

**MINUTES OF THE MEETING OF THE MEMBERS
OF THE CAPITAL REGION AIRPORT COMMISSION**

September 27, 2022

I. CALL TO ORDER

Chairman Wayne T. Hazzard called the regular monthly meeting of the members of the Capital Region Airport Commission to order at 8:00 a.m. on September 27, 2022. The meeting was conducted in the Commission Boardroom in the Terminal Building. A quorum was present.

The following members were present: Commissioners Carroll, Hazzard, Heston, Holland, Hinson, Macfarlane, Nelson, Thornton, Trammell, Ukrop, Williams, and Winslow. Present by invitation were Perry J. Miller, President and Chief Executive Officer; John B. Rutledge, Chief Operating Officer; Basil O. Dosunmu, Chief Financial Officer; Troy Bell, Director – Marketing and Air Service Development; Regina Crocket, Manager – Accounting; Uday Nethula, Director – Human Capital and Diversity Officer; Steve Owen, Director – Finance; Russ Peaden, Director – Properties and Concessions; Susan Joy Linn, Recording Secretary; and W. David Harless, legal counsel from Christian & Barton, LLP.

Invited special guests were James Lundy, Vice President from Campbell-Hill Aviation Group, LLC; and Roland Kooch, Jr., Senior Vice President of Davenport & Company LLC.

Commissioners Dibble and Fulton were absent.

At Chairman Hazzard's request, Commissioner Holland provided the invocation, and Chairman Hazzard led the Pledge of Allegiance to the flag of the United States.

II. CLOSED MEETING

The Commission convened in closed meeting at 8:04 a.m. Chairman Hazzard entertained a motion made by Commissioner Holland and seconded by Commissioner Thornton, to go into closed meeting pursuant to Virginia Code § 2.2-3712 (A), to consider the following matters:

1. Personnel issues involving compensation of the Chief Executive Officer of the Commission as permitted by Virginia Code § 2.2-3711 (A)(1); and
2. Consultation with legal counsel retained by the Commission to advise the Commission regarding specific legal matters related to the compensation of the Chief Executive Officer of the Commission as permitted by Virginia Code § 2.2-3711 (A)(8).

The motion passed unanimously.

III. OPEN MEETING

The Commission reconvened in open meeting at 8:33 a.m. Chairman Hazzard entertained a motion made by Commissioner Hinson and seconded by Commissioner Macfarlane, pursuant to Virginia Code § 2.2-3712 (D) that (i) only public business matters lawfully exempted from open meeting requirements, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Commission and that a statement to this effect will appear in the minutes of this meeting.

The motion passed unanimously.

A. COMMISSION CHAIRMAN'S COMMENTS

Chairman Hazzard stated that going forward, each Commissioner will receive a Commission packet electronically in advance of the meeting with a hard copy provided on the day of the meeting.

B. CONSIDERATION OF AGENDA AMENDMENTS

At Chairman Hazzard's request, Commissioner Hinson moved to add Item III.E.3.a. – Executive Deferred Compensation Program to the agenda. Commissioner Holland seconded the motion, and the motion passed unanimously.

C. APPROVAL OF AUGUST 30, 2022, MINUTES

At Chairman Hazzard's request, Commissioner Winslow moved to approve August 30, 2022, minutes, and Commissioner Hinson seconded the motion.

The motion passed unanimously.

D. PRESIDENT'S REPORT

1. Aviation Activity Report

At Mr. Miller's request, Mr. Bell presented the following:

Passenger Traffic: For August 2022, Richmond International Airport (RIC) reports total passenger traffic of 361,020, a 9.0 percent increase over the total (331,197) for the same month a year ago. American Airlines was the month's market leader with a 31.0 percent share, followed by Delta (28.4%) and United (12.9%).

For calendar year-to-date 2022, passenger traffic has increased 39.3 percent (2,615,496 versus 1,878,162) year over year, an increase of more than 700,000 passengers. For the fiscal year to date, passenger traffic has increased 6.6 percent.

Cargo: In August, total cargo (the sum of freight and mail) increased to 14.6 million pounds, a 4.4 percent bump over August 2021. Freight, the largest component of total cargo, was up 4.6 percent for the month but mail had a 28.8 percent decrease.

Operations: Aircraft operations increased 28.9 percent in August, with the general aviation (+88.9%) and air carrier (+11.1%) categories leading the way.

Additional Comments

- August 2022 was the 30th month adversely affected by the COVID-19 pandemic.
- The month’s passenger count represents a 90.6 percent recovery of the pre-pandemic August 2019 total of 398,592, RIC’s all-time best month.
- Scheduled seat capacity as of September 19, 2022 (via Airline Data, Inc.):

Month	Monthly	Change from Previous Year
August 2022	455,212	+9.6%
September 2022	441,654	+9.4%
October 2022	468,728	+4.2%
November 2022	463,171	+5.2%
December 2022	461,398	+9.4%

2. Other

At Mr. Miller’s request, Mr. Nethula provided the employee survey update comparing last year to this year that reveals the staff’s strides of improving employee engagement and continued opportunities that need to be addressed.

a. Human Capital Employee Survey Update

The survey is entirely driven by employees’ subjective experience of working at the Airport. *Great Place To Work* is a global authority on workplace culture, employee experience, and leadership behaviors proven to deliver market-leading revenue, employee retention, and increased innovation.

