



Indianapolis Airport Authority

Agenda
Indianapolis Airport Authority
February 19, 2010
9:00 a.m.

- I. Call to Order
- II. Approval of Minutes of the Regular Meeting of January 15, 2010
- III. Ordinances, Resolutions and Public Hearings
 - a) Consider for approval adoption of Resolution 2-2010 concerning FAA Land Release by the Federal Aviation Administration for approximately 515.44 acres.
 - b) Consider for approval adoption of Resolution 3-2010 concerning the execution of the Fourth Amendment to IMC Lease Agreement *(BP2010-2-1)*.
- IV. Board Reports
 - a) President's Report
- V. Official Actions
 - a) Introduction of the IAA Consent Calendar dated February 19, 2010.
 - b) Consider for approval each of the individual items listed on the IAA Consent Calendar Agenda dated February 19, 2010.
- VI. Staff Reports
 - a) CEO Report – John D. Clark, III
 - b) Financial Report – Marsha Stone
 - c) Land Use & Development Strategy Presentation – Marsha Stone
- VII. Other
- VIII. Adjourn

The Regular Meeting of the Indianapolis Airport Authority Board was called to order at 8:30 a.m. January 15, 2010 in the Airport Board Room at Indianapolis International Airport.

Present and comprising a quorum were:

Lacy Johnson, Vice President
Alfred R. Bennett, Secretary
Alex Azar, Member
Kelly Flynn, Member
Jean Wojtowicz, Member

Advisory Members attending:

Jack Morton
Lynn Gordon
Steve Dillinger

IAA staff attending:

Marsha Stone, Chief Financial Officer
Robert Duncan, Chief Operating Officer
Patzetta Trice, Chief Communications Officer
Al Stanley, Chief Information Officer
Beverly Terlaje, Recording Secretary

Rex Joseph, IAA Counsel

APPROVAL OF MINUTES

Upon a motion by Mr. Flynn, seconded by Mr. Azar and unanimously passed, approval was given to the Minutes of the Regular Meeting of December 18, 2009.

ORDINANCES, RESOLUTIONS AND PUBLIC HEARINGS

Vice President Johnson opened the public hearing on General Ordinance No. 5-2009, approving the 2010 Rates & Charges. With there being no comments, the hearing was closed.

Consideration for approval the adoption of General Ordinance 5-2009 approving the 2010 Rates & Charges.

Upon motion by Mr. Flynn, seconded by Mr. Azar and unanimously passed, approval was given to adopt General Ordinance No. 5-2009.

Consideration for approval the adoption of Resolution 1-2010 concerning the 2010 Budget Appropriation Transfer.

Upon motion by Ms. Wojtowicz, seconded by Mr. Bennett and unanimously passed, approval was given to adopt Resolution 1-2010.

Vice President Johnson opened the public hearing on disposal of a 0.648 acre lot at 4031 south Ronald Reagan Parkway to Six Points Road Developers LLC for the sum of \$35,000. (ref: BP2010-1-6). With there being no discussions, the hearing was closed.

BOARD REPORTS

President's Report

None

OFFICIAL ACTIONS

Election of Officers – IAA Board

Mr. Azar made the following nominations of officers for the 2010 IAA Board of Directors:

Michael Stayton, President
Lacy Johnson, Vice President
Alfred Bennett, Secretary

Vice President Johnson also made the following nominations for Treasurer:

Jeremiah Wise, Treasurer
Marsha Stone, Assistant Treasurer

Upon motion by Mr. Azar, seconded by Ms. Wojtowicz and unanimously passed, Nomination of officers to the 2010 IAA Board of Directors was approved.

Mr. Flynn nominated Mr. Rex Joseph, Jr. as Board Attorney for the 2010 IAA Board of Directors:

Upon motion by Mr. Flynn, seconded by Mr. Bennett and unanimously passed, approval was given to retain Mr. Rex Joseph as IAA's Board Attorney for the 2010 IAA Board.

Mr. Robert Duncan, Chief Operating Officer stated the board also appoints an assistant Board Secretary, however Vice President Johnson stated that he will defer this matter to President Stayton.

