

SPONSOR: City of Lynchburg
AIRPORT: Lynchburg Regional Airport

MASTER AGREEMENT ON TERMS AND CONDITIONS OF ACCEPTING AIRPORT IMPROVEMENT PROGRAM GRANTS

This document contains the terms and conditions of accepting Airport Improvement Program (AIP) grants from the Federal Aviation Administr... United States Code. These terms ... Offer from the FAA that references ... amended by the FAA, by notificatio... after notification.

...The sponsor may prohibit or limit any given type, kind or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.

23. **Exclusive Rights.** It will permit no exclusive right for the use of the airport by any person providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of the services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply:
    a. It would be unreasonably costly, burdensome, or impractical for more than one fixed-based operator to provide such services, and
    b. If allowing more than one fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport.

    It further agrees that it will not, either directly or indirectly, grant or permit any person, firm, or corporation, the exclusive right at the airport to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under Title 49, United States Code.

24. **Fee and Rental Structure.** It will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the

Revenue Sources
Airport Operating & Capital Funds (FY 2013)

Airport Entity	Airport Activity	Revenue	Percentage
Federal Aviation Administration	AIP Grant Funding (A/L Pax)	$1,867,318	34.55%
VA Dept of Aviation	Entitlement Grants (A/L Pax)	$612,873	11.34%
US Airways (includes PFCs)	passenger airline	$606,401	11.22%
Republic Parking	vehicle parking	$508,891	9.42%
City of Lynchburg	airport sponsor subsidy	$336,330	6.22%
Hertz Car Rental	car rental concession/rent	$288,180	5.33%
Virginia Aviation	Fixed-Base Operator	$214,777	3.97%
Freedom Aviation	Fixed-Base Operator	$166,528	3.08%
Transportation Security Admin	screening/security	$166,902	3.09%
Avis Car Rental	car rental concession/rent	$139,077	2.57%
Budget Car Rental	car rental concession/rent	$123,328	2.28%
State Police	hangar rental	$83,635	1.55%
National/Enterprise Car Rental	car rental concession/rent	$56,755	1.05%
T-Hangar airplane owners	hangar rental	$54,600	1.01%
Airline Terminal Advertising	Advertising sales	$43,750	0.81%
FAA	ATCT rental	$41,973	0.78%
City Fire/Police departments	Fire Training Center/Police Firing Range	$25,000	0.46%
Liberty University SOA	fuel flowage & thru-put	$22,100	0.41%
All Other	all other	$46,557	0.86%
	TOTAL	$5,404,975	100.00%

Airport Revenue Scenario: Annual Projections
(Based on FY 2013 Actual)

With Airline Service

OPERATING	
Total Airport-Generated Op. Revenue	*$2,253,124*
CAPITAL	
FAA Entitlement (Air Carrier) funds	$1,050,000
State Entitlement (Air Carrier) funds	$548,978*
Passenger Facility Charges (PFCs)	$324,000
Total Annual Capital Revenue	*$1,922,978*
COMBINED OPERATING/CAPITAL REV.	$4,176,102

** Avg last 3 yrs*

Without Airline Service

OPERATING	
Total Airport-Generated Op. Revenue	*$628,858* *(72% Reduction)*
CAPITAL	
FAA Entitlement (Air Carrier) funds	$0
State Entitlement (Air Carrier) funds	$0
Passenger Facility Charges (PFCs)	$0
FAA Entitlement (GA) Funds	$150,000
Eligible for State Discr. (GA) Funds	?
Total Annual Capital Revenue	*$150,000*
COMBINED OPERATING/CAPITAL REV.	$778,858 *(81% Reduction)*

Council Identified Major Issues

- Control v. Revenues
- Revenues
- Private v. Public Issue—Role of Government
- Risk v. Reward
- Guarantees for the General Aviation Community

Council Issues, cont.

- Quality Performance (Customer Satisfaction)
- Gateway to City (preservation, identity)
- Public Asset
- Separation of Church & State (non-discrimination)
- Term of Lease (permanency)

Council Issues, cont.