Staff is using the following strategies:

- HR Open Houses where employees come and speak freely
- Coaching/training exercises for Supervisors/Managers and non-leaders
- Salary survey implementation will increase salaries in departments that are below marketplace competitiveness
- More transparency – sharing survey results

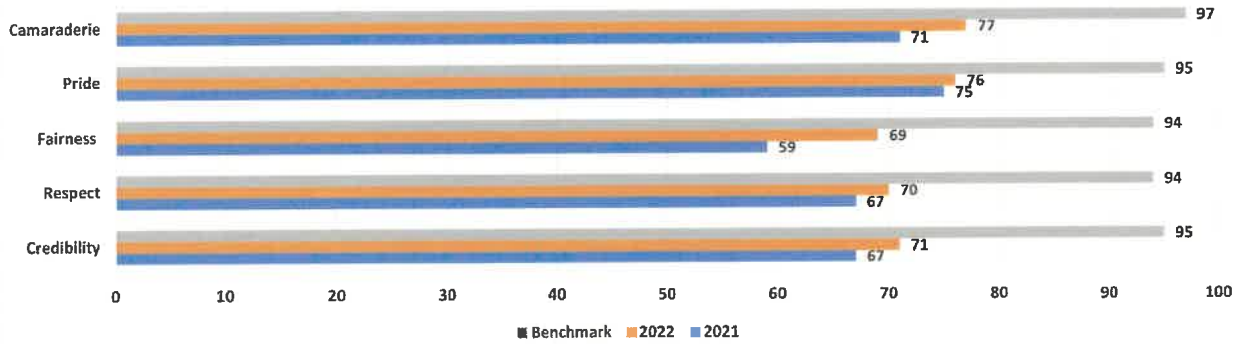
Great Place to Work Certification Program 2021-2022 Survey Results



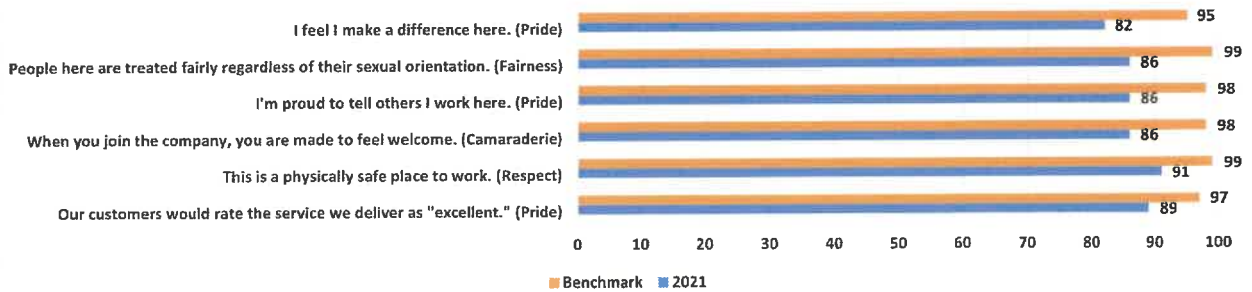
Overall Design 60 Core Trust Index Statements 2 Open-Ended Questions	Distributions 112 Responses (2021) 81 Responses (2022)	Benchmarks 2020 & 2021 Best Small & Medium Workplaces
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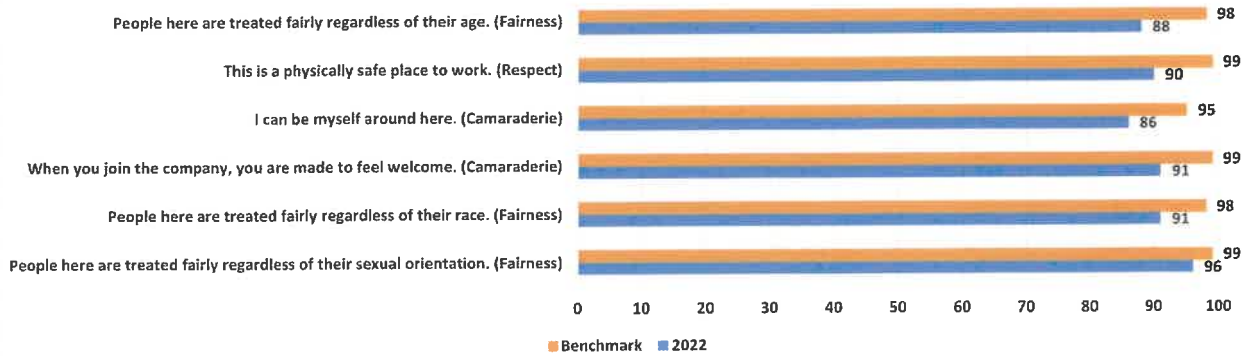
Comparisons by Dimension



