



MINUTES

Orientation & Board Meeting
Wednesday, February 11, 2015
Division of Aeronautics
5126 Front Range Parkway | Watkins, CO 80137
Joseph H. Thibodeau Room
Time: 9:00 am

MEMBERS PRESENT:

Ray Beck	Chairman
Ann Beardall	Vice-Chair
John Reams	Secretary
Jeff Forrest	
Robert Olislagers	
Joe Rice	arrived at 10:34 am
William "T" Thompson	arrived at 12:15 pm

OTHERS PRESENT:

Stanley J. Buck	Division of Aeronautics - Interim Division Director
Scot Cuthbertson	Division of Aeronautics - CDOT Deputy Director
Christine Eldridge	Division of Aeronautics
Greg Goldman	Division of Aeronautics
Todd Green	Division of Aeronautics
TK Gwin	Division of Aeronautics
Shahn Sederberg	Division of Aeronautics
Scott Storie	Division of Aeronautics
Kaitlyn Westendorf	Division of Aeronautics
Richard Baker	Fremont County
Lance Barber	C.A.H.S.
Walt Barbo	Colorado Pilots Association
Leo Milan	Office of the Attorney General
Peter Mills	Dye Management Group, Inc.
Romaine Pacheco	Governor's Office
Bill Payne	William E Payne & Associates
Scott Richrath	CDOT - Chief Financial Officer
Alex Sweetman	Metropolitan State University-Denver student
Bill Totten	Colorado Pilots Association
Andrew Wheeler	CDOT - Division of Accounting & Finance



1. CALL TO ORDER

Meeting commenced at 9:05 am. Ray Beck announced that the order of events listed on the posted agenda will change slightly, to allow the Board to conduct the orientation before the regular meeting, set for this afternoon.

2. BOARD ORIENTATION

Stanley Buck introduced Romaine Pacheco, who is the Director of Boards and Commissions Office. Romaine provided the Board with information and expectations of being part of a Governor appointed Type 1 Transfer Authority. Leo Milan gave an overview of the Enabling Legislation for the Division and the CAB. From there, Division staff went over the mission and brief history of the organization, to include a review of the organizational chart and a summary of staff duties and responsibilities. Historical overview of Division funding sources and Discretionary Grants processes were discussed. The various Division statewide projects were talked about in detail. The orientation concluded with a brief presentation by Bill Payne on the Colorado Surveillance Project.

Break for lunch

3. PLEDGE OF ALLEGIANCE

4. CALL TO ORDER

The meeting commenced at 1:02 pm. Ray Beck noted that all Board members were in attendance.

5. AMENDMENTS TO THE AGENDA

Ray Beck advised that before agenda item 13, he would like to discuss the interview committee for the vacant Aeronautics Director job position. Robert Olslayers made the MOTION to approve the agenda, as amended, and Ann Beardall seconded.

The MOTION carried unanimously.

6. BOARD MEMBER REPORTS

Joe Rice, Jeff Forrest, John Reams, William "T" Thompson and Robert Olslayers had nothing to report. Ann Beardall talked about upcoming events that Colorado Pilot's will be sponsoring. Ray Beck commended the new Board members for their willingness to serve.

7. PUBLIC COMMENTS

Richard Baker said that the Fremont County Airport will be receiving an award from the



Asphalt Association on February 25th. The award recognizes the work done on the taxiway at Fremont County Airport. Lance Barber, President of Colorado Aviation Historical Society and retired CDOT employee, said that CDOT has a research department in regards to pavement analysis and maintenance.

8. ACTING DIRECTOR'S COMMENTS

Stanley Buck referred to a memo provided to the Board that outlines the various meetings he has recently attended. Stanley also spoke about the work the staff conducted in preparation of today's orientation.

