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AIRPORTS BOARD MEETING MINUTES
OF AUGUST 16, 2012

The print media was notified in accordance with the State Freedom of Information Act.

A meeting of the Beaufort County Airports Board was held at 1:30 PM on Thursday, August 16, 2012 in the Council Chambers of the Beaufort County Government Center. Chairman Joe Mazzei called the meeting to order.

PLEDGE OF ALLEGIANCE

The Chairman led those present in the Pledge of Allegiance to the Flag.

It was moved by Mr. Kerr, seconded by Mr. Buchanan that the agenda for the August 16, 2012 meeting be accepted.

Mr. Buchanan asked that the discussion with the Beaufort City Council be added to the agenda. Mr. Mazzei stated this could be added to New Business and asked if there were any objections. There were none.

The vote was: FOR – Mr. Mazzei, Mr. Dopp, Mr. Nash, Mr. Gilbert, Mr. Sells, Mr. Buchanan, Mr. Kerr, Mr. Wirth, Mr. Smetek, Mr. Sanders, Mr. Wedler. AGAINST – None. ABSENT – None. The motion passed.

It was moved by Mr. Dopp, seconded by Mr. Kerr that the minutes of the July 19, 2012 meeting be accepted. The vote was: FOR – Mr. Mazzei, Mr. Dopp, Mr. Nash, Mr. Gilbert, Mr. Sells, Mr. Buchanan, Mr. Kerr, Mr. Wirth, Mr. Smetek, Mr. Sanders, Mr. Wedler. AGAINST – None. ABSENT – None. The motion passed.

GUEST INTRODUCTIONS – Guests attending the meeting introduced themselves.

MEMBERS PRESENT

Joe Mazzei - Chairman
Graham Kerr – Vice Chairman
Mike Nash
Will Dopp
Derek Gilbert
Pete Buchanan
Richard Wirth
Ron Smetek
Rich Sells

GUESTS

Councilman Stu Rodman
Judy Elder – Talbert & Bright
Andy Busbee – LPS Group
Charles Cousins – Town of Hilton Head Island
Anne Esposito – Resident
Nick Esposito – Resident
Leo Brennan – Resident
Bob Gentzler – Resident
Joe Croley – Resident
Gerald Pfeffer – Resident

MEMBERS PRESENT (Cont)

Ross Sanders
Carl Wedler

GUESTS (Cont)

Patricia Pfeffer – Resident

MEMBERS ABSENT

Councilman Ken Heitzke – Town of Hilton Head Liaison
Councilman Rick Caporale – Beaufort County Liaison

STAFF

Paul Andres – Airport Director
Joel Phillips – Beaufort Co. Airport Supv.
Linda Wright – Admin. Asst.

Mr. Mazzei stated that before going into public comments he wanted to make some observations regarding the Hilton Head Island Airport Master Plan process. He explained that over a span of several years the community, elected representatives of both the Town and the County and the Airport Board all carefully considered the Hilton Head Island Airport Master Plan. He continued by outlining the phases of the Master Plan and forthcoming opportunities for public comments. Mr. Mazzei stated all comments are welcome and although not required it would be helpful if persons wishing to speak during the public comment portion of the meeting would give a brief insight into their background, education, training experience, and qualifications when commenting on technical aspects. (see Attachment "A").

PUBLIC COMMENTS

1. Nick Esposito – Mr. Esposito, a resident of Wexford Plantation and 28 year Captain with United Airlines, stated he wanted to affirm that the process of the Master Plan has been a viable and correct process. He stated we need to go to the 5,000' and eventually the 5,400' runway. He stated there has been talk about alternatives which are nonexistent. Mr. Esposito stated that in reference to noise issues, Net Jets announced a few months ago that they have ordered new airplanes that are more fuel efficient and a lot quieter. He stated they are one of the largest users of the Hilton Head Island Airport so that means that Hilton Head will be getting a lot quieter as well. Mr. Esposito added that with the signing of the latest FAA budget all noisy airplanes referred to as Stage II Airplanes will be parked by December 31, 2015. He stated these types of airplanes have been registering noise complaints.

Mr. Esposito stated there has been talk about the Q400. He stated that the only airline after November 30th that will be operating Q400s in the United States will be Horizon Air based out of Seattle. He stated they do not bring the Q400 east of the Rockies. Mr. Esposito stated that United Airlines through a partnership with Colgan Air has been operating Q400s in and out of Washington-Dulles, but United will cease this arrangement in mid-September. He stated Colgan Air is in bankruptcy and will be terminated as an operator as of November 30th.

Mr. Esposito stated that a 5,000' runway at the Hilton Head Island Airport will actually be 4,703' of runway for landing on Runway 03 and 4,597' of runway on Runway 21. He stated we need the 5,400' runway to capitalize and guarantee airline service. He stated we are currently hanging our hats on the Dash 8 of US Airways. He stated Delta has no interest in going back to turboprops. Mr. Esposito stated we need to watch the possible merger of US Airways and American Airlines.