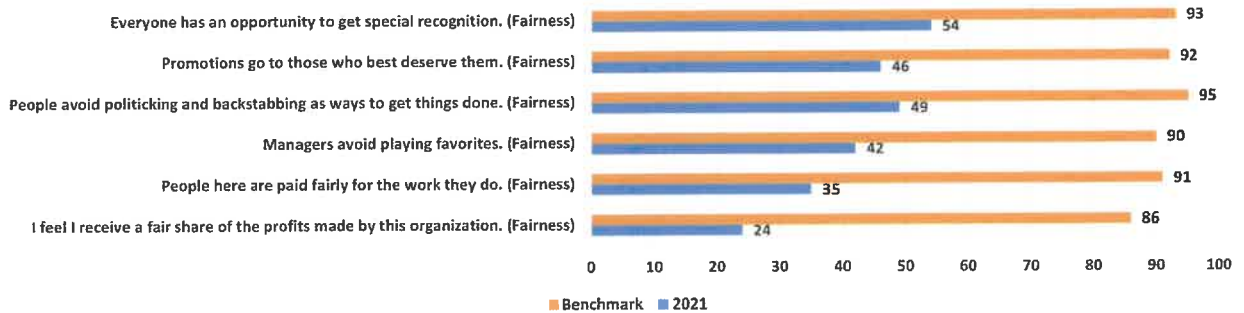
Strengths 2021



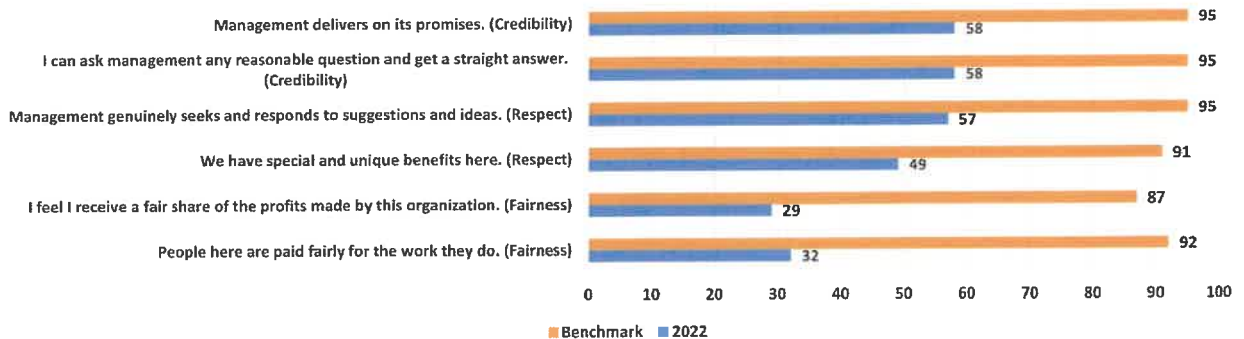
Strengths 2022



Opportunities 2021



Opportunities 2022



Staff will continue to share the survey results annually with the Commission.

E. COMMISSION STANDING COMMITTEE REPORTS

1. Finance and Audit Committee

Committee Chair Winslow stated that the Finance & Audit Committee did meet.

a. **Monthly Financial Update August 31, 2022**

Mr. Dosunmu reviewed the following:

Year-to-date operating revenues were \$9.8 million, or about \$495 thousand greater than budget or 5.3%. Compared to the same time last year, about \$1 million more mainly due to parking and concessions revenues attributed to increased enplanements.

Year-to-date operating expenses were \$4.4 million, compared to budget of \$5.3 million, \$983 thousand less than budget or 18.2%. Compared to \$3.6 million last year's operating expenses, primarily due to additional personnel added to the 2023 budget.

Overall, comparing pure operating revenue, year-to-date gross margin is 55%, or about \$5.5 million for the first two months of the fiscal year (FY). The increase in gross margin is \$1.5 million when compared to the budget for the same period.

b. Enplanement Forecast Update

Mr. Lundy presented the following:



