



Agenda
Indianapolis Airport Authority
September 17, 2010
8:30 a.m.

I. Call to Order

II. Approval of Minutes of the Pre-Board and Regular Meeting of August 20, 2010

III. Board Reports

a) President's Report

b) Finance & Audit Committee – *Jean Wojtowicz, Committee Chair*

BP2010-09-1 - IAA Finance and Audit Committee recommends that the Board delegate authority to the Board President and Executive Director/CEO to:

1. Enter into an exclusive listing agreement with Cassidy Turley on a trial basis for specific sites through December 31, 2010.
2. Authorize a capital investment of up to \$1 million into the improvement of Authority assets in order to induce a possible tenant lease transaction and to enter into a lease transaction for a term of up to 15 years, based on a review of proposed tenant's financial strength and a minimum IRR of 30%.
3. Authorize a brokerage commission payment of up to \$450,000 in conjunction with a tenant lease.

IV. Official Actions

- a) Introduction of the IAA Consent Calendar dated September 17, 2010.
- b) Consider for approval each of the individual items listed on the IAA Consent Calendar Agenda dated September 17, 2010.

V. Staff Reports

- a) CEO Report – *John D. Clark, III*
- b) Financial Report – *Marsha Stone*

VI. Other Reports/Update

- a) Progress on Land Use Study – Landrum & Brown

VII. Adjourn

MINUTES OF PRE-BOARD MEETING

The Pre-Board Meeting of the Indianapolis Airport Authority Board took place at 7:53 A.M. on Friday, August 20, 2010, in the new Indianapolis Airport Colonel H. Weir Cook Terminal Building, fourth floor. The following members of the Indianapolis Airport Authority Board were present:

Lacy M. Johnson
Alfred R. Bennett
Mary Moses Cochran
Kelly J. Flynn
Andrew D. Miller
Jean L. Wojtowicz

Also present were Advisory Board members Lynn Gordon and Jack Morton.

Maria Wiley submitted the Second Quarter Executive Summary Report for 2010.

Joe Heerens commented on the report he had submitted concerning the Delegation of Authority Matter.

Upon motion made by Andrew D. Miller and seconded by Kelly J. Flynn, the Airport Authority Board unanimously passed a motion to donate two of our large buses to LVIED (Large Vehicle Improvised Explosive Device) Course.

Mark Hedegard presented and answered questions concerning the Advertising/Sponsorship Policy.

The Airport Authority Board concluded its Pre-Board Meeting at 8:12 A.M.

ALL OF WHICH IS STATED THIS 17th DAY OF SEPTEMBER, 2010.

LACY M. JOHNSON, Vice-President

MINUTES
Board of Directors Meeting
Indianapolis Airport Authority

The Regular Meeting of the Indianapolis Airport Authority Board was called to order at 8:30 a.m., August 20, 2010, in the Airport Board Room at Indianapolis International Airport.

Present and comprising a quorum were:

Lacy Johnson, Vice President
Alfred R. Bennett, Secretary
Andrew Miller, Member
Jean Wojtowicz, Member
Kelly Flynn, Member
Mary Moses Cochran, Member

Advisory Members attending:

Jack Morton
Lynn Gordon

Rex Joseph, IAA Counsel

IAA executive staff attending:

John D. Clark III, Executive Director/CEO
Marsha Stone, Chief Financial Officer
Mike Medvescek, Chief Operations Officer
Al Stanley, Chief Information Officer
Patzetta Trice, Chief Communications Officer
Joseph Heerens, General Counsel
Robert Duncan, Special Advisor to the CEO
Beverly Terlaje, Executive Assistant/Recording Secretary

APPROVAL OF MINUTES

Upon a motion by Mr. Flynn, seconded by Ms. Wojtowicz and unanimously passed, approval was given to the Minutes of the Pre-Board and Regular Meeting of July 16, 2010.

ORDINANCES, RESOLUTIONS AND PUBLIC HEARINGS

Vice President Johnson opened the final Public Hearing on General Ordinance No. 1-2010 concerning the 2011 Indianapolis Airport Authority Budget. There being no public comments, the hearing was concluded.