2. Bob Gentzler – Mr. Gentzler, Palmetto Hall resident, stated he spoke to the Board last month and alerted everyone of the interest in getting answers to many questions that they felt had not been answered at the last Talbert & Bright presentation regarding Economic Impact and their Benefit Cost Analysis. He stated detailed questions have been delivered to the Board, Talbert & Bright, County Council and Town Council. Mr. Gentzler stated they look forward to receiving the answers. Mr. Mazzei stated the Board did not receive a copy. Mr. Gentzler stated he would take care of this matter.

Mr. Smetek stated that with regard to the most current version of the Master Plan, there are substantive errors contained in the document. He stated it would not be prudent for the County, the FAA or anyone to make large financial decisions based on a document with substantive errors. Mr. Smetek stated he wanted to call attention to the August 13, 2012 issue of Time magazine (see Attachment "B") concerning the issue of why turboprops are making a comeback. He stated that to summarize the article it says the turboprops are quieter, have bigger cabins, are greener and cheaper which is a big deal for companies such as Comair, and they service more destinations because they can land on shorter runways. Mr. Smetek stated many airlines are looking at moving towards turboprops in the future. He stated this type of aircraft can land at Hilton Head Island Airport.

HILTON HEAD ISLAND AIRPORT REPORT

1. Tower Report: Paul Andres
 - For the month of July 2012 there were 2,896 total flight operations of which 1,617 were conducted under IFR procedures.
2. Projects: Paul Andres
 - Tree Obstruction Removal – Mr. Andres stated that on August 8th one bid was received for replanting. This bid has been determined to be nonresponsive so they will need to rebid the project. Mr. Andres also stated that an appeal has been filed by the St. James Church and Palmetto Hall concerning the DRB approval of the replanting plans. He stated we are waiting for the Circuit Court to schedule a hearing. He stated the attorneys are still actively pursuing the necessary avigation easements for the off-airport portion. We currently have 9 of the 17 easements needed. The mitigation plan will be the same as the on-airport piece in compliance with the Town's LMO. Mr. Andres stated that on the South end they are finishing up the detailed survey on the 34:1 slope. He stated that we have 24 of the 26 required easements and are working on the remaining. There is no start date because the appeal litigation has to be resolved for the on-airport piece before proceeding on the South end.
 - RSA Drainage Improvements – Mr. Andres stated construction is underway. They hope to have 90% to 95% of the work done by the end of August. Mr. Dopp wanted to know if they have the dates for closing the Airport. Mr. Andres stated the Airport is closed five days a week (Monday through Friday) from 10:30 PM until 5:00 AM for the construction work. He stated that with weather permitting they should be done in a few weeks.
 - Master Plan – A second public information meeting was held on June 27th from 5:00 PM until 8:00 PM at the Hilton Head Island Branch Library. The consultant is preparing a summary of the comments received. This should be consolidated and

posted on the website in a few weeks. The consultant is continuing to develop the draft Environmental Assessment/Benefit Cost Analysis document. This will be coordinated with the FAA and then a public hearing will be scheduled in the next several months. Mr. Andres stated the FAA has issued their Section 106 Consultation Letter to interested parties regarding the Phase III Archeology Data Recovery and Public Outreach. He stated this includes the Gullah Geechee Committee, the Penn Center, the Mitchville Preservation Project, Palmetto Hall, Port Royal Plantation, the Coastal Discovery Museum, and numerous other organizations. Mr. Andres pointed out that this is a formal invitation to participate in the consultation process. He stated that responses from these interested parties are due to the FAA by August 23rd. Mr. Andres stated that to date the FAA has only received two responses which were from the Gullah Geechee Committee and Palmetto Hall.

- Design Projects – Mr. Andres stated the runway lighted sign project is out for bid with bids due by the end of August. If the bids are received in sufficient time, the intent will be to use this as the springboard for the last grant application for this fiscal year. It will have to move expeditiously through the Council Committee and County Council approval process. Mr. Andres stated they intend to include the runway lighted sign bids and the traditional cultural properties analysis that was directed by the FAA as part of the environmental assessment process. This analysis will be on the churches that are in the vicinity of the Airport. He stated they may also include in this grant application other elements associated with previous tree work that was completed several years ago.
- Passenger Facility Charge (PFC) Program – The amendment was approved by Council at their last meeting. Mr. Andres stated the Council also approved on first reading the text amendments to the Airports Board Charter. He stated there will be two more readings and a public hearing. He stated they also approved the FY-13 Airports budgets. Mr. Mazzei stated that at the meeting it was discussed that the wording in the text regarding the three mile radius for proximity members of the Board may have been misapplied. He stated it implied anyone in a community that touches the 3 mile circle would be eligible for the proximity membership.