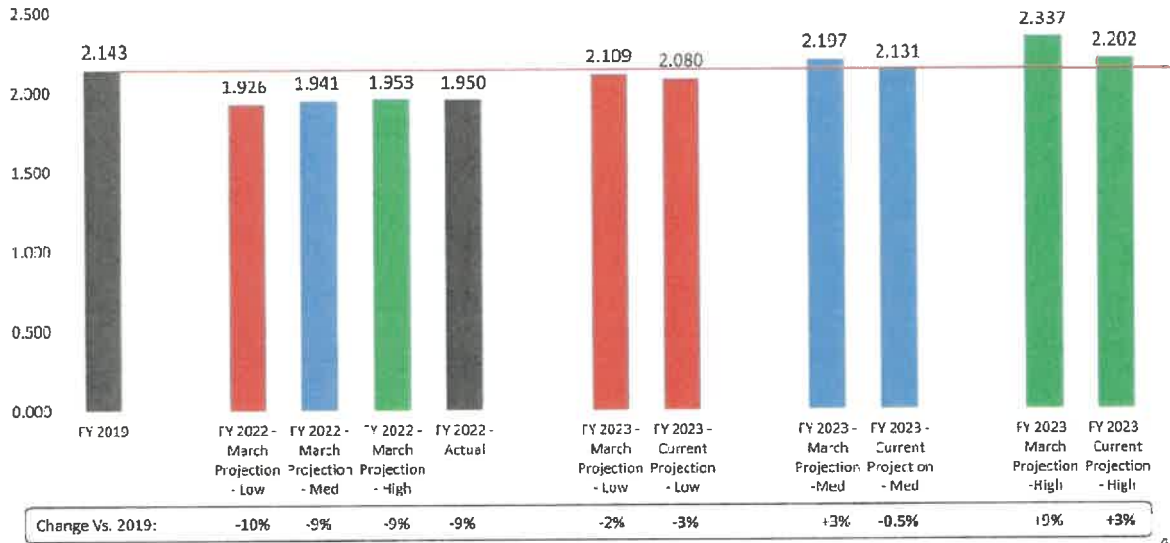
Summary of RIC Enplanement Projections

- RIC enplanements were down 25% from 2.14 million in FY 2019 to 1.62 million in FY 2020.
- RIC enplanements were down 54% from 2.14 million in FY 2019 to 989,270 in FY 2021.
- RIC enplanements were down 9% from 2.14 million in FY 2019 to 1.95 in FY 2022.
- We continue to expect the high leisure share periods like the summers to have faster recovery than other periods since business travel is still recovering more slowly than leisure travel. Since our last update, a number of carriers pulled back schedules nationwide (and at RIC) in an attempt to address operational issues caused by labor shortages. The most significant impact of this change was in Summer 2022 and has had the effect of reducing traffic at RIC based on our last projections.
 - Low Scenario Forecast:
 - FY 2023 = 2.08 million (-3% from FY 2019 peak)
 - Exceed FY 2019 levels in FY 2024
 - Medium Scenario Forecast:
 - FY 2023 = 2.13 million (-0.5% from FY 2019 peak)
 - Exceed FY 2019 levels in FY 2024 but very close at the end of FY 2023
 - High Scenario Forecast:
 - FY 2023 = 2.20 million (+3% from FY 2019 peak)
- Enplanements are forecast to recover faster than flights since the average aircraft size at RIC has increased by approximately 10 seats. This follows trends towards larger aircraft in the U.S.

RIC Enplanement Projections Have Been Adjusted Accounting for Larger than Expected Nationwide Airline Capacity Reductions



RIC Enplanement Projections (Million)



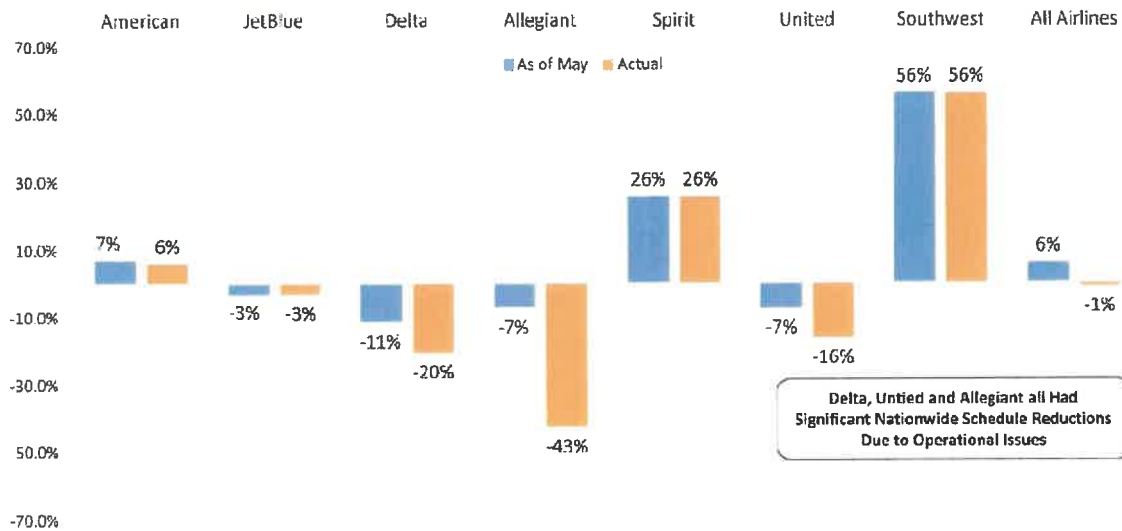
Source: Cirium Schedule Data

Industry Changes since March 2022 Forecast

U.S. Airlines Pulled Back Capacity After Operational Issues in the Spring



RIC July 2022 Scheduled Seats Compared to July 2019

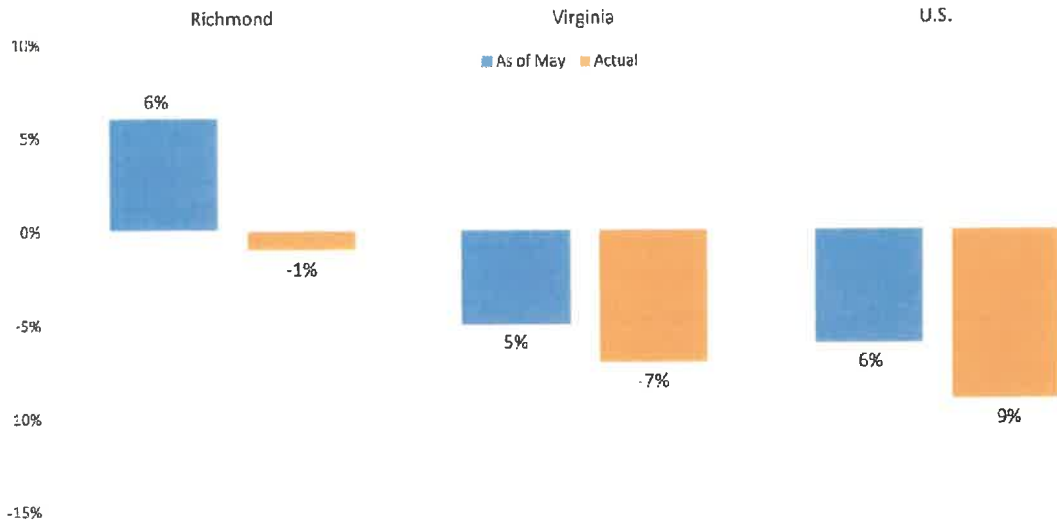


Note: Breeze is not included in the forecast because it had no service in 2019. It is included in the total.
Source: Cirium Schedule Data

Richmond's Published Scheduled Seats Recovered Faster Than Virginia and the U.S. But Nationwide Schedules Were Reduced