Vice President Johnson asked for a motion to approve the adoption of General Ordinance No. 1-2010, as approved and recommended by the Board's Finance & Audit Committee. Upon a motion by Ms. Wojtowicz, seconded by Mr. Flynn and unanimously passed, approval was given to adopt General Ordinance No. 1-2010, approving the 2011 Indianapolis Airport Authority Budget.

Mr. Clark asked the Board to consider for approval the adoption of Resolution 10-2010 concerning the Foreign Trade Zone Subzone Application GEA Bloomington Production Operation, LLC, Bloomington Indiana. Upon a motion by Ms. Wojtowicz, seconded by Mr. Bennett and unanimously passed, approval was given to adopt Resolution No. 10-2010,.

BOARD REPORTS

President's Report

Vice President Johnson had no reports.

OFFICIAL ACTIONS

APPROVAL OF THE INDIANAPOLIS AIRPORT AUTHORITY'S CONSENT CALENDAR, DATED AUGUST 20, 2010: Upon a motion by Mr. Bennett, seconded by Mr. Miller and unanimously passed, approval was given to the Consent Calendar, dated August 20, 2010.

APPROVAL OF INDIVIDUAL ITEMS LISTED ON THE INDIANAPOLIS AIRPORT AUTHORITY'S CONSENT CALENDAR, DATED AUGUST 20, 2010: Upon a motion by Mr. Bennett, seconded by Mr. Miller and unanimously passed, approval was given to accept each of the individual items listed on the Consent Calendar, dated August 20, 2010.

STAFF REPORTS

CEO REPORT

Mr. Clark had no reports.

CFO REPORT

Financial Report

Ms. Stone provided a brief update on Air Service for July 2010 and year-to-date and reported good news as July passenger numbers were up by 2.6% above prior year and is hopeful on the continuing trend. Ms. Stone also stated that seat capacity increased above levels from prior year. Ms. Stone also announced that American Airlines is adding an additional flight into Miami which will now provide 2 daily services into Miami and also shared the announcement of American Airlines adding 2 new daily flights into JFK which is a new market for American Airlines from Indianapolis. Ms. Stone also provided a brief update on the Financial Report for the year and stated the financial results continue to remain strong and revenues continue to exceed our budget expectations.

Other

Vice President Johnson recognized and thanked Jason Zoch, Joe Siefert and the team of Wells Fargo Financial Advisors for sponsoring today's refreshments.

ADJOURN

There being no further business, the meeting was adjourned at 8:40 a.m.

INDIANAPOLIS AIRPORT AUTHORITY*

Lacy M. Johnson, Vice President

Alfred R. Bennett, Secretary

Date: _____

*Signed under authority of IAA Board Resolution 10-2009



Agreement with Cassidy Turley

To: IAA Board of Directors
From: Marsha Stone, Chief Financial Officer
Date: September 1, 2010
Board Date: September 17, 2010
Subject: Commercial Brokerage Agreement with Cassidy Turley

Background

The IAA has four buildings that have been vacant, attracting virtually no leasing activity or interest for an extended period of time. Three of these buildings were previously leased by ATA, commonly referred to as the ATA Campus on West Washington Street. The fourth building's last tenant was the FAA, and is located at South Banner and North Perimeter Road. Each of these buildings may possibly require conversion from a single-tenant building to a multi-tenant building. The IAA has little experience in marketing these types of buildings. In order to try to maximize the value of these assets, Authority Staff is requesting to enter into an exclusive arrangement, through the end of 2010, with a local brokerage firm Cassidy Turley to market and lease these buildings. The Cassidy Turley company brings multiple resources to the airport to help the IAA better maximize the value of these assets. They are one of the nation's largest real estate firms and the largest in Indiana, offering a nation-wide network of over 58 locations, as well as an international partnership with a European based real estate firm, GVA Grimley. The Cassidy Turley organization in central Indiana controls more real estate/buildings in the Indianapolis market than any other brokerage firm. Their closest competitor, CB Richard Ellis was personally contacted regarding this scope of work; however, they have shown no interest in pursuing this opportunity. These two firms control over 60% of the market activity.

