

***MINUTES OF AIRPORT COMMISSION REGULAR MEETING
TUESDAY – MARCH 26, 2024
FORT SMITH REGIONAL AIRPORT CONFERENCE ROOM***

The regular meeting of the Fort Smith Airport Commission was called to order at 5:30 p.m. by Chairman Hawkins, presiding. Commissioners Cooper, Grimes, Kelly, Pendergrass and Voris were present. Commissioner Ridgley was absent. Also present were Michael Griffin, airport director, and Lindsay Conley, finance director.

ADOPTION OF MINUTES

On motion by Commissioner Kelly and second by Commissioner Voris, the commission approved the minutes of the regular meeting of February 20, 2024. Voting aye: Cooper, Grimes, Hawkins, Kelly, Pendergrass and Voris. Voting nay: none. Motion carried.

TREASURERS' REPORT

Director Griffin reported notable expenses for the month, including \$13,500 in Marketing & Development for the rebuild of the airport website. Staff lost access to website administration for a few weeks during the rebuild, causing some confusion with public website users due to the delay of reports being uploaded. Administrative access has since been restored and the issue resolved. The airport is waiting for the west fence repair insurance claim reimbursement. Other Commodities expense included the purchase of three televisions, two for the conference room and one for the secured terminal area. Also purchased were three vehicle radios, speakers and antennas for airfield vehicles.

ITEMS OF BUSINESS

1. 2023 Audit and Annual Financial Report Review – David Coleman, auditor with Forvis, LLP, presented the results of the 2023 Fort Smith Regional Airport Financial Statement Audit. He reported that as a governmental entity, the airport is subject to four audit opinions: 1) airport financial statements are materially correct; 2) airport internal controls have no significant weaknesses or material deficiencies; 3) the airport complies with major federal programs regulations; 4) the airport complies with PFC program regulations. All four were clean unmodified opinions, with no significant deficiencies or material weaknesses to report. Auditors implemented GASB96 Subscription Based IT Arrangements (SBITA), but it did not have a significant impact on the financials. The Statement of Net Position shows the airport's assets increased \$14 million from prior year. The Statement of Revenues and Expenses shows the airport ended the year with a \$12.7 million favorable position. Director Griffin stated this was a testament to the airport doing business the right way, whether it be financial audits or regulatory inspections.
2. City of Fort Smith Agreement for Mutual Assistance for Improvement Projects – As discussed at previous meetings, the IGSA signed for the Arresting System Project created a funding shortfall. The airport is unable to fund the cost overrun of this project, as that has been confirmed as revenue diversion by the FAA because the project is a Department of Defense project in no way related to civil air transportation of passengers or property. The airport must follow FAA rules and regulations, or it faces being put in noncompliance, thereby making it ineligible for FAA grant funding that is necessary to support airport infrastructure. Staff received confirmation from the FAA regional compliance officer that the airport is able to reimburse city investments in airport projects, provided they are projects benefitting civilian use or normal operating purposes of the airport. The runway extension is an FAA approved project eligible for airport funding.

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The City of Fort Smith submitted a contract to the Commission for approval in an effort to solve the Arresting System funding shortfall. The contract terms stated the commission would reimburse the city for their \$5.19 million funding of the runway extension and assume responsibility for funding the remaining runway extension costs, and the commission would fund the Arm/Dearm area of the Arresting System Project (approximately \$2.37 million). In return, the city would assume responsibility for funding the cost overrun for design and construction of the Arresting System and Safety Berm (approximately \$3.4 million) and assume administrative responsibility for the Arresting System project. The contract also stated the commission would grant the city full and unfettered access as representatives of the airport to the FAA and TSA regarding the project. On March 14, Commissioner Hawkins presented a revised contract to Mayor McGill, proposing the airport reimburse the city for their funding of the runway extension only up to the \$3.4 million cost of the IGSA funding shortfall, which in turn was rejected by the City Administrator. The City Administrator and Mayor later met with Chairman Hawkins, conveying that the contract must be approved as is.

Commissioner Cooper expressed his opinion that the Airport Commission is a good thing for the community to have and that Michael Griffin is a good executive director of the airport. He was concerned if the city dissolved the airport commission and took the airport's funds, there wouldn't be a staff at the airport. In order to keep the commission intact as oversight for the airport, he was in favor of approving the City contract as is with no revisions.