July 2022 Scheduled Seats Compared to July 2019



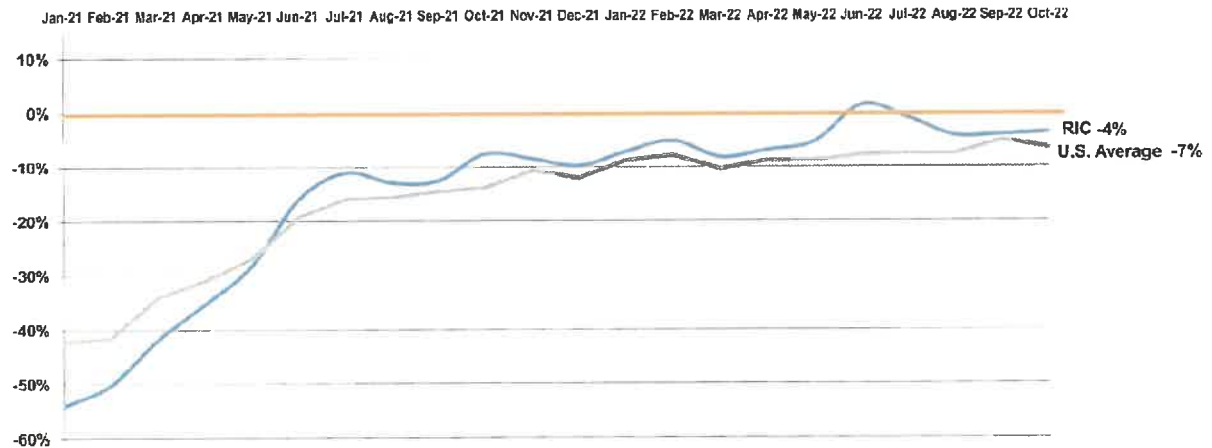
Source: Cirium Schedule Data.

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RIC Seats Continue to Recover Faster than the U.S. Average



% Change in Schedules Seats Compared to 2019



Source: Cirium Schedule Data.

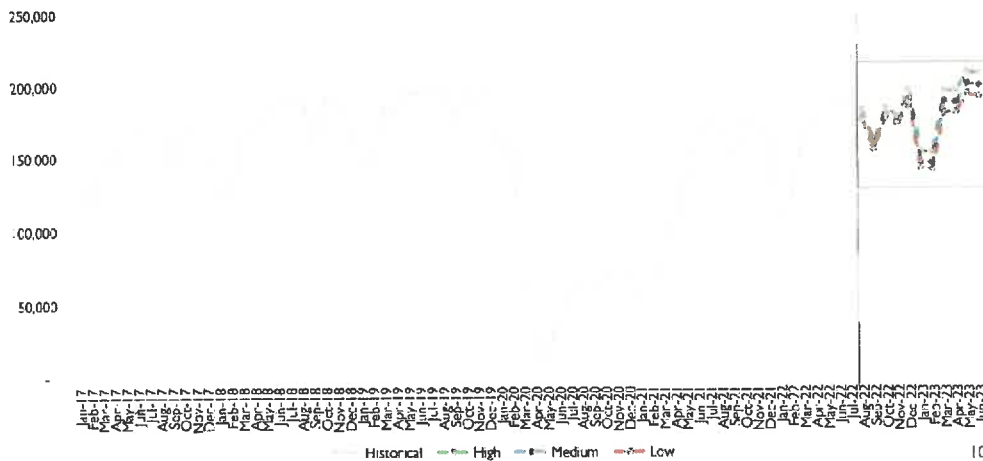
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Enplanement Summary

RIC Historical and Outlook – Monthly Enplaned Passengers



Monthly Enplaned Passengers



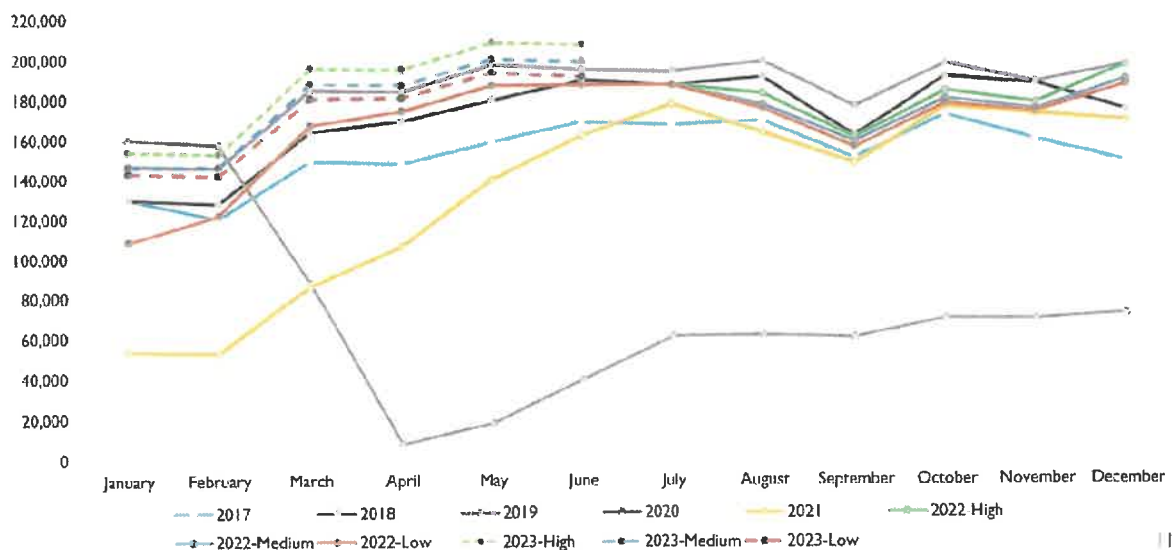
Outlook

Source: Historical Passengers Based on RIC Data. Future Passengers Based on Campbell-Hill assessment of schedule and airline trends.