- Short-term v. Long Term
- Airport Authority Implications
- Job Creation v. Career Creation

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **February 24, 2015**			AGENDA ITEM NO.: 5
CONSENT:	REGULAR: **X**	WORK SESSION:	CLOSED SESSION: (Confidential)
ACTION: **X**		INFORMATION:	

ITEM TITLE: **Community Development Block Grant (CDBG) and HOME Program – Public Hearing Regarding Proposed Housing and Non-Housing Goals for 2015-2020 Consolidated Plan and Adopt a Resolution Approving the Consolidated Plan Goals for 2015-2020**

RECOMMENDATION: Conduct a public hearing to receive citizen comments regarding the proposed goals for the development of the 2015-2020 Consolidated Plan and adopt a resolution approving the goals.

SUMMARY: The U. S. Department of Housing and Urban Development (HUD) requires state and local governments, which receive federal community development block grant funds, to prepare a Consolidated Plan. The previous Consolidated Plan for Lynchburg was submitted in May 2010 and covered the period from July 1, 2010 through June 30, 2015. With the submittal of the annual Community Development Block Grant (CDBG) and HOME Program Action Plan in May 2015; another five-year plan must be prepared and submitted for the period of July 1, 2015 through June 30, 2020. This plan will outline the City's needs, goals, and objectives for community development (both housing and non-housing areas). City Council is seeking the input of citizens and other interested parties regarding the proposed goals (attached) recommended by the Community Development Advisory Committee (CDAC).

City staff prepared and published through various forms of media the proposed goals for the 2015-2020 Consolidated Plan. On February 3, 2015 the CDAC conducted a public meeting to hear citizens' comments on the proposed goals. At the meeting there were approximately 35 persons of which eleven (11) persons spoke to the Committee regarding the proposed goals. The comments made to the Committee carried general themes of the need for goals that would provide for programs and activities that serve the homeless and persons in poverty; provide education awareness activities to guide persons in securing homeownership through pre-and post-counseling and maintaining/retaining their homes; and provide affordable housing for low-to-moderate income persons and persons with disabilities.

At the conclusion of the public comment period the members of the CDAC discussed the comments presented to them in relation to the proposed goals. The Committee's discussion included wanting to ensure that the proposed goals would provide a funding avenue for programs that would assist the homeless, persons in poverty, and education opportunities to better inform citizens regarding affordable rental and homeownership units in the community. City staff stated that the proposed goals lay a foundation for projects/activities that could be recommended for funding through the CDBG and HOME Program. While not all programs can be funded through these grant programs, the proposed goals support similar types of programs offered within the community by the nonprofit agencies, Lynchburg Redevelopment and Housing Authority, and economic development within the City. At the end of the discussion the Committee members unanimously agreed to recommend to City Council that the proposed goals be approved as presented.

Once the Consolidated Plan has been prepared, reviewed by CDAC, and approved by City Council it will influence the expenditures of CDBG, HOME, and other state and federal community development grant funds. This plan will cover a five-year period, but will be considered for minor revisions on an annual basis along with the annual action plan.

PRIOR ACTION(S): February 3, 2015: Public meeting held by Community Development Advisory Committee and approval of proposed goals

FISCAL IMPACT: N/A

CONTACT(S): Melva Walker, Grants Manager, 455-3916
Bonnie Svrcek, Deputy City Manager, 455-3987

ATTACHMENT(S): Minutes of CDAC Meeting – February 3, 2015
Proposed 2015-2020 Consolidated Plan Goals as approved by CDAC
Resolution

REVIEWED BY: bms

RESOLUTION

BE IT RESOLVED that City Council hereby approves the Community Development Block Grant (CDBG) and HOME Program housing and non-housing goals for the 2015-2020 Consolidated Plan.

Adopted:

Certified: ______________________________

Clerk of Council

011K

2015-2020 PROPOSED CONSOLIDATED PLAN GOALS

The goals listed below are intended to provide broad guidance in the allocation of Community Development Block Grant (CDBG) and HOME Program funds granted to the City by the United States Department of Housing and Urban Development for the five years beginning July 1, 2015 and ending June 30, 2020. The Community Development Advisory Committee (CDAC) supports the allocation of funds to achieve measurable results for both housing and non-housing goals.

