



ERIE INTERNATIONAL AIRPORT BUSINESS ADVISORY COMMITTEE

Summary of Initial Findings

Submitted to:

Erie County Executive Mark A. DiVecchio

Submitted by:

Erie International Airport Business Advisory Committee

James E. Gehrlein, Chair

Monica Brower, CEcD

Joseph E. McClellan, MD

March 4, 2008

The Honorable Mark A. DiVecchio
County Executive
County of Erie
Erie County Court House
140 West Sixth Street, Room 114
Erie, PA 16501

Dear County Executive DiVecchio:

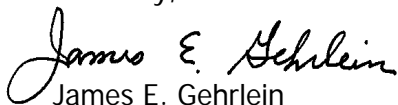
The Erie International Airport Business Advisory Committee (BAC), created by the Erie Regional Chamber and Growth Partnership (ERCGP) at your request, has been up and running for one month now, and the following pages summarize our initial thoughts, findings and recommendations related to the airport's 1,920 feet runway extension project.

We have diligently worked to understand the complex elements of the project so that we may provide meaningful assistance. To that end, we have reviewed volumes of accessible information compiled by the ERCGP, have attended project-related finance team and Erie Municipal Airport Authority (EMAA) Board meetings, and have engaged, and assumed financial responsibility for, the project's consultant to conduct an orientation session to bring us fully up to speed.

Our journey to date has been an interesting and educational one, as our involvement has been met with some resistance. Despite your explicit wishes, our access to project-critical information and our full participation at certain meetings has been denied by the EMMA Board of Directors. We will, however, continue to push forward for you and the businesses and citizens of our region as we are able to, in an attempt to assist in the project's cost-efficient, timely planning and completion. To that end, we stand ready to assist with implementation of the recommendations included in this report as necessary and requested.

On behalf of the BAC, I thank you for your leadership on this initiative, for your sincere attempt to be an effective public steward of the County's significant financial commitment to the Erie International Airport runway extension project, and for your efforts to move this long-anticipated project to its successful completion.

Sincerely,



James E. Gehrlein

Chair

Erie International Airport Business Advisory Committee

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Erie International Airport Business Advisory Committee Role:

The Erie International Airport Business Advisory Committee (BAC) was created by the Erie Regional Chamber & Growth Partnership (ERCGP) in January 2008 at the request of Erie County Executive Mark DiVecchio. The BAC's overriding purpose is to **help assure the efficient and timely completion of the Erie International Airport runway extension project**. This project is currently envisioned as a 1920 foot extension estimated to cost \$80.5 million. Erie County government has committed up to \$25.7 million in support of the project. Other anticipated funding sources include, but are not necessarily limited to, the Federal Aviation Administration (FAA), the Erie Municipal Airport Authority (EMAA) and the Commonwealth of PA.

The BAC functions as a subcommittee of the ERCGP's Transportation Committee and consists of three individuals chosen for their relevant skill sets and demonstrated project management expertise. Members include:

Jim Gehrlein, Chair
Monica Brower, CEcD
Dr. Joseph McClellan

Retired Area President, National City Bank of Pennsylvania
President and CEO, Economic Development Corporation of Erie County
Medical Director, Hamot Heart Institute & Senior VP, Hamot Health Foundation

The County Executive's request for the BAC's creation was rooted in his desire to be an effective public steward of the County's significant financial commitment. To that end, the ERCGP chose individuals who have germane expertise which, if utilized, will help the project move forward most successfully.

History and Current Situation:

The runway extension project has been in the works for years, and with inflationary costs and other issues that accrued with the passage of time, the project has evolved from one that would cost the local community relatively little to a project estimated at \$80.5 million, with the local share from all sources currently estimated at more than \$30 million.

Many in the community believed the project was progressing successfully, and it was not until early 2007 when opportunities associated with gaming revenue in Erie County became apparent that that the project's significant financial shortfall was brought to light.

At that time, airport officials approached the ERCGP seeking vocal support for their request to Erie County for gaming revenues to fund the project. The ERCGP believes that a healthy airport with sufficient runway length is key to the region's economic vitality, and in October 2007, the ERCGP Board of Directors voted to support gaming fund use for the project under the condition that the airport authority's board of directors be expanded to become more regional in nature.

There has been insufficient communication to the public about the project, and as a result, we believe the community at large lacks a comprehensive understanding of the project's components. To date, much of the community's exposure to the project has been through media coverage of project obstacles. To that end, we think it is important for the community to understand the following:

- The runway extension project consists of three major components:
 - 920 foot runway safety area correction
 - 1,000 foot runway capacity extension
 - Mandatory rehabilitation of the existing runway
- The existing runway does not comply with the FAA's runway safety requirements, and Erie International Airport has been operating under waiver(s) from the FAA which will most likely expire in 2015.

