

**CITY OF PIKEVILLE
BOARD OF COMMISSIONERS
SPECIAL MEETING MINUTES
August 30, 2013 AT 12:15 P.M.**

The Board of Commissioners for the City of Pikeville met in a special called session on Friday, August 30, 2013. The meeting was held in the East Kentucky Expo 2nd Floor Meeting Room located at 126 Main Street, Pikeville, Kentucky.

(1) There being a quorum present, Mayor Pro-tem Carter called the meeting to order at 12:15 p.m. Commission Members present at roll call were as follows:

COMMISSIONER: Jimmy Carter
Jerry Keith Coleman
Barry Chaney
Gene Davis

MAYOR: FRANKLIN D. JUSTICE, II Absent

(2) Consider a request for discussion by consultant Luke Schmidt and others regarding the proposed contractual agreement, as submitted, for Commercial Air Service at the Pikeville/Pike County Regional Airport. Mr. Schmidt expresses gratitude to the Commission and members of the Airport Board and the Chamber. He tells a story that started about three years ago when we set out to recruit passenger air service to the community. Today we have reached an important milestone in this project. We are ready to consider and execute the first two agreements and establish Eastern Kentucky's first ever passenger air service. Before we review the agreements, let's talk about how we got to this point. First, is the market profiles; this local airport will actually serve a regional role. It will serve 345,000 people living in nine Kentucky counties, three Virginia counties and one West Virginia county. All in which will be closer to commercial air service than they ever have been before. This region center, Appalachia, is one of America's most energy producing areas with lots of potential for growth. Not only is it an important energy center, it is also the regional center for education, healthcare, retail shopping, transportation, and we have the hospital. Secondly, potential service providers. We have established relationships with many of them. And third, we have applied for two grants that has helped us with this; one with the US Department of Transportation and the other one is with the Commonwealth of Kentucky Multi-County Coal Severance Program. On the USDOT side, we received a \$750,000 grant, which is a very competitive grant and this community sent in more letters of support than any other City which tells us that they want this service. On the state

side, as you recall we received an announcement from Governor Brashear, announcing a \$1 million grant that we would get in coal severance tax funds. Since the announcement it has been reduced to \$670,588 entirely due upon the reduction of coal mining. Fourth, two companies have rose to the top of our list. Each of these two companies have been partnering in our community and providing us with the support we are looking for. I am pleased to announce that on or around March 1, 2014, the first light depart the Pikeville/Pike County Airport from the connection of the Nashville Airport. The daily trip will depart from Pikeville around 6:30am and arrive around 6:55am Central time. The returning flight will depart around 5:00pm each evening arriving back about 7:25pm. The approximate flight time is about an hour and thirteen minutes, nonstop. The service will be operated by a company called Public Charters of Pennsylvania. The flights will be operated under contract of Public Charters and with Corporate Flight Management or CFM. CFM is right outside of Nashville. Jet Stream 31 is the aircraft that will be used here, is a very high performance airplane. CFM plans to base the aircraft here in Pikeville. The flight crew will be based here and there will be a support maintenance crew based here as well. Because the aircraft stays overnight, it ensures that it shall depart most mornings on time. Today, we are here to review the first two contracts to get this started. A formal ribbon cutting will take place on October 17 and more will come on this. The City will consider a MOA and the Airport Board will consider a contract as well. The question that has risen is how is this different than what was in Somerset a couple of years ago. That service was a failure because it was an air taxi service which is a completely different classification then what we are going to have here. Even though the airplane in Somerset had nineteen seats, they were only allowed to sell nine of them so there was no way to make money. Secondly, the service was inconsistent. The plane may leave on Monday and it might come back on Thursday and it would change the week after that. There was no pattern. Then, there was no terminal, it required two sets of tickets to go most anywhere. What we are going to have here in Pikeville is a daily roundtrip service on a daily schedule. Reputable partners with outstanding record with excellent aircraft. The companies expect profitable numbers within thirteen months. We have had great support and we have all worked together, the Chamber, the City, and the Airport Board. On top of that, the great support from the region. The Governor, and many top business leaders. This project is going to help the existing industries and also help us recruit new jobs. Just imagine if you were a business owner in Chicago for instance and wanting to open a business in Eastern Kentucky, soon you will be able to say that they can get on a plane and land right here. Finally, this is the first City since the great recession in the United States that has opened Air Service, I know in at least the last four to five years to open this kind of service. Mr. Schmidt then asked Mr. Jared Arnett with the Southeast Chamber of Commerce to make a couple of comments. Mr. Arnett says that he appreciates partners and values partnership. I speak on behalf of the Chamber in saying that we indepthly understand the nature of the coal industry and indepthly understand the economy. What we look at as a Chamber is, how do we increase economic development, how do we create jobs, how do we build the economy of Eastern Kentucky, how do we compete. President

