

**CITY OF KERRVILLE, TEXAS
KERRVILLE-KERR COUNTY JOINT AIRPORT BOARD**

**Board Meeting
July 19, 2006**

On Thursday, July 19, 2006, the special meeting of the Board Members of the City of Kerrville, Kerrville-Kerr County Joint Airport Board, was called to order at 5:05 p.m. by Dr. John Davis, President, at the City of Kerrville City Hall, 800 Junction Highway, Kerrville, Texas.

Members Present:

Dr. John Davis, President
Commissioner Letz, Vice President
Commissioner Williams
Councilperson Coleman
Mayor Gene Smith
Stephen W. King
Roger Bobertz (left at 6:00 pm)

Members Absent:

Staff Present:

Paul A. Hofmann, City Manager
Mindy Wendele, Business Programs Director
David Pearce, Airport Manager
Jeannie Hargis, Finance Director
K. Irene Stone, Executive Assistant to City Manager
Micah Grau, Intern to City Manager

2. Visitors/Citizens Forum No one spoke.

3 Approval of Minutes of the June 22, 2006 Meeting:

Commissioner Letz moved to approve the June 22, 2006, Meeting Minutes as previously approved at July 12, 2006, Airport Board Meeting. Mayor Smith seconded, and the motion passed 7 to 0.

4. Review, discuss, and recommend approval of the Airport Budget that includes the operational, capital, and management contract line items to the Commissioners Court and City Council:

The Board recessed from 5:08 pm to 5:23 pm in order to review the Budget and Management Contract. Once reconvened, David Pearce, Airport Manager, explained the difference between the two budgets presented. The first budget called for a \$318,000 management contract whereas the Contractor would cover all costs. The second budget was for a base cost of \$226,000 and excluded the City's Street Maintenance. There would be 16 services up for bid in the second budget. A discussion among the Board ensued.

Commissioner Letz asked, under the new budget, who does the maintenance and repairs.

Mr. Pearce stated it depended on the service. Per additional Board questions, Mr. Pearce noted the services to be bid now were currently done by the City's Street Maintenance and required certification and/pr knowledge of FAA rules and regulations. Mr. Pearce also explained that the contingency was requested by the Board to cover anything that may go over what is bid. Commissioner Letz asked Mr. Pearce if the Airport Manager could handle additional maintenance assignments to save costs. Mr. Pearce explained that the Airport Manager was already working a 60 hour week and would need assistance if he were to take on additional duties. Also, in response to Commissioner Williams' question about FAA requirements, Pearce explained that only 139 airports (commercial airports) required runway inspections; however, logic dictated the necessity to perform these inspections daily in the interest of safety.

Councilmember Coleman recommended that the new budget show what the street maintenance is and tie it to the financial statements. Commissioner Letz felt the new budget was good for the City, would help the County financially, and, looking at the 16 services that could possibly be bid out, thought only three bids would actually be necessary. Commissioner Williams thought two bids would suffice. Mr. Bobertz stated that the objective is the best value for the owners' money for the contract, and he did not see a lot to be gained from sending out for bid unless know the cost comparison. Consequently, according to Mr. Bobertz, it made no sense to send out for bid this year, but wait to bid out next year.

The initial budget for services to be outsourced erroneously included the equipment for the City's Street Maintenance Department as presented. To correct that oversight, the City Manager, Mr. Hofmann, said the contract would need to be reduced by \$37,000 and the services outsourced increased by \$37,000. There would be no need to resolve the error at this meeting, but the Board could correct it on the annual service base contract. Mr. Hofmann agreed with Commissioner Williams that it would take only two bids and not sixteen. Mr. Hofmann told the Board that they could act tonight by making the changes and that the City apologized for the oversight.

Commissioner Letz appreciated the correction and asked if Board could do "tweaking" of the budget after it was approved. Mr. Hofmann agreed if the collective opinion noted the changes when the Board adopted the budget at tonight's meeting. Mr. King asked if it was \$223,000, and Mr. Hofmann stated yes and that the City's Street Maintenance Department would be submitting a bid. Mr. King replied that it was open to all, and he hoped others, including the County submitted bids. Commissioner Letz thought it was a great step. Mayor Smith wished to discuss the management contract at this time, but the Board asked for him to wait until after they voted on the Budget.

Mr. Hofmann noted to the Board that they had two options to vote on:

- 1) A management contract of approximate \$318,000 which included the City's Street Maintenance Department and had no contingency, or
- 2) A management contract for \$323,830 that consisted of a "base budget" of \$223,134, plus \$95,151 of services to be bid (\$58,151 manpower and \$37,000 equipment), \$5,545.10 contingency and \$2,700 fee to manage the 16 outsourced services. The \$2,700 fee is part of the "base budget." This contract removed all the Street Maintenance from the budget.

Mayor Smith asked if the Board could bid out services under the \$318,000 contract. Mr. Hofmann stated no, the Contractor is not told to bid out. Mr. Bobertz announced he had to leave the Board meeting, but noted before he left that despite his considerable reluctance, it was in his opinion to go with the outsource contract. Mr. Bobertz departed the meeting at 6:00 pm.

Commissioner Letz was concerned that some of the administrative man-hour numbers were too high, specifically Ms. Wendele's, and asked Mr. Hofmann if he thought they were correct. Mr. Hofmann agreed that they were okay, and, speaking respectfully, the Board's other alternative if they did not like the man-hours would be to find a different contractor. Mr. King thought there were more administrative hours than he would like to see, and maybe more "fluff," but that was the bid.

Councilmember Coleman stated that he was personally ready to go forward with budget that included the reduction of equipment. He so moved. Commissioner Letz seconded. Mr.

Pearce stated the final cost was \$228,679.33 including \$5,545 for contingency and \$95,151 for services to be bid. No further discussion. The motion passed 6 to 0.