RIC Enplanement Outlook 2017-June 2023



Monthly Enplanements



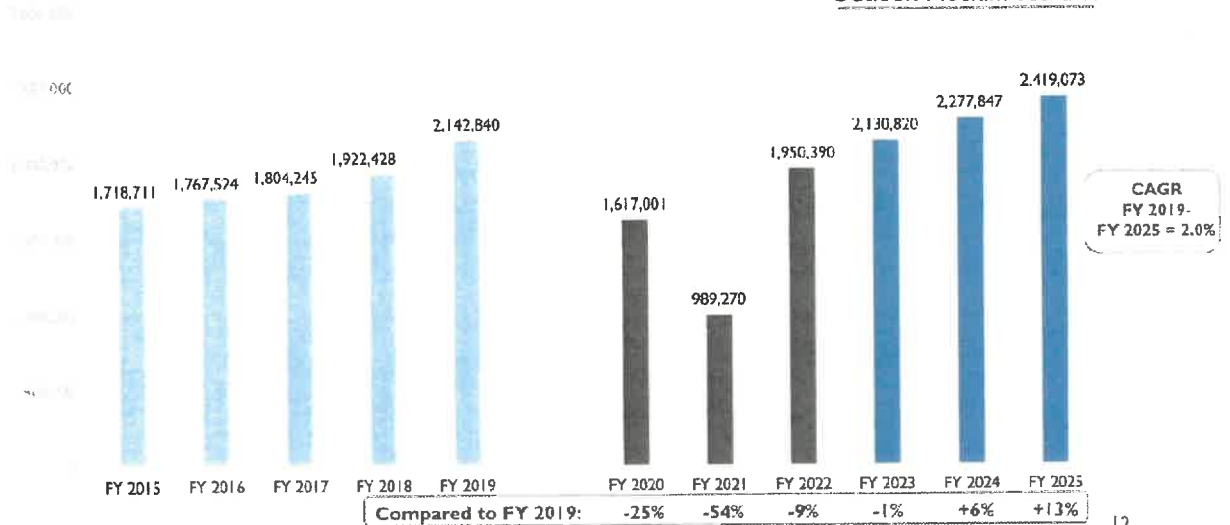
Source: Historical Passengers Based on RIC Data. Future Passengers Based on Campbell-Hill assessment of schedule and airline trends.

RIC Historical Enplanements and Outlook – Medium Scenario



Annual RIC Enplaned Passengers

Outlook-Medium Scenario



Source: Historical Passengers Based on RIC Data, Future Passengers Based on Campbell-Hill assessment of schedule and airline trends.

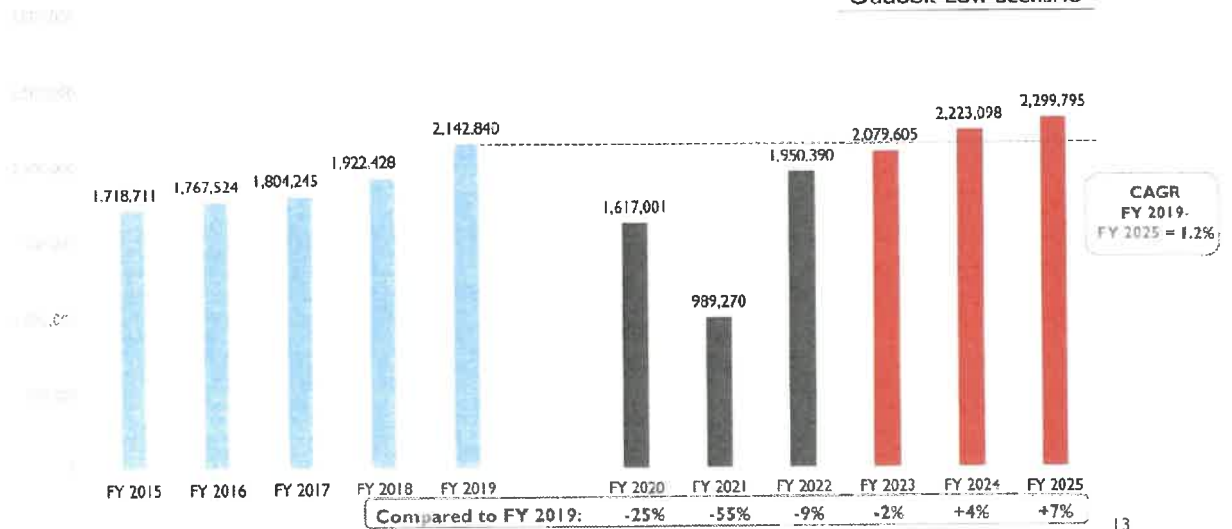
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RIC Historical Enplanements and Outlook – Low Scenario



Annual RIC Enplaned Passengers

Outlook-Low Scenario



Source: Historical Passengers Based on RIC Data, Future Passengers Based on Campbell-Hill assessment of schedule and airline trends.