APPROVAL OF THE INDIANAPOLIS AIRPORT AUTHORITY CONSENT CALENDAR DATED JANUARY 15, 2010: Upon a motion by Mr. Azar, seconded by Mr. Bennett and passed by a majority vote, approval was given to the Consent Calendar dated January 15, 2010.

APPROVAL OF INDIVIDUAL ITEMS LISTED ON THE INDIANAPOLIS AIRPORT AUTHORITY CONSENT CALENDAR DATED JANUARY 15, 2010: Upon a motion by Mr. Azar, seconded by Mr. Bennett and passed by a majority vote, approval was given to accept the individual items listed on the Consent Calendar dated January 15, 2010.

STAFF REPORTS

CEO REPORT

None

CFO REPORT

Financial Report

Ms. Stone provided a brief update of the Financial Report for November 2009 and year to date activity.

DIVERSITY REPORT

Mr. James Duke, Director of Diversity Programs, provided a brief report on 2009 MBE/WBE participation goals and 2008/2009 spending comparisons.

OPERATIONS REPORT

Mr. Mike Medvescek, Director of Airport Operations and Maintenance provided a brief report on the events that occurred during the holiday season at IND.

IT REPORT

Mr. Al Stanley, Chief Information Officer provided a brief overview of his 30-day assessment of IAA's Information Technology.

OTHER BUSINESS

Vice President Johnson recognized and thanked Steve Thomas, General Manager of HMS Host for the sponsorship of refreshments.

ADJOURN

There being no further business, the meeting was adjourned at 9:15 a.m.

INDIANAPOLIS AIRPORT AUTHORITY*

Lacy M. Johnson, Vice President

Alfred R. Bennett, Secretary

Date:_____

*Signed under authority of IAA Board Resolution 10-2009



Board Memo – Resolution

To: IAA Board of Directors
From: Erika Davis
Date: February 2, 2010
Board Date: February 19, 2010
Subject: FAA Deed of Release for I-70 Project – Resolution No. 1-2010

Scope

As part of the reconstruction of Interstate I-70 south of the new terminal complex, the Airport Authority and Indiana Department of Transportation (INDOT) worked cooperatively to relocate the road and to build the ramp system to accommodate passengers and other users of the Indianapolis International Airport. The Authority and INDOT agreed to an exchange of land to ensure that INDOT retained land necessary to maintain the interstate highway and that land that was no longer needed by INDOT for this purpose would be transferred to the Authority.

The exchange of property involves approximately 515.44 acres to be transferred to INDOT for highway development and highway easements and approximately 71.772 acres to be transferred from INDOT to the Authority for habitat conservation. Since the Authority property to be transferred to INDOT was purchased using federal grant dollars, the Authority sought the required release from the Federal Aviation Administration (FAA). On January 21, 2010, the FAA provided the necessary Deed of Release after its determination that the identified land was no longer required for current or future airport purposes.

In order to effectuate the Deed of Release, the Board is required to adopt a resolution accepting the terms of the Deed of Release that include, among other things, the agreement of the Authority to include within the deed transferring the property to INDOT language that will ensure, among other things, that the use of the land will not interfere with airport operations or create a condition that pose hazards to aircraft or to air navigation. Resolution 2-2010 also authorizes the President or Vice-President to sign the Deed of Release from the FAA.

Recommendation

Consider for approval the terms of the Deed of Release from the Federal Aviation Administration for the transfer of land between the Indianapolis Airport Authority and the Indiana Department of Transportation and the authorization to sign the Deed of Release to the President or Vice-President as outlined in Appendix A, Resolution 2-2010.

RESOLUTION 2-2010

WHEREAS, the Indianapolis Airport Authority (Authority) and the Indiana Department of Transportation (INDOT) agreed to exchange certain real estate owned by each entity with respect to the relocation and construction of Interstate 70; and

WHEREAS, Authority will transfer 515.44 acres to INDOT (339.956 acres for highway development and 175.492 acres for highway easements); and

WHEREAS, INDOT will transfer 71.772 acres for habitat conservation; and

WHEREAS, the transfer of Authority's real estate necessitated that the Federal Aviation Administration (FAA) issue a release of the 515.44 acres of Airport property from applicable FAA Grant Assurances as the property was acquired in part by federal grant funds; and