5. Review, discuss, and recommend changes to the Airport Management Contract:
The Board reviewed each change to the Management Contract in order. Mayor Smith was concerned that the requested changes would encumber the Contractor and make his job more difficult. He explained that he helped write the original agreement and felt it was a good document. Commissioner Letz noted the changes were necessary so that everything the Airport Board wanted was clearly in writing. Items of the contract discussed are as follows:

2.a.iii – The Board shall review the performance of the Contractor and the Contractor's management during the month of June of each year. Mayor Smith did not see what this added to the contract. Commissioner Williams stated that the Mayor was the one who added the language. Commissioner Letz agreed, however, that the language was not necessary considering the approach the City has taken, and, based on that approach, he would be happy to remove the language. Commissioner Williams explained that the language was added because it was his intent on how to evaluate the Airport Manager. Councilmember Coleman felt the language helped give the Board a time frame to discuss evaluating the Airport Manager before the budget process.

2.c. – Bid Projects – pursuant to the Board's responsibility of preparing and submitting a budget to the Owners by June 30 of each year, Contractor shall present the Board with a list of items or projects to be bid during the next fiscal year. Mayor Smith asked what happens if something breaks after the bids are presented. Commissioner Williams stated they would go to bid. Commissioner Letz was satisfied that bids are already being done by the Contractor for cost comparison. Mr. Pearce confirmed. Commissioner Williams suggested adding the language "all services that are not specifically numerated in this contract or with the Board will be submitted for bid." Dr. Davis felt it was not needed as long as the Contractor is following the same procedure with all services.

2.f. – Monthly Report – Contractor shall submit a monthly report to the Board that specifies the percentage of budget expenditures compared to each budgeted line item. Mayor Smith stated the Board was receiving the monthly reports so this was not necessary to include in the contract. Commissioner Williams replied the reports were not adequate until the Board had deep discussions with the Contractor and had requested specific items. He noted that all requested documentation was received.

2.g. – Quarterly Report – Contractor shall submit a quarterly report to the Board that specifies the number of man-hours charged to each budgeted line item... Mayor Smith felt from his personal business experience that the quarterly report of man-hours in such detail was getting into the Contractor's business. Commissioner Williams stated this was the "taxpayers' business." Commissioner Letz asked that "monthly" be removed from 2.f. and "quarterly" be removed from 2.g.

2.d. – Airport Facilities Maintenance – The following categories and types of maintenance shall be provided by Contractor pursuant to this agreement. There was discussion of changing Contractor to "designated contractor" given the bidding process. Mr. Hofmann disagreed as the Contractor is ultimately responsible for the service being bid out. That was why the Board had the contingency in place.

Commissioner Letz asked Mr. Hofmann, in his opinion, if the contract should be broader or narrower. Mr. Hofmann replied that as any contractor, he would think broader is better. He cannot see what the problem is with the current contract. The reporting is adequate; they are bidding out services, etc..., and he feels the \$500 line item request from the Board is unnecessary. Commissioner Letz stated that the Board could leave the Management Contract as is and draft a Memo of Understanding with the new additions. This could be done for the next meeting. Mayor Smith agreed that the MOU would be a good idea as it would not be necessary for it to go to City Council and the Commissioners Court for approval.

Mayor Smith moved to not modify the Management Contract as previously presented.

Commissioner Williams amended the motion to state the Board will take the items suggested to revise the Management Contract and provide them in a Memo of Understanding. Mr. King seconded; and the motion passed 6 to 0.

6. Announcements and General Updates:

David Pearce reminded the Airport Board about the Groundbreaking Ceremony at the changed time of 5pm on July 21st.

Dr. Davis asked the Board if they wanted to keep or skip the Board Meeting on August 1st. It was decided to skip as only items currently on the upcoming Agenda were the Memo of Understanding and the Minutes.

Commissioner Williams asked Mr. Hofmann to enlighten the Airport Board about the EIC Board's review of the Airport projects in the EIC '07 Budget. Mr. Hofmann replied that the EIC Board approved a very general budget without specifics as originally presented by staff. Staff will have to follow the EIC process for projects in order to get the Airport projects approved and funded for 2007. Commissioner Williams noted this meant the Airport, City, and County could not add in their respective budgets as matched projects.

Mr. Pearce gave a brief update on the Airport Terminal. Huser Construction is moving forward very quickly. The Board should receive a proposal on how the Terminal could operate in September or October. The proposal will include operational expenses for the Terminal. Councilmember Coleman asked if a budget amendment would be needed. Mr. Pearce believed a future proposal would provide funds to cover expenses. They would be exploring revenue opportunities, etc...

Miscellaneous announcements:

Mayor Smith would be giving a commendation from the City of Kerrville to the Mooney employees at their company picnic this coming Saturday.

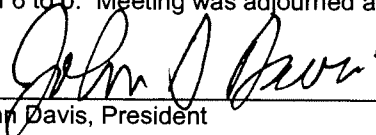
Commissioner Williams and Mayor Smith plan to meet with Senator Cornyn's regional manager next week as an introduction.

Dr. Davis requested the road repair issue be brought to the next Agenda.

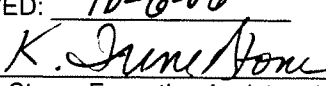
Mr. King asked if the Airport Board Minutes were available at the Airport. Mr. Pearce said yes, and that they were also available on the Airport's website.

7. Adjournment

Commissioner Williams moved for adjournment; Mayor Smith seconded, and the motion passed 6 to 0. Meeting was adjourned at 6:53 p.m.



 Dr. John Davis, President

APPROVED: 10-6-06


 K. Irene Stone, Executive Assistant to
 the City Manager