3. Operations Report: Paul Andres

- For the month of July 2012 there were 4 medivacs and 2 in-flight emergencies. One emergency was a GA aircraft that returned for fuel leaking from the fuel cap. This aircraft returned without incident. The other was a landing incident in which the aircraft departed the side of the runway and hit one of our runway remaining signs. The aircraft received substantial wing, nose and tail damage. Mr. Buchanan wanted to know if the pilot or the Airport discovered the fuel cap leak. Mr. Andres stated he did not know and would check on this matter.

4. Noise Complaints & Traffic Counters: Paul Andres

- For the month of July 2012 there were 2 noise complaints. One complaint was from Port Royal Plantation and the other was from Palmetto Hall. Both were general aviation aircraft overflights. The after hour traffic counters recorded 88 after hour flights. Mr. Andres noted that there was an article in the paper regarding a bird strike at the Charleston Airport. The article stated that an Embraer 170 regional jet

impacted multiple birds at 3,000' shortly after takeoff and had to return to the airport with potential damage to its right engine.

Mr. Smetek wanted to know if the statistical data indicated which departures and landings were coming on Runway 03 and which ones were on Runway 21. Mr. Andres stated they presently do not capture this information. He stated he has talked to the tower manager and the manager indicates it splits evenly throughout the year based on wind conditions.

BEAUFORT COUNTY AIRPORT REPORT

1. Fuel Sales: Joel Phillips

- For the month of July 2012 there were a total of 905 operations. The total flow of fuel was 4,175 gallons (3,292 gallons of AvGas and 883 gallons of Jet fuel). Mr. Phillips stated the figures are down from the same time period last year. Mr. Buchanan asked Mr. Phillips to inform the Board what he had learned concerning the drop in sales. Mr. Phillip stated that July was an extremely hot month so the weight carrying ability of an aircraft goes down substantially. He stated this mainly affects the jet fuel aircraft. He stated that they are not able to carry any extra weight out of the Airport. Mr. Phillips stated it has not picked up yet this month and that this is a trend going all the way up the coast. He stated they also had 14 days of precipitation in July with thunderstorms which also hurt sales.

2. Projects: Paul Andres

- Tree Obstruction Removal – The FAA is still reviewing the SCE&G power pole data, but we hope to have answers in the near future. Over 600 tree obstructions remain, primarily in the transition surface of the Airport. The property owner mediation in October was unsuccessful and all cases are awaiting trial dates.
- Master Plan – Mr. Andres turned this topic over to Mr. Kerr. Mr. Kerr read a letter for the record from Scott Dadson, Beaufort City Manger to Mr. Kubic concerning the approval of a motion to support the proposed Lady's Island Airport Master Plan (see Attachment "C". Mr. Kerr stated that in order to get the City Council to look at the Master Plan that probably won't go into effect for a number of years, he and Mr. Buchanan summarized the Master Plan for them. Mr. Kerr stated he told the City Council that the Master Plan is like a gate to a dock that you have to walk through in order to check on your crab pot or the bilge on the boat. He stated that in the case of the Master Plan the elements we need to see are the economic assessment and the environmental impact. Mr. Kerr stated that once you go through the gate you can either keep going, you can stop or you can reconsider. He stated that approving the Master Plan is not committing to a plan. He stated that the funding for airport projects is significant infrastructure funding. He stated 90% would come from the FAA Trust Fund which is funded by aircraft owners paying taxes on fuel. He said that 5% that comes from the State is funded by accommodation taxes and the 5% from the County is funded by facilities fees. Mr. Kerr stated that the money in Phase I of the Lady's Island Airport Plan represents approximately \$11 million coming into the County. Mr. Kerr stated that the adoption of the Master Plan gives the County and City the ability to give the local population a heads up on what may be coming in the future. He stated he and Mr. Buchanan presented this to City Council last week and it was unanimously passed. Mr. Mazzei congratulated Mr. Kerr and Mr.

Buchanan for doing such a great job on this subject. Mr. Buchanan stated that Mr. Kerr mentioned that infrastructure would be coming in at a rate of approximately \$2.5 million a year. He wanted to make it clear that this would be aviation fund money, not Beaufort County money.

It was moved by Mr. Buchanan, seconded by Mr. Dopp that the Airports Board recommend a favorable approval of the Lady's Island Master Plan.

Mr. Buchanan stated they need to make sure the Air Station is totally involved so unless someone objected he wanted to make sure that the agenda and minutes are sent to the Air Station inviting them to participate in the meetings.

Mr. Kerr stated he thought the same should be done for the City of Beaufort as the City should also have a voice in anything that involves the Lady's Island Airport.

Mr. Dopp stated he agreed that the County Council should approve the Master Plan and also that the Board secretary send a copy of the minutes and agenda to the Air Station.