WHEREAS, on January 21, 2010, FAA issued its Letter of Intent to release Airport property with respect to the 515.44 acres; and

WHEREAS, the FAA has issued its Deed of Release subject to acceptance thereof by Authority; and

WHEREAS, the Deed of Release requires the Authority to retain an air easement over the property, to continue to enforce 14 CFR Part 77 height restrictions applicable to the aforesaid 515.44 acres, not to allow the use of the property for any purpose that would constitute a hazard to air navigation or communication facilities at the Airport, and not to permit the use of the property in a manner that attracts birds or other wildlife; and

WHEREAS, the Deed of Release requires that a revised Airport Layout Plan and Property Map be prepared and forwarded to FAA.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Indianapolis Airport Authority that:

1. The terms of the Deed of Release provided by the Federal Aviation Administration for approximately 515.44 acres are acceptable to the Authority; and
2. The Board of Directors authorizes the Deed of Release to be executed by the Board's President or Vice President.

Adopted and effective this 19th day of February 2010.

INDIANAPOLIS AIRPORT AUTHORITY*

Michael B. Stayton, President

Alfred R. Bennett, Secretary

*Signed under authority provided in IAA Board Resolution 10-2009.

CERTIFICATE OF AUTHENTICITY

I, Alfred R. Bennett, Secretary of the Indianapolis Airport Authority Board of Directors, hereby certify that the foregoing is a true and correct copy of Resolution 2-2010 adopted by the Indianapolis Airport Authority Board on the 19th day of February 2010.

Alfred R. Bennett, Secretary
INDIANAPOLIS AIRPORT AUTHORITY

RESOLUTION 3-2010

RESOLUTION OF THE
INDIANAPOLIS AIRPORT AUTHORITY
APPROVING EXECUTION OF AMENDMENT TO LEASE

WHEREAS, the Indianapolis Airport Authority (the "Authority") has entered into a Lease Agreement with AAR Aircraft Services, Inc. ("AAR") dated as of June 14, 2004, regarding certain portions of the Indianapolis Maintenance Center (the "IMC") at the Indianapolis International Airport (the "Airport"); and

WHEREAS, the Authority has continued to work diligently to work with our tenants to increase the overall revenue received from the IMC; and

WHEREAS, IAA Staff has reported to the members of the Board of the Authority on the progress of efforts to work with the IMC tenants to fill the space at the IMC and have updated the Board regarding additional discussions with AAR; and

WHEREAS, the Authority and AAR have come to agreement on a Fourth Amendment to Lease Agreement (the "Fourth Amendment") on the terms of renegotiating certain aspects of the lease as it relates to the Fourth Amendment to the original lease dated June 12, 2004.

NOW, THEREFORE, BE IT RESOLVED BY THE INDIANAPOLIS AIRPORT AUTHORITY AS FOLLOWS:

1. The Authority makes the following findings of fact:
 - (A) The market for aircraft maintenance facilities like the IMC is depressed by general economic conditions and changes in the airline industry.
 - (B) The IMC is the largest aircraft maintenance facility available for rental in the market.
 - (C) The IMC, while one of the most advanced, state-of-the-art facilities, is more expensive to operate than most comparable facilities.
 - (D) The Authority, with the assistance of its consultants, as well as representatives of the City of Indianapolis and the State of Indiana, have continued to work to increase revenues at the IMC.
 - (E) The restrictions on the use of the IMC, due to the financing of the IMC with proceeds of the Bonds and other tax-exempt bonds

issued by the City and the State, are restrictions which reduce the prospects for reuse of significant portions of the IMC.

- (F) The Fourth Amendment does not include any commitments from AAR for job creation or other concessions.
- (G) The Authority has determined that proceeding with the Fourth Amendment to Lease Agreement will allow AAR to broaden AAR's scope of services, in turn assisting in attracting future aircraft customers.
- (H) It is hereby found that the execution of the Fourth Amendment to Lease Agreement, as presented to this meeting, complies with the essential and governmental purposes and provisions of the Act and would be in the best interests of the Authority, the holders of the Bonds and the community of Indianapolis and Marion County.
- (I) If any provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any of the remaining provisions of this Resolution.