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Chairman Hazzard thanked Mr. Lundy.

c. Plan of Finance Update

Mr. Kooch presented the following:

Background

- Davenport & Company LLC, as Financial Advisor to the Capital Region Airport Commission (the “Commission”) has prepared the revised Plan of Finance Scenarios herein as a follow-up to our analysis dated May 17, 2022.
- The revised Plan of Finance Scenarios is based on the following:
 - FY 2022 Year-End Projections
 - FY 2023 Budget
 - Enplanement forecasts are based on updated Campbell-Hill projections as of September 2022, which have been used for revenue projections beginning annually in FY 2024 and thereafter.

Key Revenue/Expense Assumptions



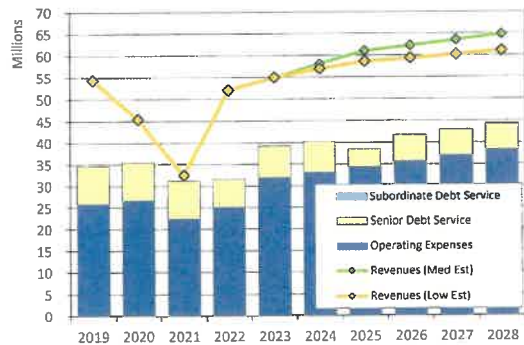
■ Revenue Assumptions:

- FY 2023 Budget of \$54.9 Million has been incorporated based on continued recovery with assumed enplanements of 2,100,000 (slightly lower than Campbell-Hill’s low March estimate for FY 2023).
 - However, Campbell Hill revised its low estimate to 2,080,000 for FY 2023 in its September update.
- Future Enplanement growth
 - FY 2024 & FY 2025 based estimates from September 2022 Campbell-Hill forecast.
 - FY 2026 and thereafter assume the following growth assumptions based on the Compounded Average Growth Rate from 2019-2025:
 - o Med Estimate: 2.0% enplanement growth.
 - o Low Estimate: 1.2% enplanement growth.
- Revenue growth in FY2024 and thereafter assumes:
 - Parking revenue/enplanement held constant at \$11.00.
 - Rental Income growth of 0.5%.
 - All other revenue/enplanement grows at 0.5%.

■ Expense Assumptions:

- FY 2023 Budget of \$31.9 Million has been incorporated.
 - Expense growth incorporates increases in personnel.
 - FY 2023 Parking and Utilities assumes full operation of parking facilities in FY 2023.
- Expense growth in FY 2024 and thereafter assumes:
 - 4% for Personnel, Utilities and Parking Expenses.
 - 3% for all other expenses.

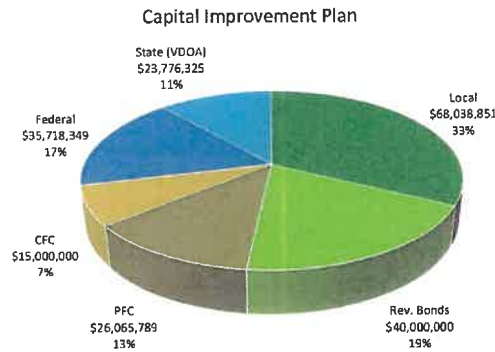
Summary of Operations



CIP Assumptions



- Updated CIP
 - Current and planned projects through FY 2028 totaling \$208.4 Million have been incorporated.
 - New Debt: Assumes \$40 Million Revenue Bond Funding in FY 2026 for Parking Garage Expansion.



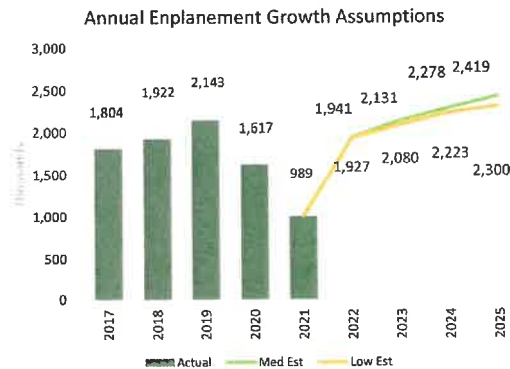
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Annual Enplanement Assumptions – FY 2021 – FY 2025



- Medium and Low growth assumptions shown below are based on updated Campbell-Hill estimates as of September 2022.



Note: Compounded Average Growth Rate (CAGR) from 2019 to 2025:

- Med = 2.0%
- Low = 1.2%

The above CAGRs are used to project enplanements beginning in 2026 for the respective scenarios.

- Prior Campbell estimates used in the May 2022 Plan of Finance are shown in the table below:

Mar 2022 Campbell-Hill Projections (000's)					
	2021	2022	2023	2024	2025
CH-Medium Est	989	1,941	2,197	2,349	2,494
CH-Low Est	989	1,927	2,109	2,254	2,394

Source: 2022 through 2025 estimates provided by Campbell-Hill.

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Scenarios Analyzed – Preliminary Results



- We have provided Two scenarios for the Commission’s review:

Scenario A: Plan of Finance based on FY 2023 Budget and Campbell-Hill **September 2022 Medium** Outlook Scenario.

Scenario B: Plan of Finance based on FY 2023 Budget and Campbell-Hill **September 2022 Low** Outlook Scenario.