Mr. Wedler wanted to know why the County Council had not yet approved the Master Plan. Mr. Mazzei stated that in the process for the Hilton Head Island Airport, the Master Plan was a joint matter with the Town of Hilton Head and the County Council. He stated they attempted to do the same process with the Lady's Island Airport, but there were problems in scheduling joint sessions so Mr. Buchanan and Mr. Kerr went to the Beaufort City Council meeting to explain everything. He stated that at that meeting the City Council approved the Master Plan.

Mr. Dopp wanted to know if the Board has to prepare a paper when making a motion to the County Council or do they just read the minutes. Mr. Andres stated that in this particular instance he will draft some correspondence to the Clerk to Council with the Board's recommendation.

Mr. Smetek stated that speed is not necessary. He stated he would counsel the Board not to make the same mistakes with the Lady's Island Airport Master Plan as they did with the Hilton Head Island Master Plan. He stated that the Hilton Head Island Airport Master Plan did not receive the appropriate review and detailed comments before the votes were made. Mr. Mazzei stated he did not want to leave the impression that everyone agrees with Mr. Smetek's opinion. He stated that since there were years of joint meetings, public meetings and discussions of the Hilton Head Island Airport nothing was arbitrary and capricious in the process. He stated they sat through hours and hours of meetings with plenty of opportunities for everybody to submit comments. Mr. Mazzei stated that the Lady's Island Airport Master Plan has been under development since approximately 2006 so it has not moved forward with great speed.

Mr. Sells stated that two meetings ago there was a motion to move the Master Plan forward so he was wondering if Mr. Andres should have prepared a document for the Clerk to Council at that meeting. Mr. Mazzei stated he believed it was, but no one expected the City to approve the Plan so the Board is merely saying here is a new development on our outstanding recommendation. Mr. Sells asked if Mr. Mazzei was saying that now the City of Beaufort and the Airports Board is endorsing the Master Plan. Mr. Mazzei stated that this is correct and now we need the County Council's endorsement.

When the vote was called: FOR – Mr. Mazzei, Mr. Dopp, Mr. Nash, Mr. Gilbert, Mr. Sells, Mr. Buchanan, Mr. Kerr, Mr. Wirth, Mr. Sanders, Mr. Wedler. AGAINST – Mr. Smetek. ABSENT – None. The motion passed.

COMMITTEE REPORTS

1. Lady's Island Airport Operations: Pete Buchanan – No Report.
2. Hilton Head Island Airport Operations: Will Dopp
 - Mr. Dopp stated movements are down 3% from this time last year. The total passenger count for this year compared to last year is up 1%. He stated that US Airways carries 90% more people in the summer months than the winter months. He stated it appears that we are still getting more tourists and visitors to the island which makes the Hilton Head Island Airport very important. Mr. Dopp stated that US Airways currently has 10 round trips a day to Charlotte with an extra flight on Monday and 2 flights to Washington, DC on the weekends.
 - Mr. Dopp stated Signature Flight Support reported revenues of \$2,900,000.00 for the first 7 months of this year which is an increase of about 10%. The County's share is up 86% at \$149,000.00. Fuel revenues were up 12%, \$2,500,000.00 versus \$2,200,000.00 last year. The gallons were 442,000 gallons which are up 5% over the same time period last year. Mr. Dopp stated 85% of the fuel sold is jet fuel and AvGas is 15%.
 - Mr. Dopp stated there have been no changes in hangar tenants and there were no changes in the hangar rents.
 - Mr. Dopp stated we are not due any revenue from Republic Parking until they reach \$100,000.00 in revenue.
 - Mr. Dopp publically thanked Jennifer Peluso of Signature Flight Support for her many years of service to the Hilton Head Island Airport, and particularly, to its general aviation community. He stated Jennifer is the last employee remaining from the old Carolina Air Center better known as CACI before Signature took over as the FBO in September 2007. He stated Jennifer was the office manager, did accounting, watched over the flight operations desk, and probably fueled aircraft whenever necessary. Mr. Dopp stated that Signature's corporate offices are changing some of its internal operations and reporting functions so her position had been eliminated. He stated that Jennifer's last day with Signature will be August 30th so on behalf of the entire Hilton Head Island Airport community and the Airports Board thanked Jennifer for everything she had done and wished her well.

Mr. Mazzei wanted to know if US Airways shows the number of seats that are left empty. Mr. Andres stated this information is tracked at their corporate headquarters. He stated this information has been requested in the past, but he did not receive anything. He stated he could try to get this information again. Mr. Mazzei stated they need to know the impact of the lighter loads. He stated he would like to have them report on the differences between winter and summer. Mr. Smetek stated that when the weather is warm, the airlines do not lose revenue they just move a passenger to a later flight when it is cooler. He stated that when this information is gathered they need to make

sure they know what they are getting information on. Mr. Smetek stated he has seen on several occasions where they will take a passenger from Hilton Head and drive them to the Savannah Airport. He stated they need to be careful on how they interpret the data. Mr. Kerr stated he is a retired Piedmont Dash 8 Captain who has flown thousands of approaches into Hilton Head during the day and the night as well as good weather and bad weather. He stated although it has been a long time since he worked for Piedmont he wanted to note that when the temperature gets above 30° C you will start dropping 3 to 5 passengers. He stated that as the temperatures go up you will start dropping fuel and luggage as well.