The purpose of this exclusive agreement is to provide the airport with a greater reach of potential tenants, a network of professionals connected around the community; as well as national/international exposure working to market IAA assets. Since the IAA has not in the recent past engaged outside brokers to market its assets, this is a new opportunity to explore this trial period to evaluate what results can be achieved. This agreement will not limit nor restrict the current IAA property staff from continuing to market/lease airport buildings/assets.

This program is intended to augment those efforts in areas where the IAA Staff have not yet developed specific expertise. No other buildings or assets will be involved in this venture.

Scope

The Cassidy Turley commercial brokerage agreement provides the following:

1. An exclusive right to represent the IAA (as an owner) for facilities formerly known as the ATA Campus and FAA Building.
2. A fee or commission between 4-7% (market rate) is payable to Cassidy Turley only upon the execution of a lease. The IAA is not obligated to accept any offer whatsoever.
3. The term is from September 17, 2010 to December 31, 2010.

Revenue and/or Operating Cost Implications

In order to lease the referenced buildings, the IAA (owner) will need to be prepared to potentially invest a substantial amount of money to "improve" the interior space of the buildings in order to compete with other comparable buildings in the market. In addition, a leasing commission will also be an expense associated with this process. As an example of these costs, should a 40,000 s.f. lease transaction be presented, the IAA will need to be prepared to commit/invest \$1,000,000 (or more) in tenant improvements and up to an additional \$450,000 (or more) in broker commissions, for a total of \$1.45 million. The rent received from the potential tenant would provide a payback on this investment in approximately two years. This would represent an Internal Rate of Return (IRR) of greater than 30%.

Having the ability to quickly react to such a transaction is a key element to being successful in leasing a building. While the costs can be significant, the advantage of this opportunity far outweighs the status quo, as the IAA would see a significant investment on such a transaction. These types of transactions are not the usual business arrangement for the airport. The intent of this memorandum is to facilitate the understanding and implications of such transactions and to provide IAA and staff the necessary information to be able to commit to such investments within defined and approved parameters.

There is no on-going financial obligation associated with this agreement. The IAA is not obligated to enter into any future agreement or into any type of lease transaction; which the broker may bring to the IAA.

Supplier Diversity Participation

Not applicable.

Recommendation

IAA Finance and Audit Committee has reviewed the terms and recommends that the Board delegate authority to the Board President and Executive Director/CEO to:

1. Enter into an exclusive listing agreement with Cassidy Turley on a trial basis for specific sites through December 31, 2010.
2. Authorize a capital investment of up to \$1 million into the improvement of Authority assets in order to induce a possible tenant lease transaction and to enter into a lease transaction for a term of up to 15 years, based on a review of proposed tenant's financial strength and a minimum IRR of 30%.
3. Authorize a brokerage commission payment of up to \$450,000 in conjunction with a tenant lease.

IAA Board Meeting
Consent Calendar Agenda
September 17, 2010

Consider for approval:

A) Capital Program

- BP2010-09-2** A Change Order with Capital City Fence Co., Inc. for Project # M-08-049 – Metropolitan Airport Wildlife Deterrent Fence in an amount not-to-exceed \$4,140.10 and a 286 calendar day contract extension.
- BP2010-09-3** A Change Order with Brandt Construction Company, Inc. for Project #I-09-033-B in an amount not-to-exceed \$42,034.
- BP2010-09-4** The terms and conditions of the FedEx Pre-Development Service Agreement and that the IAA Board delegate authority to the Executive Director/CEO to execute agreement.

B) Real Estate

- BP2010-09-5** The purchase of property per the attached schedule.



Board Memo – Change Order

To: IAA Board of Directors
 From: Mike Medvescek, Chief Operating Officer
 Date: August 13, 2010
 Board Date: September 17, 2010
 Subject: Change Order for Project # M-08-049 – Metropolitan Airport Wildlife Deterrent Fence for Capital City Fence Co., Inc.