Commissioner Kelly stated that the City did not have the knowledge to run the airport, including dealing with the TSA, FAA, military and National Guard. The fact that the City demanded the airport put numbers down to get the Arresting System Project moving proves that they don't understand what's going on. When the City said the airport had to enter into this contract in order to meet the completion deadline, the airport did so in good faith, putting out the best numbers we could find, using the best engineering firm with which the airport had a long-standing relationship. The airport explored the details of the project as far as it could go in the short amount of time given, and gave the best numbers available. Commissioner Kelly said that part of the problem is that the City Administrator has been talking to the Department of Defense (DOD) and taking everything they say at face value, which is not the way things should run. He's made an assumption that the airport staff and commission are the difficult people in this matter. One positive thing is that the 188th is beginning to work as an intermediary between the airport and the DOD, as the 188th understands the difference between a joint use airport versus being a tenant of the airport. The military are tenants; they cannot put the airport out of compliance with the FAA, and the 188th understands that. The DOD doesn't understand this because they are used to always running a military field. They don't understand having to comply with FAA, TSA and other entities, and therefore don't think they need to do so. Commissioner Kelly expressed that the \$5 million city investment in the runway extension went into a project deemed necessary by Little Rock and the City of Fort Smith to facilitate the FMS Mission. Commissioner Kelly stated he is the longest standing commissioner, and has been through the development of two twenty-year master plans, both of which contained the possibility of a runway extension. However, the project has never been initiated because there has been no public use (general aviation aircraft, commercial aircraft, airlines) need or demand for the extension. Building an extension to service the Department of Defense or any military department does not fall into the necessity for airport funding of the runway extension. Commissioner Kelly stated that overall, he felt the FMS mission is a good thing for the City of Fort Smith, but it is going to make Fort Smith different. One of the things that will be

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different is dealing with the Department of Defense, an entity the City has never had to deal with before. Dealing with the Guard is different, because they are the Arkansas Guard and issues can be worked-out locally or through Little Rock. Kelly felt that we are now in a situation where the City thinks the DOD has all the information, and all the knowledge, and they're making assumptions and moves based on that. He understood the need to reimburse the City for the runway extension as it is necessary for the commission to utilize this as a funding source for the IGSA cost overrun. However, the Arm-DeArm area of the Arresting System has no civil use and is not for general aviation or commercial aircraft. It is not part of the public taxiway, and the airport has no control over this area. It will be used strictly for DOD military purposes and is located on the 188th Air National Guard leasehold. Funding of the Arm-DeArm area project would put the airport in noncompliance with the FAA, thereby making the airport ineligible for FAA grant funding that are necessary to support airport infrastructure.

Commissioner Kelly expressed that if the City chose to dissolve the commission and take ownership of running the airfield, it would be absolute folly as they don't have the knowledge to run the airport. Chairman Hawkins said he did not receive an absolute threat of dissolving the commission, but it was expressed to him that some of the City Board of Directors had suggested the idea to City administration. Commissioner Kelly said there is a knowledge base with the airport commission that has been collected over 40 years and passed down. Director Griffin has knowledge passed down from his predecessor and the predecessor before that. The City would be walking into running the airport blindsided, and the FAA is not very forgiving when it comes to making a mistake. When mistakes happen, FAA and TSA hold liable to airport sponsor, the airport commission, not the airport director. If the City dissolves the commission, the City would be liable. When the mission is underway, the security of the airport will change overnight, and there will be serious security issues going forward.

Also discussed was granting the City Administrator and designees full unfettered access to the TSA and FAA. The commissioners acknowledged that they did not have authority to grant access to the TSA. The TSA has their own process to issue authorized access to airport sensitive security information, and only they can approve access. The City is able to access both TSA and FAA in coordination with airport staff at any time. Any additional access for the City would need to be coordinated directly between the City and the TSA and FAA.

Commissioner Pendergrass asked the commission how they could minimize the risk of the commission being found out of compliance with the FAA. Director Griffin said that funding of the Arm Dearm area and berms would put the commission out of compliance with the FAA, as it is a DOD project.

Commissioner Pendergrass reported that he received the same threat of commission dissolution as Chairman Hawkins and felt the commission must reimburse the City for their funding of the runway extension in order to remain intact. He didn't like it, as he felt the airport had operated in good faith and had done everything they could to support the FMS mission. However, the airport was the group that signed the bottom line on the contract and because of that, he understood that the airport would have to pay. Commissioner Pendergrass stated he was upset about the signing of the contract and was upset about the way the City has approached this issue.

Commissioner Voris asked if the \$5.2 million reimbursement to the city would cover the entire cost overrun of the IGSA, including Half's engineering fees. Director Griffin stated that it would cover the entire overage that now totals \$3.4 million, including the Arm Dearm and berm construction.

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Chairman Hawkins stated that a couple of months ago, a group of interested parties met in the city administration office discussing the IGSA overage. All parties were stating they didn't have money to fund the overage. All parties left with the task of finding a way to fund the overage. It was found that the only way the airport could cover the overage was to reimburse the City for the runway extension. Since that time, the City created this contract demanding more than the overage. However, he believes they will now accept reimbursement of the City's runway extension funds, and the airport commission will be square with the City.