Mr. Kerr also stated that Piedmont (US Airways Express) is still the largest turboprop airline in the country. He stated it is currently the sole airline that flies in and out of Hilton Head. He stated they have a fleet of 44 Dehavilland Dash 8 100's and 200's which are 37 passenger airplanes and 300's which are 50 passenger airplanes. Mr. Kerr stated the Q400 is a stretched version of what we currently have with almost twice the capacity, but no major airline, including Piedmont, is buying them. He stated that to the best of his knowledge only two have been ordered for the entire United States and this does not include US Airways. Mr. Kerr stated he was highly doubtful that they could operate better on Hilton Head than the 100's and 200's.

Mr. Sells wanted to know if Mr. Andres would get the information from Piedmont or US Airways corporate office. Mr. Andres stated it would be Piedmont operational manager in Charlotte.

NEW BUSINESS - None

UNFINISHED BUSINESS

1. Accommodations Tax: Joe Mazzei

- Mr. Mazzei asked Mr. Andres for an update on the ATAX application. Mr. Andres stated that two days ago he was informed by the County Attorney that the State Tourism Expenditure Review Committee had contacted the Attorney and acknowledged receipt of his correspondence. Mr. Andres stated they have asked for a couple of items of additional information which he provided to the Attorney to forward to them. He stated we should anticipate a decision from them within a couple of weeks. Mr. Mazzei stated this item will remain pending as they could not move forward until the decision is given to them.

2. Airport Funding Initiatives: Paul Andres

- Mr. Andres stated the topics remaining to be discussed with the Finance Committee are the aircraft property tax and hangar property tax. He stated the Finance Committee has indicated they are in favor of offsetting the subsidies that the Lady's Island Airport provides to Mosquito Control, but no final decision has been received. He stated the private hangar development at the Lady's Island Airport is a component associated with the Master Plan so this item will be pending until the Master Plan decisions are made. Mr. Dopp wanted to know if there was any way to move these items to Finance Committee to look at. Mr. Andres stated these items are on their pending list, but they have some very full agendas already.

3. FAA Grant Funding: Paul Andres

- Mr. Andres stated that we just accepted a grant from FAA for the Phase III Archeology Data Recovery and Public Outreach. He stated they will look at the bids

due for the lighted sign replacement for the Hilton Head Island Airport at the end of the month and then will look into submitting a grant application for that and to include the traditional cultural properties requirement element of the environmental assessment. He said they may also submit application for the older grant amendment funding for the tree work when the preliminary design work was done several years ago. Mr. Mazzei wanted to know if the money for the archeological work would be included in grant. Mr. Andres stated no that this is a separate grant which is already in place.

CONTINUATION OF PUBLIC COMMENTS

1. Nick Esposito – Mr. Esposito stated he wanted to address Mr. Smetek's report on the Time Magazine article. He stated the article speaks for itself; however its interpretation is very flawed. He stated Mr. Smetek talked about the turboprop being purchased by Comair. Mr. Esposito stated that Comair is going out of business in 30 days so if he thinks Comair will be purchasing Q400s he is misinformed. He stated that the Q400 if brought into Hilton Head now would be with about a 70% load factor. He stated that even with 5,000' they would still be at a 94% load factor. He stated they need a full 5,400' to operate a fully loaded Q400 in and out of Hilton Head. Mr. Esposito stated there are only 22 Q400s on order and not in the United States. He stated that the price of a Q400 is \$34.5 million so to maintain a US Airways schedule in and out of Hilton Head, US Airways would have to spend \$7 million just to accommodate this Town. Mr. Esposito referred to information he received from the US Airways station manager last year that stated the 37 passenger Dash 8's can carry full loads during the winter time, but 22 passengers in the summer. He stated that sometimes last minute passengers were put in taxis and sent to Savannah and half of the bags were put in taxis and sent to Savannah. Mr. Esposito stated that every 95° day that US Airways has to bump passengers they pay about \$600.00 per passenger to accommodate them. Mr. Esposito concurred with Mr. Kerr's statement that the penalty for the temperature is high when you approach 30° C (86° F) so when they get into the 90's they are taking quite a penalty. Mr. Esposito stated he wanted to inform Mr. Smetek of his false assumptions.
2. Councilman Rodman – Councilman Rodman stated in regards to the Q400s he feels that the turboprops seem to be doing reasonably well in Europe. He stated he was not aware of Colgan going bankrupt, but he did know that Republic felt this aircraft did not fit with their fleet so they got rid of them. He stated he believed Horizon, an affiliate of Alaska Airlines, is the only one using this aircraft.