Abraham Lincoln said “The best way to predict your future is to get engaged” and that is what I am trying to do with the future of Eastern Kentucky. City Manager Donovan Blackburn introduces himself and thanks everyone for attending. It is a monumental day for this region, there has been a lot of hard work that has gone into this. He tells that it long started well before an idea of a commercial air service. It started with the Airport Board. Over the past couple of years, some of the projects that they have done to promote and allow this service to come through. These gentlemen have done an outstanding job and I want to take this opportunity to thank them. Also, I would like to thank the Chamber and all its members. There were over 200 letters that were written for this project. In Proverbs 29:18 it states “where there is no vision, people perish.” Back in 1968, the Courier Journal reported that on the Cut Thru Project as part of the article it also commented on the need for a commercial airport to diversify our economy. There are three studies that prove our need for this plan, so there has been vision for this, not only Mayor Hambley’s vision but for all these vision’s that sit around this table. I would like to thank Luke for his help. Luke is not only a Lobbyist but his knowledge in aviation is unparalleled with anyone that I have talked to. Luke has done a lot of work for this community and I greatly appreciate his hard work to get us to the point we are today. I also want to go a step further, I want to thank Congressman Rogers and again a few more leaders that have helped out. We are losing jobs so we got to start doing things different, we got to diversify. The leaders that we have met with understand this. Because the war on coal, we lost funding, the money was not there and we needed it. So, the leaders said we understand what this project means to Eastern Kentucky and they put a plan together and the City is being ask to adopt MOA’s today as a funding mechanism. City Manager wraps up by talking about a 1970 comprehensive plan for Pikeville and a Joint Planning Comprehensive Plan all talking about a commercial flight for Pikeville. This is an issue our community has been on to for some time. So we are here today to move this project forward. Also, the City Manager wanted to thank several different leaders to close and thank everyone for their hard work. Mr. Schmidt approached the podium and briefly explained that the Airport Board will be voting on an agreement for the airport service and then turned it over to Mr. Bill Hickman, Chairman of the Pikeville/Pike County Airport Board. Mr. Hickman asked if anybody on the board has any questions. Mr. Brent Wagner says that he has had the document in his hand less than sixteen hours and it is hard to prepare in that amount of time. On page two, he questions paragraph D which states \$210,000. Will that be the Airboards maximum obligation, everything including ground equipment, deicing equipment. Mr. Schmidt says if you will read there on the fifth line down it says a budget up to \$210,000, because we are just now getting started, but in no case will it exceed \$210,000. I might add that is it is a very standard practice to bring in service, but the airport will retain all of the equipment that it will purchase. And what if the FAA comes in and says the deicing equipment doesn’t meet our standard plus you are having a discharge of deicing fluid on the ground, you have to recover that. Who is going to be responsible for those overages, over \$210,000, and what is the term of the \$210,000. First of all, the deicing situation, the company with the contract, CFM,