Background

The Metropolitan Airport currently has a 4 ft. farm field fence along its eastern boundary which does not adequately deter wildlife that lives in Ritchie Woods Nature Preserve, and unauthorized personnel or vehicles. In order to enhance the airfield safety and security, this project will install 8,000 LF of 10 ft. wildlife fencing along the eastern and southern boundaries of the airport. This will serve as a deterrent to wildlife and also impede unauthorized personnel and vehicle access to the airfield areas.

This contract was approved by the Board on October 16, 2009.

Change Order Summary

Typically, contract changes fall under one of three categories: Errors/Omissions, Unforeseen Circumstances, or additional Owner requested scope. Typically, the cost of an error is paid by the designer since this requires redo of work that has been completed. Omissions are items that are corrected before work is done on that item and the designers are typically charged up to 15% of the cost of that item since the item has to be negotiated with the contractor. Unforeseen circumstances are items that could not have been anticipated by the designer and are not charged against the designer. The standard of care of errors/omissions items can range from 1 to 2 percent of the total construction cost.

The resulting need for this Change Order is additional Owner requested scope. It was discovered that the deer were still able to penetrate to the airfield through a heavily brush and large tree area that is typically under water. This change order will direct the contractor to install an additional 190 lineal feet of fence around the wooded area to eliminate the deer from crossing onto the airport property.

Revised Construction Contract Amount

Original Construction Contract Amount	\$207,785.44
Previous Change Orders Amount	\$ 0 (0.00% of Contract)
Current Change Order	<u>\$ 4,140.10</u> (1.99% of Contract)
New Construction Contract Total	\$211,925.54

Project Budget

Design & Soft Costs	\$ 32,000.00
Construction Contract Amount	\$211,925.54
Contingency	\$ 30,000.00
Unused Allocation	<u>\$305,800.46</u>
Estimated Total Project Cost	\$579,726.00

The revised contract with the Change Order included is within the approved project budget of \$579,726. Please note that the initial project budget was developed utilizing adjusted cost estimates from previous fencing projects from Indianapolis International Airport. Adjusted costs included less security requirements at reliever airports and not requiring an animal deterrent system under the proposed fence. Even with these adjustments, the bids received reflected a very aggressive bidding atmosphere thus saving dollars on the project which is reflected in the unused allocation amount of \$305,800.46.

Schedule

Work was discontinued in December 2009 and resumed in May 2010; however, due to heavy June rains the seeding and grading of the disturbed areas was not completed within the seeding schedule. A time only extension of 286 days to the contract is required to complete the contract seeding and this change order. The work is scheduled to be complete September 30, 2010.

Supplier Diversity Participation

If the change order is approved by the Board, the XBE participation on this project will be affected in the following way: XBE participation will remain the same.

FIRM	CLASSIFICATION	AMOUNT	%
Electrical Mechanical Services (EMS)	DBE	\$28,020	13.49
Electrical Mechanical Services (EMS)	MBE	\$28,020	13.49
Imperial Fence Company	WBE	\$6,120	2.95
Totals	DBE	\$28,020	13.49
	MBE	\$28,020	13.49
	WBE	\$6,120	2.95

Recommendation

The IAA staff has reviewed the Change Order and recommends that the Board consider for approval a Change Order with Capital City Fence Co., Inc. for Project # M-08-049 – Metropolitan Airport Wildlife Deterrent Fence in an amount not-to-exceed \$4,140.10 and a 286 calendar day contract extension.



Board Memo – Change Order

To: IAA Board of Directors

From: Mike Medvescek, Chief Operating Officer

Date: August 24, 2010

Board Date: September 17, 2010

Subject: Change Order for Project # I-09-033-B for Brandt Construction Company, Inc.

Background

This package provides for the construction of a facility that will house belly cargo for the airlines and airline ground support equipment (GSE) maintenance operations.

During construction, IAA staff observed that the connecting roadway between the new building and terminal ramp (approximately 1,000 feet) needed repair. The roadway was built in 1987 and no rehabilitation or reconstruction has been done since the original construction. The roadway will be milled and an asphalt overlay applied.