Councilman Rodman stated he was delighted that the Lady's Island Master Plan is moving forward. He stated this could be added to the Finance Committee's agenda whenever the Board was ready. He stated the Hilton Head Island Airport 5 Year Capital Plan was not put on the agenda because Councilman Baer was on vacation, but they could do this in September.

Councilman Rodman stated that in terms of funding activities there has been some discussion. He stated the he and Councilman Baer are in agreement that they should at least take a look at whether there should be bonding of the capital requirements that will be needed at both Airports to cover the County's share. Councilman Rodman stated that if the Board wanted to start looking at this issue their input would be welcomed.

Councilman Rodman praised Mr. Kerr for his overview of what a master plan is. He stated this is probably the best explanation for a master plan that he has heard of in years.

Councilman Rodman stated he took strong exception to some of the comments from Palmetto Hall and Port Royal Plantations. He stated he put his comments together and emailed them out (see Attachment "D").

Councilman Rodman stated he was delighted to see that the FAA followed through relative to the archeological portion and that the normal process actually included the ability for other interested parties to be involved. He stated when you look at the whole process the FAA procedures work pretty well. Councilman Rodman also stated that as a community we should not try to question every last thing the FAA does.

3. Leo Brennan – Mr. Brennan, Port Royal Plantation, stated that he has a proposal from Bombardier on the Q400s and that he wanted to read of few items in response to comments by Mr. Kerr and Mr. Esposito. He stated the proposal says that on a 95° day the Q400 can carry a maximum of 68 – 70 passengers to Atlanta, Charlotte, or Orlando. He also read that a Q400 on a 4,800' runway the full passenger load range expands significantly. He stated they can go to Chicago, Newark, Nassau, and New Orleans. Mr. Brennan stated he realizes the airlines have the final say, but he believed this is a semi-professional source on what the Q400 can do. Mr. Mazzei asked Mr. Brennan for his background. Mr. Brennan stated he has been in business 40 years studying detail. Mr. Mazzei asked Mr. Brennan if he is a pilot. Mr. Brennan stated no and that Mr. Mazzei probably knew that already, but that did not in anyway prevent him from speaking his opinion. He stated that if it was Mr. Mazzei's intention to say that he can not speak then he should tell him. Mr. Mazzei stated he did not say this. He stated that in the beginning he made comments and stated that it would be helpful to the Board to interpret the comments made by understanding the background of the speaker. He stated Mr. Esposito gave his background. Mr. Brennan stated all he (Mr. Brennan) did was read from a document and told the Board the identification of the document and from that the Board could draw some authority. Mr. Mazzei stated he missed the source of the document.

FUTURE MEETINGS

The next meeting of the Airports Board will be held on Thursday, September 20, 2012 at 1:30 PM in the County Council Chambers of the Beaufort County Government Center.

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at approximately 2:45 PM.

Comments by Chairman Mazzei prior to Public comments

I believe that a clarification of the process would be helpful with regard to making the public comments section of these meetings as meaningful as possible in the future.

Therefore I would like to point out that:

1. The community along with elected representatives of both the Town and the County, as well as this Airport Board all considered over several years, and multiple public meetings the HHI Airport Master Plan.
2. The Public comments received, in support of the Master Plan, were by a significant majority supportive of the Master Plan, as is documented in the Master Plan documentation.
3. While there were members of the public that did not support the adoption of the Master Plan, and specifically the runway extension provided for in Phase 1, in their submitted comments, these viewpoints were in the minority.
4. All of these Governmental bodies and this Advisory Board considered the content of the plan and the public input and approved the Master Plan, directing that Phase 1 of the Plan be implemented. The FAA has also reviewed and approved the Master Plan
5. We are currently in the Implementation Phase of the Master Plan and this process contains provisions for additional public input to ensure that the Master Plan implementation of Phase 1, is both economically justified and a good investment of the FAA's, State Aeronautical Commission and the County taxpayers money, and that it can be implemented in conformance with the environmental standards the FAA and regulatory bodies, have established for such projects.
6. Once this stage is complete, and should the Phase One Runway Extension of the Master Plan, meet these economic and environmental standards the project will then move to the next stage, the Design and then the Construction stage.
7. Public comments on both the draft economic and environmental review have been submitted. The public's comments will be summarized by the consultant and submitted to the FAA, as part of the draft report to the FAA on this phase of the implementation.
8. There will be an additional opportunity for public review and input prior to the Final Environmental Assessment and its submission to the FAA.