9. FINANCIAL HISTORY

Scott Richrath referred to a multi-page document included in the packet for the CAB for today's meeting, outlining the history of aviation funding and revenue, as well as the history of Discretionary Aviation Grants. Scott introduced Andrew Wheeler, CDOT's new State Infrastructure Bank (SIB) Manager and Revenue Analyst. Scott also introduced Peter Mills, with Dye Management Group Incorporated, who has already been working with staff on financial forecasting. Scott then touched on some of the topics discussed at the CAB meeting on January 26th. First, the status of Dye Management Group's Statement of Work has been accepted by the Division, has gone through the CDOT Procurement process and has been approved by CDOT Division of Accounting & Finance (DAF). Dye Management started working on this endeavor as of February 11th. Secondly, the CAB gave DAF the authority to proceed with an audit of the Division grant program in response to its cash shortage for FY15. DAF created a Statement of Work with a documented budget not to exceed \$100,000. This has been approved internally and is being sent out to independent certified public accounting firms for bid. Next, Scott discussed the topic of short-term and long-term options to replenish cash in the Aviation Fund. Scott said he does not have any recommendations at this time but hopes to be able to discuss options at the March 13th CAB meeting. Scott presented the Board with data comparing aviation funding in 18 other states, some of which are structured similarly to Colorado. Scott took the Board through several memos and slides which detailed the cash management process that CDOT and the Division have been utilizing for the last couple years, as well as some graphs depicting the rise and fall of oil prices over the last 20 years. Scott also presented a graph showing flight activity at Denver International Airport since 2006. Scott concluded by saying that the shift of the discretionary aviation grant program from an obligation basis to a cash basis was a deliberate move to eliminate a three-year backlog of cash in the program, which resulted in \$45 million worth of awarded grants to airports between 2012 and 2014. This was a one-time exercise and the grant program will ultimately revert toward its traditional level of \$8 to \$10 million per year. Scott stated that the discretionary aviation grant program has always carried a high revenue risk since it is dependent on a single source of revenue that is determined by oil prices.

10. FINANCIAL REPORT

Greg Goldman referred to a memo given to the Board, outlining the financial results of the Division's operations from July 1, 2014 through January 31, 2015. Greg stated that \$11,353,079 in tax disbursements have been returned to the airports and that revenues collected total



\$19,986,304. The decline in oil and Jet A prices will impact revenues for at least the next quarter. Revenue forecast currently is finishing the year at \$28 million. Grant payments reimbursed to airport sponsors through January 31st are \$13,421,224, with \$7,622,131 being paid out since November 1st. We estimate an additional \$7 million to be claimed and paid out before the end of FY15. The Division is forecasting a June 30, 2015 fund balance in the range of \$1 million, with roughly \$15 million in outstanding obligations. The fund balance as of January 31st is \$7,379,017.

Scott Storie referred to a memo given to the Board, containing charts that illustrate funding scenarios, broken down by worse case assumptions, conservative assumptions and optimistic assumptions. The only difference in each scenario is the price of oil and therefore, anticipated revenues. Scott pointed out that these charts were developed by the Planning Staff and not DAF, as a way of attempting to anticipate how the current financial situation may affect the future of the Aviation Fund. Scott added that these scenarios emphasize that regardless of the price of oil, our fund is going to need an additional \$5-12 million dollars so that the Division can continue to pay its current financial obligations and be able to match Federal grants for the next few years. This topic lead to discussion between several Board members and Scott Richrath, about the different options available to attempt to solve the current financial crisis with the Aviation Fund. Accessing SIB funds and possible legislative solutions were among the many potential options discussed.

The Chairman called for a 10 minute break.

11. FINANCIAL OUTLOOK

Peter Mills said that since 2013, he has been consulting CDOT on cash management and revenue forecasting. Peter referred to memos and charts provided to the Board that address the variations in aviation sales and use tax revenues. After reviewing the charts and graphs that Peter provided, he stated that you cannot continuously and reliably forecast oil prices better than the market. Forecasting will not manage revenue price risk, but can manage volume risk. Peter went into detail on how he arrived at the data contained in his chart and graphs, in relation to variations in volume. Peter did an estimate of the margin of error in the forecasts and found that for the margins of error in the volume forecasts are plus or minus 3%, nine times out of ten; while the margins of error in the price forecasts are plus or minus 55%, nine times out of ten.

On the topic of the trigger point for the aviation funding bridge, Peter said that he is still compiling data to determine the risk of running out of funds at various cash balance levels. Peter advised that it is always prudent to keep a cash balance on hand as a cushion.