2. Based upon the above findings of fact, the Authority hereby finds the following:

- (A) The Authority has used reasonable efforts to relet the IMC for rentals equal to the full rental due from United Airlines and with terms and provisions substantially similar to those contained in the lease with United Airlines, but the Authority has found no tenant who is willing to lease the entire IMC, who is willing and able to pay the full rental paid by United and who is willing to pay the full operating cost of the IMC; therefore, the Authority hereby finds that no United-like lease can be executed.
- (B) The Authority has used its reasonable efforts to negotiate for the best available lease terms for generating projected total net rentals in light of then-prevailing market conditions and without materially reducing the expected total rentals over the term of the lease in return for commitments from tenants for job creation or other concessions.
- (C) The Authority has determined that proceeding with the Fourth Amendment to Lease Agreement is a far superior option compared to continuing to fund certain operating expenses and will ensure maintenance responsibilities and services; along with environmental regulatory requirements are met by AAR.

3. It is hereby found that the execution of the Fourth Amendment, as presented to this meeting, complies with the essential and governmental purposes and provisions of the Act and would be in the best interests of the Authority, the holders of the Bonds and the community of Indianapolis and Marion County.

4. The Authority hereby authorizes and directs the President and the Secretary or the Assistant Secretary of the Authority to execute all collateral documents required for execution of the Fourth Amendment on behalf of the Authority.

5. If any provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any of the remaining provisions of this Resolution.

6. This Resolution shall take effect immediately upon passage.

Adopted this 19th day of February, 2010.

INDIANAPOLIS AIRPORT AUTHORITY*

Michael B. Stayton, President

Alfred R. Bennett, Secretary

*Signed under authority provided in IAA Board Resolution 10-2009.

CERTIFICATE OF AUTHENTICITY

I, Alfred R. Bennett, Secretary of the Indianapolis Airport Authority Board of Directors, hereby certify that the foregoing is a true and correct copy Resolution 3-2010 adopted by the Indianapolis Airport Authority Board on the 19th day of February, 2010.

Alfred R. Bennett, Secretary

INDIANAPOLIS AIRPORT AUTHORITY

IAA Board Meeting
Consent Calendar Agenda
February 19, 2010

Consider for approval:

A) General Business

- BP2010-2-1 The fourth Amendment to Lease Agreement with AAR Aircraft Services, Inc.
- BP2010-2-2 Amendment No. 1 to Land Lease Agreement with Aero Equipment Leasing, Inc.
- BP2010-2-3 The Sky Club Lease Agreement with Delta Air Lines, Inc.
- BP2010-2-4 A Foreign Trade Zone (FTZ) Operator Agreement with Redcats USA, L.P.

B) Capital Program

- BP2010-2-5 Two (2) Change Order Requests – IND

C) Real Estate

- BP2010-2-6 The purchase of property per the attached schedule.



Board Memo – Fourth Amendment to Lease Agreement

To: IAA Board of Directors

From: Marsha Stone, Chief Financial Officer

Date: January 26, 2010

Board Date: February 19, 2010

Subject: Fourth Amendment to Lease Agreement with AAR Aircraft Services, Inc.

Background

A mutual agreement has been reached with AAR Aircraft Services, Inc. (AAR) on revisions to the Lease Agreement encompassed within the Fourth Amendment. This particular negotiation has been ongoing for several months and was better known as “quick wins” revisions.

Key items resulting from the negotiations are:

- AAR agrees to rent additional space in the Back-Shops area of the IMC known as the Machine and Composite Shops (Expansion Space). AAR will also maintain all tooling and equipment residing in the Expansion Space. The Lease Term of this area is eighteen (18) months commencing retroactive to January 1, 2010 with options to match the existing term of the Lease Agreement.
- Notification timeframes of Hangar Bay activations / deactivations have been reduced to ten days notice (in either case).
- AAR sharing in operating expense thresholds via receiving rental credits when annual expenses fall below an estimated \$9.9M, has been reduced to AAR receiving only fifty percent (50%) of annual savings (via rental credits).
- During the Expansion Space Term, AAR minimum rental obligation will increase to four (4) Hangar Bays, Office Space and the Expansion Space.
- Both the Authority and AAR agree to exit Indiana Department of Environmental Management’s (IDEM) Voluntary Remediation Program (VRP). In exchange, Authority will seek a Site Status letter from IDEM.
- AAR takes over all AAR specific signage costs.