In the interest of providing to the Board more insight into the background, education, training, experience, and qualification of those commenting upon technical aspects of the airport runway design, aircraft operating capabilities and characteristics as well as those providing data or insight into the economic or environmental aspects of the Master Plan or airport operation it would be helpful if commenter's would provide a brief verbal summary of their qualifications in support of their comments in these areas, in order for the board to effectively evaluate their comments, in light of this additional information.

All comments are welcomed, and where these technical design details are not presented or should the commenter not wish to provide any supporting background, none is required.

Why Turboprops are making a Comeback (Time Magazine, August 16, 2012)

In 2002, Comair, Delta's regional subsidiary, could proudly claim to be the first all-jet commuter airline. Its 50-seat Embraer and Bombardier regional planes freed us from turboprops, like the Short 360 and Saab 340--flying migraine machines with the comfort of the backseat of a VW Beetle. But in 2012, Comair announced its demise because those jets are too costly to operate profitably. And now a new generation of turboprops is making a comeback--and offering a vastly improved travel experience.

Avions de Transport Regional (ATR), a European maker of commuter turboprops, has enough orders for its 50-to-74-seat ATR 72-600 to keep its assembly lines cranking for three years. At Canada's Bombardier, orders are picking up again for its 70-to-80-seat Q400 turbo. The buyers are after the same advantage. Turbos are ideal for short-cycle routes--flights of 300 miles (480 km) or less--and are as much as 50% more fuel-efficient and about as fast as regional jets over that distance. "It's the natural hedge on fuel when you apply the right airplane technology to do the right missions," says Mark Neely, ATR's head of sales in North America. The planes are getting more comfortable too: they're sleeker, quieter and more spacious than their predecessors. (See sidebar.)

There is politics in play as well. For years, major airlines subcontracted short- and medium-haul flights to their commuter carriers to avoid paying their own pilots' higher wages, but so-called scope clauses limited commuter carriers to 50-seat stalwarts like Bombardier's CRJ and Embraer's ERJ. Now that carrier economies have changed (see: the American Airlines bankruptcy and a general push to fly bigger planes at fuller capacities), industry consultancies like AirInsight expect a shift to larger turbos within five years.

Meanwhile, aircraft makers estimate that demand for turboprops will reach 2,500 to 3,000 planes over the next 20 years as airlines in developing countries expand their networks and those in Western nations restructure money-losing fleets and routes. Already, turbos have claimed 85% of the orders in the 50-to-90-seat segment. (That's good news for engine maker Pratt & Whitney.) The ATR 72-600, for example, is turning up in the U.S. (via GECAS, GE's leasing arm), Australia (for Virgin Australia) and all over Asia. And the Q400 just claimed a big order from Canada's WestJet. The turboprop forecast is so encouraging that ATR and Bombardier are considering new turbos that could carry 90 to 110 passengers--about the capacity of a Lockheed Super Constellation, the 1950s-era turboprop that made flying TWA glamorous. The new turbos won't restore the glamour. But with their quieter engines and roomier cabins, they will spare you the aspirin.

Scott F. Dadson
CITY MANAGER
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CITY OF BEAUFORT
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BEAUFORT, SOUTH CAROLINA 29901-1167

COUNCIL MEMBERS:
Billy Keyserling, Mayor
Donnie Beer
Gary Fordham
Mike Sutton
Mike McFee

August 15, 2012

Mr. Gary Kubic, Administrator
Beaufort County
100 Ribaut Road
P.O. Drawer 1228
Beaufort, SC 29901

Re: Beaufort County Airport Master Plan

Dear Gary:

The City Council of the City of Beaufort in regular session assembled, discussed and approved a motion in support of the proposed Airport Master Plan for the Ladys Island Airport. The Council also wanted to express its thanks to the County Council for extending the opportunity to participate in this process. The City looks forward to continued cooperation on this and other endeavors.

If you have any questions regarding this matter, please do not hesitate to call on me.

Sincerely,

A handwritten signature in black ink, appearing to be "S. Dadson".

Scott F. Dadson, City Manager
City of Beaufort

Cc: Mayor and City Council
Mr. Rob McFee
Mr. Graham Kerr, Airport Board

Stu's Preliminary Thoughts on Economic Development

Recommendations - That Beaufort County:

1. Establish an Economic Development Fund to be used in support of opportunities brought forward by the Alliance and the Municipalities.
2. Not maintain an economic development staff or make significant contributions to other economic development entities thus leaving marketing, recruiting, negotiations, etc. to the Alliance and the Towns of Beaufort, Bluffton and Hilton Head Island.