Commissioner Cooper asked who would fund the airport when it begins operating in the red. Commissioners Voris and Kelly affirmed the airport would be responsible for funding itself with no help from the City. The airport had operated at a deficit for many years when the Air National Guard pulled their ARFF assistance, and during that time the City never contributed or offered help. Director Griffin mentioned that a previous email sent to the Commission from the City Administrator stated the airport could expect civilian aviation to increase when the FMS Mission arrives, which would increase airport revenues. However, Director Griffin reported the airport's main source of revenue is rent, not revenue from civilian flights. Landing Fees (\$1.25/thousand pounds) and Passenger Facility Charges (\$4.50 each) will increase from increased number of passengers. If the airlines doubled the number of flights per day, there would be increased revenue, but not a significant amount. The airport has no tangible numbers of what the increased revenues could be. The airport will never be able to recoup the amount of money to be used to reimburse the city for the runway extension. Prior to receiving pandemic CARES Act funding, budgeted airport income was historically minimal, often less than \$100,000 annually. In addition to losing the funds themselves, the airport will lose the revenue of the interest earned on the invested funds, which will have a major negative impact on the airport's current budget.

Commissioner Voris asked if the airport would still have the authority to monitor the safety and security of the airfield and enforce rules and regulations if this contract were signed. Director Griffin affirmed, stating the airport would continue to be a part of the construction meetings and to be onsite. The airport commission will continue to be responsible for the safe operations and security of the airport.

Commissioner Grimes questioned if the City would accept the commission removing the Arm Dearm funding and the unfettered access to TSA and FAA from the agreement. Chairman Hawkins said he met with the Mayor and City Administrator, and his understanding was that their bottom line was that the commission reimburse the city for their investment in the runway extension.

Commissioner Voris asked when the Arresting System project in the contract would be complete and who deemed it so. Director Griffin said that the project will be complete when the engineer deems it so, and completion is scheduled for mid-August (due to weather days allowed in the IGSA). Commissioner Voris expressed that the commission served the city and community a great purpose and must continue to exist. The commission is responsible for airport funds, as the audit states very plainly. Commissioner Voris wanted to ensure the airport would stay involved with the project and expressed concerns of the difficulty in communication thus far. Director Griffin assured that it was written in the contract that City will assume administration of the projects in consultation with the Director of the Fort Smith Airport, and that part of the contract would not be changed.

In conclusion, the commissioners felt they could only agree to the items of the contract that would keep the airport in compliance with FAA and TSA rules and regulations imposed upon it.

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A motion to accept the City of Fort Smith Agreement for Mutual Assistance for Improvement Projects with the removal of the section regarding commission responsibility for funding of the Arm DeArm areas and removal of the section regarding the commission granting the city full unfettered access to TSA and FAA was made by Commissioner Kelly and seconded by Commissioner Voris. Voting aye: Cooper, Grimes, Hawkins, Kelly, Pendergrass and Voris. Voting nay: none. The motion carried, with the understanding that Chairman Hawkins would write a letter to the city letting them know the terms of the commission's acceptance of the agreement. The arresting system construction has continued as scheduled, with no delays to project completion incurred due to negotiations of this agreement.

3. Director's Report

- A. Air Service Conference – Meetings were held with eight airlines at a recent Mead & Hunt Air Service Conference. At the meeting with American Airlines, they expressed satisfaction with the Fort Smith market, and shared their plans to add a fourth daily flight beginning in June 2024. They will not consider adding an additional destination until load factors of 80% or more are achieved. Fort Smith currently has a load factor of approximately 77%. A meeting was held with Delta, and they confirmed that it will likely be three to five years before they plan to implement additional regional service. Historical Delta load factors at Fort Smith were not good prior to their decision to leave in 2020. The only things that could speed up their timeline to return as a regional carrier would be growth in the community or a minimum revenue guarantee. The Mayor has put together a group of community leaders to meet with local businesses and citizens in an effort to generate public involvement in attracting new airlines. The airport director can be involved in this group up to the point where funds are being raised.

NEXT COMMISSION MEETING

The date of the next regularly scheduled meeting of the Fort Smith Airport Commission will be Tuesday, April 23, 2024, at 5:30 p.m.

ADJOURNMENT

On motion by Commissioner Grimes and second by Commissioner Voris, the meeting adjourned at 6:42 p.m. Voting aye: Cooper, Grimes, Hawkins, Kelly, Pendergrass and Voris. Voting Nay: none. Motion Carried.

Respectfully submitted,



Michael Griffin, A.A.E.
Airport Director