Scope

Authority Board Adoption of Resolution No. 3-2010, authorizing the execution of the Fourth Amendment to Lease Agreement with AAR Aircraft Services, Inc.

This Amendment expands AAR's leasehold to include the IMC's Machine and Composite Shops and also provides for modification of the notification periods for activation / deactivation of hangar bays, along with environmental language modifications.

Schedule

February 19, 2010: Execution of Fourth Amendment to Lease Agreement with AAR Aircraft Services, Inc.

Revenue and/or Operating Cost Implications

Operating Revenue:

Annual revenues derived from the Expansion Space commence at:

- \$600,000 per year through 6/30/2011,
- \$700,000 per year through 12/31/2012 (Option Term 1),
- \$800,000 per year through 6/30/14 (Option Term 2) and,
- \$850,000 per year through 12/31/2014 (Option Term 3).

In addition, the Authority will share in Percentage Rent based on Operating Profit of the Expansion Space in a tiered approach as follows:

- Authority will receive 11% of the operating profits above/equal to an AAR Operating Profit of 10%.
- Authority will receive 22% of the operating profits above/equal to an AAR Operating Profit of 12%.
- Authority will receive 33% of the operating profits above/equal to an AAR Operating Profit of 14% or greater.

Operating Cost:

The utilities for the IMC are paid by the Authority; however, these costs are considered in the square foot rental rates charged to all IMC Tenants.

The Authority has the responsibility of all facility infrastructure including HVAC, plumbing, electrical, as examples. Annual expense is estimated to be less than \$55,000.

Diversity Participation

Not applicable.

Recommendation

IAA Staff recommends that the Board consider for approval the Fourth Amendment to the Lease Agreement with AAR Services, Inc.



Board Memo – Amendment No. 1

To: IAA Board of Directors
From: Marsha Stone, Chief Financial Officer
Date: January 25, 2010
Board Date: February 19, 2010
Subject: Amendment No. 1 to Land Lease Agreement with Aero Equipment Leasing, Inc.

Background

Aero Equipment Leasing, Inc. (Aero) currently occupies a hangar at Mt. Comfort Airport under a Land Lease Agreement. The current term expires on April 30, 2012, with Aero having one (1) option term of five (5) years available.

This Amendment will provide an additional option term of five (5) years, thus providing Aero with two (2) renewal terms of five (5) years each. Rental during both option terms is established as Aero paying 12% of appraised value of the land and hangar.

Scope

This Amendment provides for an additional option term consisting of five (5) years.

Schedule

February 19, 2010: Execution of Amendment No. 1 to Land Lease Agreement with Aero Equipment Leasing, Inc.

Revenue and/or Operating Cost Implications

Revenue:

Annual rental through April 30, 2012, will continue at \$2,918.52.

Operating Costs:

There are no operating costs associated with this lease.

Diversity Participation

Not applicable.

Recommendation

IAA Staff recommends that the Board consider for approval Amendment No. 1 to Land Lease Agreement with Aero Equipment Leasing, Inc.



Board Memo – Sky Club Lease Agreement

To: IAA Board of Directors
From: Marsha Stone, Chief Financial Officer
Date: January 25, 2010
Board Date: February 19, 2010
Subject: Sky Club Lease Agreement with Delta Air Lines, Inc.

Background

With the merger of Delta Air Lines, Inc. (Delta) and Northwest Airlines, Delta has taken this opportunity to rebrand their company's assets and introduce three (3) new Sky Club locations in Seattle, Philadelphia and most importantly, Indianapolis.

The Sky Club will be located beyond Security Checkpoint A, prior to entering the Concourse. Delta is investing in the Indianapolis market by adding this facility and these amenities to better serve their business traveler. The Sky Club will offer personalized flight assistance, beverages, internet service and a relaxing atmosphere while traveling at Indianapolis. One of the amenities these exclusive facilities are known for is providing snacks and beverages to their Sky Club members; so in conjunction with this, the Authority Staff is working with Delta to utilize Retail Concessionaires whenever possible. As an example, Authority Staff is recommending to Delta that menu selections be made available in the Sky Club Room wherein a Delta Club Member can order and have the item delivered to them, thereby providing a new opportunity for Retail Concessionaires.