they also operate from Chicago so they are used to much, much colder weather than what we have here. All of the parties have agreed that it will not exceed \$210,000, they have to make it work. I personally think when it is all said and done it will come in at less than that. Mr. Wagner says that we are spending the public's money and I want to be sure of that. Mr. Schmidt says sure. Mr. Wagner says next on page eight. Mr. Lyle Blackburn says before we leave page two can I ask a question. In the paragraph above, it says we will operate a sterile operation, can you describe that. And also, will this create local jobs. Mr. Schmidt says that this airport will operate just like any large airport. All passengers, all carry-on items will be screened here before you get on the plane, so that is classified as a sterile environment. The reason for that is when the plane gets to Nashville, in light of what happened in Somerset, you can be clear to board in Nashville. The way that works the TSA, federal government, are responsible for providing the inspectors and providing the screening and the x-ray equipment. As far as will they send people here or will they hire people here, that I don't know yet. Mr. Wagner asked who will be responsible for those employees. Mr. Schmidt replies that they are federal employees. The only responsibility for the airport is to provide space. Mr. Wagner continues, on page eight, line 31, it appears that this board for one reason or another if we want to get out of this lease can't get out of this lease cannot get out unless the City of Pikeville wants to get out of the lease. Mr. Schmidt says that is correct. Mr. Wagner says that he does not approve of this and he does not think it is in the best interest of the public. He says so we cannot break this unless the City breaks theirs. Once again, Mr. Schmidt says that is correct. In order for this to be successful, you have to have an arrangement with the City which is with the guarantee. It would not make good sense if one party could break the lease and the other can't. Mr. Wagner states that he wants to say for record that he has a problem with this and feels like it handicaps us as a board to be able to do our job as I understand it. Also on page. Mr. Blackburn says to follow up on that if the lessee defaults, that defaults on us whether the City cancels or not. Mr. Schmidt says candidately if it comes to an issue like that then the City would be aware of it and all the parties concerned would default. Mr. Blackburn asked if events of default are overridden by the City's contract. Mr. Schmidt then answered that in default on the part of the lessee, would occur only if they are in terrible financial issue. The City would then be aware of it, they would be aware of it, we all would be aware of it. Everybody has worked in good faith to get to this point. This will be the first model for a very small market for central air service. Mr. Wagner says on page 3, the bottom paragraph, I have another question. It appears here, that fuel is only 50 cents per gallon over and above our cost. There is no room for operating cost here, just 50 cents above our cost. In reading this, I get the impression that there is a lot of things that we are being restricted to what we can do on our property. I do understand that, you are basically a broker for us not a lawyer, so this is your personal opinion. Mr. Schmidt says it is my personal opinion and I am not a lawyer, I am a management consultant and several different attorneys have been involved. On the fuel, what you have to understand is that when communities want to recruit air service, you have to provide incentives. In this case, the airlines operate on a thin margin. One way to

look at it, if you don't like that price, then I can assure you that they can fly here but they can fill up in Nashville and turn around and fill back up in Nashville. They would like to buy fuel here because they want to be a good corporate citizen. Mr. Hickman asked for a motion. Mr. Lyle Blackburn made the motion to approve the agreement. Mr. Rakesh Sachdeva seconded the motion. Mr. Hickman called for a vote. 5-1. Mr. Schmidt says now on to the City contract, Agreement for Air Services. The contract, because the City was the recipient of the two grants for the airport, the City becomes the agent for handling the records. First, was the \$750,000 grant DLG grant which was awarded back in 2011. All of the paperwork has been signed. The second is the award from the Commonwealth of Kentucky, initially it was \$1 million. As we have mentioned before, it has been reduced to \$670,888 so the City will administer that grant which will come from two sources. \$200,000 from the Department of Local Government from the multi-county coal severance fund and the balance of that, \$470,888 is coming from the Transportation Cabinet. The MOA from the coal grant is in hand but the MOA from the transportation cabinet is forthcoming. Also, in order to make the numbers work, our intent is to go to the General Assembly in January and ask for an additional moneys to bring that where it needs to be. The other point that I need to make is that the City will not spend one dollar on this project. The City will essentially be a pass through.