- The 920 foot runway safety area correction and rehabilitation of the existing runway are essentially required by the FAA.
- The 1,000 foot capacity extension, though not required by the FAA, will increase the usable length of the runway to 7,500 feet, a length more commonly found at U.S. commercial service airports. This will allow Erie International Airport to:
 - Accommodate larger aircraft, creating the potential for new air service (passenger and/or cargo).
 - Allow airlines flying regional jets to fly in and out of the airport at full capacity which they often cannot do now because of weight or other restrictions.
 - Allow for longer, non-stop flights to be accommodated out of the airport.

Based on the information the BAC has reviewed to date, we cannot say with certainty that the 1,000 foot capacity extension will guarantee new flights into Erie, but we firmly believe that without the 1,000 foot extension, we have no chance to capitalize on the aforementioned opportunities.

BAC Activity to Date:

As mentioned in the cover letter accompanying this report, the BAC has been fully operational for one month. During that time the BAC has:

- Reviewed volumes of project-related information compiled by the ERCGP;
- Participated in a number of finance team, Authority, and project specific meetings; and
- Engaged the runway extension project consultant to orient our group.

Our work has been hampered at times by having our access to all project-related information and meetings limited by the EMAA. Having said that, however, based on what we have learned, the following bullets summarize what we believe are strengths and challenges of the project to date, along with our current recommendations:

Strengths:

- FAA and PENNDOT Bureau of Aviation have vocally pledged support of the project. Additional federal funding has also been promised.
- County administration and County Council have been instrumental in moving the project forward through the financial commitment and professional staff time devoted to the project.
- ERCGP involvement has also been significant, with its official support of the project, creation of the BAC, and extensive staff time focused on the project.
- Project finance team consisting of EMAA, County, City of Erie and ERCGP representatives met weekly from December through mid-February to develop the preliminary financing plans for the project.
- Much time and effort has been spent developing a Memorandum of Understanding (MOU) acceptable to all relevant parties. (This MOU was approved by EMAA on February 28, and is expected to be considered by the City of Erie and Erie County governments in early March.)
- City of Erie has preliminarily agreed to allow expansion of the City-appointed EMAA board to a more regional, City/County-appointed board. (This change is incorporated in the project's draft MOU.)
- There has been continuous open dialogue about the project with the FAA.

Challenges:

- A comprehensive, detailed project management schedule showing tasks, timelines and responsible parties has not been developed and communicated.
- The project is moving very slowly; follow-up on specific tasks within firm deadlines is lacking.
- Construction and financing plans are not yet finalized.

- Preliminary financing plans show an overall cash shortfall and cash flow problems for certain years of the project. Scheduling of necessary meetings with funding sources – Commonwealth of PA, FAA, etc. to address these funding issues is moving very slowly.
- Erie County's appointments to the authority board have not yet been officially seated.
- The MOU has become very complex, with multiple ancillary items being included, and is taking too long to effectuate.
- In mid-February, EMAA created an Advisory Board, giving it the same level of access to information and internal meetings as regular authority board members. Individual(s) appointed to the Advisory Board could have perceived conflicts of interest should they desire to bid on airport-related project work.
- BAC has been seen by some EMAA representatives as an adversary rather than a partner, and has not been given full access to project-related information and relevant meetings.
- FAA-prescribed timeline is longer than necessary to complete the project.
- There is deficient public understanding of the project, particularly the need for the additional 1,000 foot capacity expansion.

We recognize that some of the challenges identified are not under any one person or organization's sole control. Many of the weaknesses highlighted above are causing significant delays in the project's implementation, adding to the project's overall cost. All parties must work expeditiously to address these weaknesses and move the project forward.

Recommendations:

- The County's appointments to the authority board must be officially seated as soon as possible so they may fully participate in all authority operation- and project-related decisions. To that end, the County should seek legal counsel to determine if there is a means for its appointments to be seated now, even before the "joinder" paperwork is submitted to and approved by the Commonwealth. Additionally, the County should closely monitor the completion, submission, and approval of the joinder application to help ensure its timely progression.
- A comprehensive, detailed project management schedule delineating tasks, deadlines and responsible parties must be developed, communicated and fully executed. Although the actual beginning dates are not yet known for many of these tasks, the multitude of individual activities can be identified now, with timelines and coordination of these activities outlined on a detailed project schedule. This will aid in speedy implementation once financing plans are finalized.
- All necessary meetings with potential funding sources (PENNDOT Bureau of Aviation, Governor Rendell, FAA, etc.) must be expeditiously scheduled and held, and the strategy for these meetings must be collaboratively developed in advance by all relevant parties as soon as possible.
- Discussions with the FAA should include opportunities to accelerate their payment schedule, or allow for bridge financing, so the local community can complete the project more quickly (and cost-effectively) than the current payment schedule timeline proposed by FAA.
- A public communications strategy should be expeditiously developed and implemented.
- The business case for the 1,000 foot capacity extension must be clearly and concisely communicated to the public. Subsequently, a business development plan to capitalize on the potential economic benefits of this extension must be envisioned, developed and implemented so the community can expeditiously realize a return on its investment.