12. STATE INFRASTRUCTURE BANK (SIB) OVERVIEW

Andrew Wheeler referred to a hand-out given to the Board that gave the background, history, interest rates/fees, general application process and the application process as it applies to Aeronautics, in regard to the SIB. The memo outlined what types of projects would be eligible and what would not. The historic Aeronautics SIB fund balances since 2004 were listed, as well. There was much discussion between Stanley, Leo, Scott Richrath and the Board about how the Division may be able to legally access SIB dollars to replenish the Aviation Fund. Leo said



that because of TABOR, the Division would not be able to secure a loan from the SIB. Scott Richrath stated that it appears that \$1 million could be legally transferred out of the Aeronautics SIB account to replenish the Aviation Fund. Scott added that his office will do a complete reconciliation of the fund and present that to the Board in March.

13. JOINT FINANCIAL ANALYSIS - AERONAUTICS/DAF UPDATE

Scott Richrath said that the Board was already briefed on the Dye Management cash management and revenue forecasting project by Peter Mills. Scott added that the request for proposal (RFP) on the audit of the grant making process has been released.

14. INTERDIVISIONAL OPERATING PROCEDURES WITH DAF REVIEW/APPROVAL

On behalf of DAF, Scott Richrath introduced the revised agreement for support to the Division that included the transfer of the Division Business Manager into the Business Management Section at DAF. After considerable discussion, members of the Board expressed concerns and hesitation in making this transfer. It was pointed out that the decision is solely the Board's, at which time the Board asked that language in the agreement be revised in the paragraph that required that the Business Manager be relocated, instead changing it to read that it will be a cooperative effort. Prior to the vote, John Reams stated that if we have to do this to get through the situation, then we have to. Scot Cuthbertson told the Board that this agreement was modeled after the other CDOT agreements, but it is entirely the Board's decision whether or not this transfer occurs and will have little or nothing to do with any support provided to the Division by CDOT. Robert Olislagers made the MOTION to adopt the DAF Interdivisional Document of Procedures with the amendment of the third bullet to read "The current Aeronautics Business Manager, in coordination with DAF and co-located as necessary at CDOT Headquarters". Jeff Forrest seconded the MOTION.

The MOTION carried unanimously.

15. SELECTION COMMITTEE FOR NEW AERONAUTICS DIRECTOR

Scot Cuthbertson said that the job announcement for the Director of the Division of Aeronautics should be released tomorrow and is expected to be open for 30 days. Ray Beck said that at the last meeting, four CAB members volunteered to be part of the interview committee. Ray said that after conferring with Scot, it was determined that the committee should consist of five people. Ray then suggested that the five people on this committee be John Reams, Ann Beardall, Robert Olislagers, Scot Cuthbertson and Kenny Maenpa. Scot reminded the Board that ultimately it is the Board's process to select the Director, with the consent of the Executive Director of CDOT. Jeff Forrest made the MOTION to have the five person selection committee consist of CAB members John Reams, Ann Beardall, and Robert Olislagers, as well as Scot Cuthbertson and Kenny Maenpa. William "T" Thompson seconded the MOTION.

The MOTION carried unanimously.



16. PROPOSED CALENDAR

- **Friday, March 13, 2015 1:00 pm at Division of Aeronautics General Meeting**

After much discussion, it was determined that staff would survey the Board to see what day of the month would be best for recurring Board meetings, going forward after the March meeting.

17. OTHER MATTERS BY PUBLIC & MEMBERS

TK asked the Board to review the Aeronautics Programs and Procedures Manual, formerly called the Grant Management Manual. TK would like to have comments and suggestions from the Board to discuss at the next meeting.

Joe Rice informed the Board that Aerospace Day at the Capitol will be March 23rd. Joe added that on February 23rd, the Aerospace and Defense Caucus will meet from 12:00 pm until 1:30 pm at the Capitol in House Committee Room 109.

Ray asked that going forward, he would like the Pledge of Allegiance to be the first item on the meeting agendas.

18. ADJOURNMENT

The meeting adjourned at 4:21 pm.