This contract was approved by the Board on December 18, 2009.

Change Order Summary

Typically, contract changes fall under one of three categories: Errors/Omissions, Unforeseen Circumstances, or additional Owner requested scope. Typically, the cost of an error is paid by the designer since this requires redo of work that has been completed. Omissions are items that are corrected before work is done on that item and the designers are typically charged up to 15% of the cost of that item since the item has to be negotiated with the contractor. Unforeseen circumstances are items that could not have been anticipated by the designer and are not charged against the designer. The standard of care of errors/omissions items can range from 1 to 2 percent of the total construction cost.

The circumstances resulting in the need for this Change Order is additional Owner requested scope.

Revised Construction Contract Amount

Original Construction Phase 2 Contract Amount	\$5,261,600.00
Previous Change Orders Amount	\$ 118,793.00 (2.26% of Contract)
Current Change Order (#8)	<u>\$ 42,034.00</u> (0.80% of Contract)
New Construction Phase 2 Contract Total	\$5,422,427.00

Project Budget

Design and Soft Costs	\$ 810,212.00
Construction Contract Amount Phase 1	\$ 271,103.00
Construction Contract Amount Phase 2	\$5,422,427.00
Construction Administration	\$ 249,933.00
Unforeseen Conditions	\$ 300,000.00
Unused Allocation	<u>\$1,675,023.00</u>
Estimated Total Project Cost	\$8,728,698.00

The revised contract with the Change Order included is within the approved project budget of \$8,728,698. Please note that the bids received on this project reflect a very aggressive bidding atmosphere thus saving dollars on the project which is reflected in the unused allocation amount of \$1,675,023.

Schedule

The IAA's lease agreement with the airlines for use of this building provided occupancy of the building beginning August 31, 2010. This work was done on a time and materials basis with direct oversight of IAA staff. The staff considers the costs for time and materials to be fair and reasonable.

Supplier Diversity Participation

If the change order is approved by the Board, the XBE participation on this project will be affected in the following way:

FIRM	CLASSIFICATION	ORIGINAL AMOUNT	ORIGINAL %	AFTER CO AMOUNT	AFTER CO %
AJ's Tool Rental	WBE	\$10,800	.21	\$10,800	.20
Distribution One, LLC	MBE	\$30,000	.57	\$30,000	.57
Plumbing Pros, Inc.	WBE	\$134,700	2.56	\$134,700	2.54
Cripe Architects + Engineers	MBE	\$13,000	.25	\$13,000	.25
Essential Architectural Signs, Inc	WBE	\$6,322	.12	\$6,322	.12
Pinnacle Equipment Co.	MBE	\$16,500	.31	\$16,500	.31
Master Filter Corporation	MBE	\$180,800	3.44	\$180,800	3.41
Heartland Ready Mix	MBE	\$285,000	5.42	\$285,000	5.37
Totals	MBE	\$525,300	9.98	\$525,300	9.90
	WBE	\$151,822	2.89	\$151,822	2.86

This information was approved by the Director of Supplier Diversity on August 24, 2010.

Recommendation

The IAA staff has reviewed the Change Order and recommends that the Board consider for approval a Change Order with Brandt Construction Company, Inc. for Project #1-09-033-B in an amount not-to-exceed \$42,034.



Pre-Development Agreement with FedEx

To: IAA Board of Directors

From: Marsha Stone, Chief Financial Officer

Date: September 2, 2010

Board Date: September 17, 2010

Subject: Pre-Development Service Agreement / FedEx Phase IV Apron Expansion / Executive Director - CEO Signature Authority

Background

In recent years, FedEx and the IAA have completed three (3) expansion projects of the FedEx Hub apron, known as Phase I, II and III; which accommodated FedEx's growth at IND. FedEx is now seeking approval to embark on Phase IV of their apron expansion; which will net approximately 400,000 additional square feet of apron space and accommodate four (4) additional parking positions for widebody aircraft.