The primary objective of the CDBG and HOME Program is to continue to develop viable urban communities through decent housing, suitable living environments and expanded economic opportunities for low- and moderate-income persons; the City of Lynchburg supports assisting individuals with disabilities, substance abuse or addiction, persons with AIDS, persons that are homeless, and elderly persons.

Housing Goals

- Increase the number of owner-occupied units.
- Rehabilitate substandard housing units. Emphasis is to be placed on programs that require an investment of funds and/or labor on the part of the owner commensurate with the owner's resources.
- Support initiatives to increase permanent affordable rental and housing ownership opportunities.
- Promote programs that assist eligible individuals in retaining their homes.

Non-Housing Goals

- Support efforts for the removal and redevelopment of dilapidated and condemned structures to eliminate neighborhood deterioration, blight and blighting influences.
- Support neighborhood partnerships that facilitate self-sufficiency and enable families and individuals to maintain their housing, remain in their neighborhoods, and age in place.
- Support economic development initiatives that improve the economic base, job skills, and health of the community.
- Promote public service activities which support the healthy development of the City's at-risk youth, adults, and families.
- Support efforts to develop, sustain, and coordinate a comprehensive, seamless system of services for homeless citizens in order to move the homeless population toward obtaining permanent housing.
- Support efforts to remove barriers to escape poverty and strengthen low-income households and families.

Community Development Advisory Committee (CDAC)
Public Meeting

February 3, 2015
Miller Center, Room 304

Meeting Notes*

(*MEETING NOTES HAVE BEEN REVIEWED INDIVIDUALLY BY CDAC MEMBERS; THE MEETING NOTES WILL NOT BE CONSIDERED FOR FORMAL APPROVAL UNTIL CDAC'S NEXT MEETING DATE SCHEDULED FOR APRIL 2015.)

Attendance included:

CDAC Members Present:	Council Member Jeff Helgeson, Chair; Council Member Dr. Ceasor T. Johnson, Vice Chair; Mr. Michael Bedsworth (Daniel's Hill representative); Ms. Pamela Brown (Tinbridge Hill representative); Ms. Michelle Jackson (College Hill representative); Mr. Jeffery Schneider (Diamond Hill representative); and Ms. Jimmie Stevens (Diamond Hill- South representative)
City Staff:	Melva Walker (Grants Manager); Starlette Early (Community Development Program Coordinator); Bonnie Svrcek (Deputy City Manager); Kevin Henry (Zoning Administrator); Kent White (Director of Community Development); Anne Nygaard (Planner II); Dana Horne (Housing Code Inspector and Rental Program Administrator); Virginia Huntington (Assistant Director of Human Services)

The Committee Chair, Council Member Jeff Helgeson, called the meeting to order at 6:30 p.m. and welcomed everyone in attendance. He gave a brief description of the role of the Community Development Advisory Committee (CDAC) and each of the Committee members introduced themselves. Council Member Helgeson outlined the meeting format and requested that Ms. Walker provide a short presentation on the Consolidated Plan.

Ms. Walker recognized City staff in attendance and presented an overview of the Five-Year Consolidated Plan process. She explained the purpose for the meeting with CDAC, highlighted the objectives of the CDBG and HOME Program, summarized the mission of the Consolidated Plan, and outlined how the proposed goals function throughout the term of the plan in relation to the Annual Action Plan. She explained the requirements by the federal Department of Housing and Urban Development (HUD) regarding the Five-Year Consolidated Plan and Annual Action Plans and briefly summarized the housing and non-housing goals as proposed by City staff.

