BURLINGTON INTERNATIONAL AIRPORT
STRATEGIC PLANNING COMMITTEE

Meeting of November 15, 2012

Co-Chair CAO Karen Paul convened the sixth meeting of the Committee at 5:43 p.m. on November 15, 2012 at the Hamilton Room of the Burlington International Airport. Present were Co-Chairs Karen Paul and Paul Sisson, Committee members Jane Knodell, Jeff Schulman, Louise Stoll, Michael O'Brien, Vince Dober, Chris Cole, Bob Rusten for Sandy Miller, Ann Beland and Ed Colodny. Also present were Counsel/Staff Joseph McNeil, Airport Staff members Gene Richards, Heather Kendrew, Bob McEwing and Ryan Betcher. Airport Commissioner Bill Keogh and South Burlington City Council Chairperson Roseanne Greco were also present.

The meeting agenda was first approved unanimously.

There were no speakers at the public forum.

The minutes of meeting of October 25, 2012 were approved upon motion of Vince Dober and second by Jane Knodell.

The meeting began with a update from Aviation Director Richards concerning progress towards completion of the 2012 Airport Revenue Bond and an indication that the Committee would be receiving a future presentation on a public/private partnership governance model.

Mr. Richards then introduced Michael Wheet and Adam Whiteman from Frasca & Associates, LLC. He indicated that Frasca has been a general consultant to the Airport over the last three years. Additionally, Mr. Wheet was the principal investment banker that dealt with the Airport's revenue bond issues dating back to the first in 1997. He stated that Frasca has been of tremendous assistance to the Airport with regard to both its internal and external operations, and that the Airport was in much better shape as a result of Frasca's efforts. He indicated that this was particularly true with regard to the development of a better working understanding of its financials during a period of time where there was a disconnect in transparency and understanding between Airport officials, including the Commission and the City financial administration at City Hall.

Mr. Michael Wheet and Mr. Adam Whiteman then made a presentation on behalf of Frasca. Michael indicated that he is both an attorney and an investment banker by background, also noting that his former company was involved as lead underwriter on Burlington's previous Airport revenue bonds and that he had the responsibility to shepard that process to market. Mr. Whiteman is an analyst by background with concentration on the aviation industry. He was a principal analyst for Moody's Investment Services for over 20 years with a concentration on review of airports, so has great experience in the analysis of airports' strengths and weaknesses.

It was indicated that Frasca & Associates are actually a woman owned financial advisor, the only woman owned airport financial analyst company , in the US. The principal owner, Doreen Frasca, has been responsible for leading more than $20 billion in financings at more than 60 US and international airports. She was the former head of the Airport's Group at Merrill Lynch. Frasca's headquarters is in New York City but also has offices in Washington, DC, Atlanta and San Francisco. The company offers assistance with financial issues and day to day operational issues at airports, and has been doing so since 1997. Its primary focus has been on securing optimal debt solutions and pricing for financings, attempting to help its clients manage financial risk, assist clients in receiving the strongest possible credit ratings and negotiating the best possible terms for the real estate holdings of airport clients. Frasca indicated that in addition to Burlington it does similar work for airports across the country. They made specific reference to the airports at Detroit, Pittsburgh and San Diego.

They spoke concerning regionalization of airport governance and indicated that there were a myriad of models that have been used. However, their experience has taught them that the exercise is really one of division of political responsibility. The biggest difficulty confronted in a regionalization consideration is the allocation of outstanding debt and the limitations caused by federal statutory and FAA regulatory restrictions on the diversion of airport revenues. They emphasized that there has been a mixed bag of experience based successes and failures with regard to regionalization efforts.

Chris Cole inquired whether it was not disadvantageous thing for one community in a region to shoulder the complete responsibility for the debt structure of an enterprise like an airport when the advantages of its presence and operations benefit an entire region and, in this situation, an entire state. Frasca emphasized that the most important analysis was whether the facility was being well run and taking full advantage of the marketing and financial opportunities available to it.

Ed Colodny observed that from his business perspective, it would be better for the Airport to make sure that its current house was in order before launching a deep consideration of other governance structures.

Frasca also emphasized its work with BIA concerning the full funding of the Airport's debt service reserve fund, achieving full compliance with bond covenants after a failure by the Airport to meet coverage requirements, the development of industry acceptable airport financial statements and the preparation of more easily understandable airport budgets. Currently, in addition to providing consulting assistance regarding the impending bond issue, Frasca is working with the Airport with regard to enhancing its concession agreements, particularly its rental car, food and beverage concessions; reestablishing executed airline use agreements, developing appropriate cash flow projections and assisting the Airport in developing industry standard information for the Airport's website.

Frasca noted that in general across the US, rating agency outlooks for the airport sector range between "stable" to "negative" based primarily upon the combination of airline consolidation, weak economic conditions and uncertainty over continued federal funding. They noted that at present, smaller airports such as Burlington were among the weakest sector of the airport industry, with significant concerns on the part of rating agencies such as Moody's and Fitch concerning such airports' liquidity and financial flexibility. They made note that while Fitch continued to rate BIA at the lowest level of investment grade, Moody's presently rates BIA at the highest level of "junk bond" status. They noted that BIA is the only publicly owned airport in the US that does not possess an investment grade rating from Moody's, and that there is significant, on-going and critical work that must be accomplished with Moody's to fundamentally change its view of BIA and restore its historic credit rating. They emphasized, however, that even Moody's has acknowledged that the Airport has accomplished a great deal in the last couple of years with regard to issues such as transparency, liquidity, meeting its debt service coverage and other bond covenants and generally improving its financial condition and its ability to explain it in a manner which reflects industry standards. The biggest task for the Airport will be to sustain these improvements for a sufficient period of time for analysts to believe that "a new normal" has been achieved.

A general discussion ensued among Committee members concerning what should be the primary focus of the Airport's attention. Frasca indicated a belief that the Airport was now concentrating on and securing success in appropriate areas.

Co-Chair Paul then distributed a projected timeline for the balance of the Committee's work with the stated expectation that its work and recommendations should be completed by the end of February, 2013.

She indicated that the next order of business would be a presentation to the Committee from High Star Capital concerning potential advantages of public/private partnership. Committee members suggested that it would be helpful to have Frasca present for this presentation and for subsequent Committee discussion about it.

There being no further business to come before the Committee, the meeting was adjourned at 7:30 p.m.

Joseph E. McNeil,
Committee Clerk

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