Due to the internal approval process within FedEx, versus the required operational date of the apron expansion being November 2011; design of Phase IV apron expansion must proceed in advance of final internal approval of a lease amendment by FedEx. As such, FedEx has requested to enter into a Pre-Development Service Agreement with the IAA, so as to not slow down the design process, while simultaneously seeking final internal approval of the project. Therefore, the purpose of the Pre-Development Service Agreement is to provide approval to commence with the architectural and engineering phase, environmental assessments and surveying of property in preparation for the public bidding process and construction activity of the Phase IV apron expansion project.

Additionally, in conjunction with the Pre-Development Service Agreement, the IAA and FedEx are finalizing the terms and conditions of Amendment No. 4 to the Amended and Restated Land Lease Agreement dated October 21, 1994; which encompasses the financing obligations, revenue and other related conditions of the Phase IV apron expansion project. The Pre-Development Service Agreement stipulates the IAA and FedEx must execute Amendment No. 4 no later than December 31, 2010. Therefore, the IAA is seeking approval for delegation of authority for the Executive Director/CEO to execute the Pre-Development Service Agreement on behalf of the IAA Board related to the Phase IV apron expansion project.

Scope

The Pre-Development Service Agreement provides the following:

1. Approval for the IAA to commence with the architectural and engineering phase, environmental assessment, surveying of property and other pre-development related items for the Phase IV apron expansion, at a cost not to exceed \$1,000,000.
2. If the IAA and FedEx do not execute Amendment No. 4 by December 31, 2010, or if FedEx provides notice to terminate the project prior to December 31, 2010; FedEx will reimburse the IAA for all applicable expenses up to the \$1,000,000 cap of expenditures for the planning and design of the Phase IV apron expansion.

Operating Cost Implications

The IAA will cover the costs of the initial design phase, however as stated above, FedEx is obligated to reimburse the IAA for all development related costs up to \$1,000,000 if FedEx decides to not go through with the project. Otherwise, the funds expended in the design phase will be part of the overall capital project to which FedEx will provide a payback through the rental structure.

Supplier Diversity Participation

As with any IAA project, diversity participation shall be sought in all bids for services and/or received goods.

Recommendation

IAA staff has reviewed the terms and conditions of the Pre-Development Service Agreement and recommends the IAA Board delegate authority to the Executive Director/CEO to execute the Pre-Development Service Agreement.



Board Memo – Property Acquisition

To: IAA Board of Directors
From: Robert A. Duncan, Special Advisor to CEO
Date: August 24, 2010
Board Date: September 17, 2010
Subject: Property Acquisition

Background

The Indianapolis Airport Authority has had an active land acquisition program since 1973. Between 1973 and 1987, the land program acquired the majority of the land which comprises the current Airport layout and footprint. In 1987, the Authority began its land acquisition program in support of its Part 150 Noise Compatibility Plan (NCP). Phase I of this program ran from 1987-1992, Phase II ran from 1992-1997, and Phase III was initiated in 1998 and also includes holdout property owners that are remaining from Phases I and II. In 1997, an additional program was added to acquire single family residences located within the Authority's Indiana Bat and Wetland Mitigation Area, and in 1999, land acquisition began for the future third parallel runway.

Scope

The property being acquired from BBP Limited Partnership, as shown on the attached schedule, has been in 'on and off' negotiations for ten (10) years and has been the subject of several Executive Session briefings. The Purchase Agreement under consideration is based on a per acre value of \$124,411.76 ($\$4,230,000 \div 34$ acres) which was the Authority's last offer. The final purchase price will be based on the actual gross acreage as determined by survey times \$124,411.76 resulting in an actual acquisition cost which may be slightly more or less than \$4,230,000.

Schedule

September 17, 2010 – Approve BBP Limited Partnership Purchase Agreement

Funding

This acquisition is currently funded from the 2010 Capital Improvement Fund and the property could be eligible for federal grant reimbursement as part of the third runway project. Capital expenditures were expected to be \$8,467,000 in 2010 for all Land Projects. As of August 31st \$3,204,333 has been expended. This purchase does not cause the 2010 anticipated total cash flow for Land Projects to be exceeded.

Recommendation

The IAA Staff recommends the purchase of property as shown on the attached schedule.