Council Member Helgeson provided instruction for the public comment portion of the meeting and invited those wishing to speak to be recognized during this time. He indicated it was beneficial for CDAC and Council to hear various perspectives to gain a more informed understanding of the needs within the community. Eleven (11) attendees addressed the committee. In addition, two individuals submitted written comments. Their comments can be summarized under the following issues and concerns:

- The amount of affordable housing available in Lynchburg is not sufficient to meet the needs of the community
- Housing for special needs and homeless should to be defined and prioritized; the homeless population require first a safe base from which to rebuild their lives
- Additional emergency housing and shelters are needed to take care of current homeless population; especially shelters willing to accept persons with addictions
- Housing and job opportunities for ex-offenders must be considered; most current programs and facilities will not accept former felons, in particular violent and sexual offenders; there must be jobs available that allow ex-offenders an opportunity to rebuild their lives
- Promoting awareness of services available is a priority; How to obtain services, report emergency issues, use of 211 for information and referral should be better marketed; Special needs accommodations for those seeking services (i.e. challenges by mentally disabled person navigating system of services) must be considered; Central intake system for homeless is a positive step and funding to make position full-time should be a funding priority
- Education opportunities for housing (i.e. foreclosure prevention, how to be a good renter, ownership responsibility, reporting rental condition issues) are needed.
- Promote collaboration among housing organizations; Current structure for grant funding creates competition rather than collaboration; need to work together rather than against each other

Council Member Helgeson thanked everyone in attendance and for their willingness to share their opinions with CDAC. He closed the public hearing portion of the meeting and invited discussion from the committee.

The City of Lynchburg's Residential Rental Property Inspection Program was briefly discussed as a resource to address rental housing conditions that do not meet appropriate standards. This resource was suggested for anyone having concerns regarding rental property code compliance.

There was discussion regarding implementing a system of accountability and metrics to assess performance of each program in order to better direct the funding resources received from CDBG and HOME. Ms. Walker explained the City currently uses metrics to define progress on the goals listed in the Consolidated Plan to HUD through its Consolidated Annual Performance and Evaluation Report (CAPER) and HUD on-line information system (IDIS). Mr. Bedsworth remarked he would like to measure how these programs are eliminating poverty within the City and Council Member Johnson indicated the HOME and CDBG programs alone are not designed to address that issue. He noted the City is approaching the issue of poverty from many avenues, including initiatives such as the

Bridges out of Poverty program to better educate and create awareness of the many complexities surrounding this problem.

Mr. Schneider indicated he was very much in favor of programs that increase awareness of existing services and educate homeowners, renters, and landlords on housing opportunities and responsibilities. There was additional discussion regarding the specific wording of proposed goals #3 and #4 under Housing Goals, with Ms. Walker indicating all comments made during the public hearing could be addressed with the goals as currently proposed.

Council Member Johnson asked Ms. Walker whether the concerns raised about homeless persons were included in the proposed goals. Ms. Walker confirmed the proposed goals would include programs supporting initiatives for homeless persons and indicated HUD's overarching goal for the CDBG and HOME programs is to assist all low to moderate income persons. Further discussion regarding goals to support housing and programs for ex-offenders highlighted the need for funding sources (i.e. private, federal and state grants) for which they would be eligible.

Mr. Schneider wanted to make sure emergency shelter housing options could be supported under goal #5 (Non-Housing Goals) and Ms. Walker confirmed they were included under the current language. Ms. Jackson conveyed the need for support by other organizations (i.e. faith-based groups) in the community to "step up" and fill the gap to provide programs for individuals where CDBG and HOME programs were limited.

Ms. Stevens expressed concerns about how goal #6 (Non-Housing Goals) would be accomplished. Ms. Brown commented on the importance of education and taking personal responsibility to seek assistance to remove barriers to escape poverty.

With no further discussion from the Committee, Council Member Helgeson called for a motion. Council Member Johnson made a motion to accept the goals for the 2015-2020 as presented by staff, seconded by Mr. Bedsworth. CDAC unanimously voted 7-0 to accept the proposed goals as their recommendation to City Council.

Ms. Walker provided a timeline for the next steps to develop the 2015-2020 Five-Year Consolidated Plan and FY 2016 Annual Action Plan. Specifically, City Council will conduct a public hearing on February 24, 2015 to receive input on the proposed goals as recommended by CDAC. She outlined the upcoming meetings and explained the application process for projects to be considered for funding.

With no further business to discuss, Council Member Helgeson adjourned the meeting.