The Sky Club agreement provides for a term of ten years and one ten year option, with a lease rate of \$95.00 p.s.f. the first ten years for annual rents of \$465,785.00, before rental credits are applied. The option term base rent of \$95.00 p.s.f. will be adjusted annually by the Consumer Price Index (CPI-U).

Scope

Delta will design and build the Sky Club, consisting of approximately 4,903 square feet; Delta will finance the project and invest approximately \$2.5 million into the hard and soft costs associated with the Sky Club.

Schedule

February 19, 2010: Execution of Sky Club Lease Agreement with Delta Air Lines, Inc.
August 1, 2010: Approximate date of completion

Revenue and/or Operating Cost Implications

Revenue:

Delta will pay the Authority annual net rents of \$395,419.52; which is a result of \$465,785.00 in annual rents and less annual rent credits of \$70,365.48.

The Authority will provide rental credits of \$703,655.00, which will be applied in monthly installments of \$5,863.79 over the initial ten years of the term. The rental credits are provided in order to prepare the facility as consideration for the infrastructure improvements not in place at the Airport.

Operating Costs:

Gas and electric utilities will be separately metered and billed direct to Delta. Water and sewer utilities are factored into Delta's rental rate structure.

Diversity Participation

Not applicable.

Recommendation

IAA Staff recommends that the Board consider for approval the Sky Club Lease Agreement with Delta Air Lines, Inc.



Board Memo – Redcats USA Operator Agreement

To: IAA Board of Directors
From: Marsha Stone, Chief Financial Officer
Date: January 22, 2010
Board Date: February 19, 2010
Subject: Redcats USA, L.P. FTZ Operator Agreement

Background

The Authority is the Foreign Trade Zone (FTZ) “grantee” representing central Indiana communities. In 1981, the Authority created a separate company, the Greater Indianapolis Foreign Trade Zone, Inc. (GIFTZ), a not-for-profit 501C (6), to administer the FTZ program.

Redcats USA, L.P., a global leader in the distribution of textiles and home goods, has requested sponsorship of the Authority to gain access to the FTZ program benefits. The GIFTZ Board concurred with their petition for program access.

Redcats USA, L.P. initially requested GIFTZ subzone sponsorship, which was approved by the Authority in May 2009. In July 2009, Redcats USA, L.P. elected not to file for subzone status but rather wait until the Authority switched to its General Purpose Zone (GPZ) management model called “Alternate Site Framework (ASF)”. The switch to ASF was approved by both the GIFTZ and IAA Boards in 2009

Redcats USA, L.P. has requested two (2) sites be included in their “user-driven” GPZ designation:

- GPZ Site #9: 750,000 square foot building on 26.6 acres, located at 2300 Southeastern Avenue, Indianapolis, IN.
- GPZ Site #10: 750,000 square foot building on 52.1 acres located at 3003 Reeves Road, Plainfield, IN.
- Both sites combined total 1.5 million square feet of designated FTZ space.

Redcats USA, L.P. employs 830 individuals at the Indianapolis and Plainfield sites, with a combined annual payroll of \$32 million.

Scope

The GIFTZ Board requests the Authority execute an Operating Agreement with Redcats USA, L.P. to allow the use of FTZ benefits at their proposed sites. Once approval of their boundary modification application has been granted in Washington, D.C., both sites will be activated.

Schedule

February 19, 2010: Execution of Redcats USA, L.P. Operating Agreement

April 1, 2010: Tentative activation date, based on Washington's estimated approval timeline of Redcats USA, L.P. application

Revenue and/or Operating Cost Implications

Revenue:

Revenue for the two (2) sites of active FTZ space is \$48,000 per annum.

Operating Costs:

The GIFTZ has no initial costs associated with the application and designation process. Once Redcats USA, L.P. activates the use of the FTZ privileges, the GIFTZ will expend approximately \$4,900 per annum to provide established support services.

Diversity Participation

Not applicable.

Recommendation

IAA Staff recommends that the Board consider for approval a FTZ Operator Agreement with Redcats USA, L.P.