- Preliminary Results (projected Debt Service Coverage) are as follows:

	Debt Service Coverage (x)							
	Budget Rev 2022	Rev Proj 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027	Projection 2028
Scenario A (Med Estimate)								
September 2022	2.46	4.17	3.16	3.50	6.54	4.39	4.50	4.50
March 2022	2.46	4.17	3.16	3.68	6.88	4.62	4.75	4.75
Scenario B (Low Estimate)								
September 2022	2.46	4.17	3.16	3.35	5.96	3.92	3.94	3.86
March 2022	2.46	4.17	3.16	3.42	6.39	4.28	4.39	4.38

Note: Debt Service Coverage factors in new Revenue Bonds for Parking Garage beginning in FY 2026.

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Scenarios Analyzed – Preliminary Results (cont.)



Continued from Previous Page

- **Based on the FY 2023 Budget for expenses (approximately \$31.9 Million):**
 - Enplanements could potentially decrease to an approximate estimate of 1,424,000 (versus the budgeted level of 2,100,000) and the Commission is projected still to meet its 1.25x debt service coverage target.
- **Based on the minimum estimated expense levels to maintain operations (approximately \$22.7 Million – Airport’s COVID experience in FY 2021):**
 - Enplanements could potentially decrease to an approximate estimate of 970,000 (versus the budgeted level of 2,100,000) and the Commission is projected still to meet its 1.25x debt service coverage target.

Recommendation:

- **In light of continued volatility/uncertainty in the U.S. and global economies and geopolitical events, continue to monitor monthly data revenue/expense and enplanement data.**
 - Enplanements versus Campbell-Hill forecast and year-over-year comparisons;
 - Revenues/expenses versus budget incorporating seasonality, timing and year-over-year comparisons;
- **Update projections in a regular quarterly basis, as needed.**

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Chairman Hazzard thanked Mr. Kooch.

2. Planning & Construction Committee

Committee Chair Hinson stated that the Planning & Construction Committee did not meet.

3. Executive Committee

Chairman Hazzard stated the Executive Committee did meet.

a. Executive Deferred Compensation Program for the President and CEO

Mr. Harless reviewed the following resolution:

WHEREAS, the Capital Region Airport Commission (the "Commission") was created by and pursuant to Chapter 537 of the Acts of Assembly of 1975, as amended, and continued by Chapter 380 of the Acts of Assembly of 1980, as amended (the "Enabling Act"), for the purpose of operating the Richmond International Airport (the "Airport");

WHEREAS, Section 8, Paragraph 11 of the Enabling Act authorizes the Commission to employ officers of the Commission and to fix

their duties and compensation, and Article V, Section 1 of the *Bylaws* of the Commission, as amended, authorizes the Commission to employ the President and Chief Executive Officer of the Commission;

WHEREAS, the Commission entered into a letter agreement of employment dated June 28, 2019, effective July 9, 2019, with Perry J. Miller (“Mr. Miller”) to serve as the Commission’s President and Chief Executive Officer (“CEO”);

WHEREAS, at its meeting on June 28, 2022, the Commission directed that legal counsel prepare and present to the Commission for its approval a supplemental executive retirement program for Mr. Miller;

WHEREAS, legal counsel has presented to the Commission for its consideration the attached draft of an *Executive Deferred Compensation Agreement* proposed to be made effective as of September 27, 2022 (“CEO Deferred Compensation Agreement”), and which, among its terms, provides for discretionary contributions by the Commission to a specified account in an amount or amounts to be determined solely in the discretion of the Commission, and the vesting of such contributions upon the occurrence of Mr. Miller’s death, disability, or attaining the retirement age of 65; and

WHEREAS, as part of Mr. Miller’s annual performance review at the Commission’s meeting on June 28, 2022, the Executive Committee recommended that in the event the Commission later approved a supplemental executive retirement program for Mr. Miller, that it also approve an initial contribution to such program in a sum equal to 8.6% of Mr. Miller’s then-current salary, or approximately \$27,350.00.

NOW, THEREFORE, BE IT RESOLVED BY THE CAPITAL REGION AIRPORT COMMISSION, in accordance with and under the authority granted by Section 8, Paragraph 11 of Chapter 380 of the Enabling Act, as amended, that the Chairman is authorized to execute an Executive Deferred Compensation Agreement with Mr. Miller which is substantially in conformance with the terms set forth in the attached draft CEO Deferred Compensation Agreement, and subject further to such reasonable and necessary terms and conditions as the Chairman may approve, all of the above to be undertaken subject to review by legal counsel.

BE IT FURTHER RESOLVED that the Commission’s initial contribution to such deferred compensation account for Mr. Miller shall be in the sum of \$27,500.00.

At Chairman’s Hazzard’s request, Commissioner Holland moved to approve the CEO’s Deferred Compensation Program. Commissioner Williams seconded the motion, and the motion passed unanimously.

IV. NEXT MEETINGS

The next meeting of the **Capital Region Airport Commission** will be held on Tuesday, October 25, 2022, at 8:00 a.m.

The **Executive Committee meeting** will be held on Tuesday, November 15, 2022, at 8:45 a.m.

The **Finance & Audit Committee** meeting will be held on Tuesday, October 11, 2022, at 8:00 a.m.

The **Planning & Construction Committee** meeting will be held on Thursday, November 17, 2022, at 8:00 a.m., all in the Commission Boardroom in the Terminal Building.

V. ADJOURNMENT

Before adjournment, Chairman Hazzard encouraged the Commissioners to take the tour of the Air Traffic Control Tower (ATCT) and the Fixed Based Operators (FBOs) following October's Commission meeting. Chairman Hazzard adjourned the meeting at 9:40 a.m.

Approved by the Commission:


Recording Secretary


Wayne T. Hazzard, Chairman

Date 11-15-22