(3) Consider a request to authorize, approve and adopt an Agreement for Air Services, as submitted, agreeing to all terms and conditions set forth therein between the City of Pikeville and Public Charters, Inc., related to the implementation and startup of scheduled commercial airline service to be launched in March of 2014 at the Pikeville-Pike County Regional Airport, and to authorize the Mayor to sign and execute said agreement along with any other documents necessary in order to launch said service pursuant to the terms and conditions of the submitted agreement on behalf of the City of Pikeville. Commissioner Davis made the motion to approve. Commissioner Chaney seconded the motion. Mayor Pro-Tem called for comments. Commissioner Chaney says that for nearly fifty years that people have realized a need for commercial air service. The commercial air service may provide to over sixty-five percent of our local economy, most of those cases people come from without to within. I think if we are going to be able to diversify our economy, commercial air service will be able to facilitate that and make that possible. Mayor Pro-Tem Carter says I will have to agree with you on that Barry. Jared was talking about being proactive and I think it is the best you can be at this point. If you sit still and wait for it to come to us it's not going to happen. You have to be proactive. You have to go after things. Moving forward is the case here. It's not going to happen unless you make it happen. With all parties involved, it's been an exciting roller coaster. Calculated risk is what you have to take, that is what we have to do here in Eastern Kentucky. If we don't, we are dead in the water. Mayor Pro-Tem called for additional question or comments, there being none, the motion passed. 4-0.


(4) Consider a request to authorize, approve and adopt a resolution authorizing a Memorandum of Agreement (MOA), accepting all terms and conditions that are set forth there in for the approval of FY06, HB380 for funding for the "Pikeville/Pike County Regional Airport" Commercial Air Service as submitted and to authorize the Mayor or Mayor Pro-Tem to sign and execute said resolution and MOA on behalf of the City of Pikeville. Commissioner Chaney made the motion to approve. Commissioner Coleman seconded the motion. Mayor Pro-Tem called for comments. City Manager commented that this is the document that was passed out to the press. I used an old template and a previous Commissioner is on the old document and I apologize to Commissioner Coleman but it has been corrected. Mayor Pro-Tem called for additional questions or comments, there being none, the motion passed unanimously. 4-0.

(5) Consider a request to authorize, approve and adopt a resolution authorizing a Memorandum of Agreement (MOA), accepting all terms and conditions that shall be set forth therein for the approval of funding by the Commonwealth of Kentucky Department of Transportation for the support and introduction of scheduled commercial airline service to the Pikeville/Pike County Regional Airport and to authorize the Mayor or Mayor Pro-Tem to sign and execute said resolution and MOA on behalf of the City of Pikeville. Commissioner Davis made the motion to approve. Commissioner Coleman seconded the motion. Mayor Pro-Tem called for comments, there being none, the motion passed unanimously. 4-0.

(6) There being no further business to come before the commission, Commissioner Coleman made the motion to adjourn the meeting. Commissioner Davis seconded the motion. Mayor Pro-tem Carter called for discussion, there being none, the meeting was adjourned. 4-0.

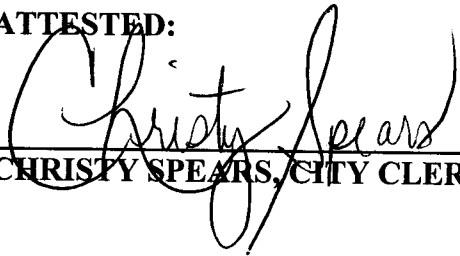
The next scheduled Regular Meeting of the City of Pikeville Board of Commissioners is September 9, 2013 at 6:00 p.m.

APPROVED:



FRANKLIN D. JUSTICE, II, MAYOR

ATTESTED:



CHRISTY SPEARS, CITY CLERK