Supporting Observations:

- The highest and best use of County funds is to attract new companies, and that is best accomplished by putting all County funds into deals, rather than employees.
- In addition to cash, other contributions could include tax relief, infrastructure, zoning etc. that the County is best positioned to accomplish.
- The County's primary interest is employment and, as such, shouldn't have a significant interest in where each recruited business is located.
- The County is better served by being an unbiased investor and considering deals as presented, thus leveraging the work of those closest to the effort.
- It is unclear whether County involvement, beyond funding, adds to Economic Development.
- The Alliance and the Towns are structuring to be privately lead and don't seek County involvement.
- Focusing on funding and not otherwise participating will encourage strong working relationships with the Municipalities.
- The County Financial Staff is capable of evaluating deals thus avoiding hiring an economic development person for what is probably not a full time requirement and would duplicate the staffing at the Alliance and the Municipalities.

Memo to Brian Pitts

re: Comments on Palmetto Hall and Port Royal HXD Questions dated July 26, 2012

- **Unlike the Environmental Assessment, which deserves significant community input, the Benefit Cost Analysis is primarily for the benefit of the FAA to assist management in cost effectively administering and funding aviation interests. As such, it is unclear to me that your clients should be making demands as to answering questions and scheduling meetings.**
- **The uncommitted expansion cost is approximately \$20 million of which about:
 - 40% is to correct existing deficiencies**
 - 20% is to lengthen the runway to 5,000'**
 - 40% is to add an additional 400 feet.****
- **The on going, annual benefits significantly outweigh the one time \$12 million cost to extend the runways. The FAA methodology is sound and the expansion is cost justified.**
- **Regarding your TAB A (from Palmetto Hall Plantation):
 - 1. As the County Council Finance Committee Chair and as an individual who has prepared many a Cost Benefit Analysis and signed off on countless others, I take strong exception to the Section 1 Comments suggesting that the Base Case and Options have been incorrectly established. My comments follow on page 2.**
 - 2. I leave it to the County Administration and the FAA to determine if and how they want to address the 45 questions and comments contained in the remaining 3 sections (11 pages). Addressing these issues is not inexpensive and open dialog is difficult given Palmetto Hall's decision to take adversarial positions.****
- **Regarding your TAB B (from Port Royal Plantation), the 4 documents (19 pages) could have been summarized in a more concise form. It is unclear if the 3 individuals providing these comments speak for Port Royal Plantation.**
- **Your client's underlying thrust appears to be an attempt to
 - 1. Reduce the planned Phase I expansion to something less than 5,000 feet, which is the FAA funding threshold, has a very high benefit to cost ratio, and has a minimal, if any, impact of the neighboring communities.**
 - 2. Eliminate the Phase II expansion to 5,400 feet, which has a lower benefit to cost ratio and is worthy of continuing discussion since it has an impact on the neighboring communities.****
- **Pursuing the former, which doesn't appear to have any compelling rationale, diminishes the opportunity to address the latter, which is not without merit.**

Respectfully,

Stu Rodman

cc: Individuals copied on your July 26th letter

SECTION 1

BASE CASE AND OPTIONS TO BE CONSIDERED

1 (paraphrased): The “normal approach in B/C work” would be to always start with the closure case and use it as the base to evaluate several options.

- The “normal approach” typically starts with the existing case, evaluates one or more alternatives, and only assesses closure if it is a realistic alternative. Economic studies continues to value HXD in the range of \$100 million annually; it is widely accepted that the Heritage, valued at \$80 million annually, would be lost without HXD; and even the opponents of lengthening the runway acknowledge that that HXD should not be closed.
- 4,300' is the correct Base Case and there is no reason to study closure.

2: SAV represent an alternative in the closure scenario.

- If closure is not an alternative, there is little reason to evaluate the SAV alternative which the writer acknowledges would have unfavorable economic consequences and would require (extensive) study.

3: Options to be studied should include 4,300, 4,600, 4,800, 5,000 and 5,400 feet.

- Comparing alternatives to an existing condition (rather than an unlikely one) will typically provide a more accurate assessment of the marginal value of each option. Thus, the existing 4,300' is the appropriate Base Case.
- The FAA has clearly advised that 5,000' is the funding threshold and thus 4,600' and 4,800' are non-starters. It is impractical to identify benefits in 200' increments.
- The B/C is evaluating the 5,000' Phase I should address the 5,400' Phase II.

4: The future of RJ's vs. Turboprops should be considered in the B/C analysis.

- It is unclear if either will emerge as the dominate aircraft in the future. Turboprops are strong in Europe in part due to the higher population density and shorter hauls. Newer versions of Turboprops have been unsuccessful in penetrating the US Market.
- World-wide trends don't necessarily predict specific fleet configurations (which evolve slowly over time) and allocation to existing fleets to specific routes. US Air's future fleet plans are unknown. Delta's strategy has long been to be all Jet.
- It would be short-sighted to assume that TurboProps will be available to serve HXD.

5: Consideration of the Opportunity Cost of Capital

- B/C's, employing standard cost and benefit guidelines, gives the FAA the opportunity to compare projects and allocate capital, which is most appropriate.
- The HXD B/C itself provides information for FAA decision making but is not the vehicle to make those decisions.