

The Airport Authority of Airport District No. One of Calcasieu Parish of Louisiana met in regular session at 4:00 PM on January 10, 2024, in the Airport's Department of Public Safety Conference room with Chris Dickson, Vice-President, presiding with the following members present:

Messrs. Hiram DuRousseau, II, Adam Gremillion, and John Hixson.

Mrs. Emily Parker.

Also present were Messrs. Heath Allen, Walt Jessen, Jr., Jimmy Grigus, and Mrs. Amelia Hebert.

The Pledge of Allegiance was recited.

Motion was made by Mrs. Parker, seconded by Mr. DuRousseau, and carried unanimously to elect the President and Officers of the Airport Authority for the ensuing year in accordance with by-laws.

2024 Slate of Officers as follows:

President – Mr. Chris Dickson

Vice President – Mr. Hiram DuRousseau, II

Secretary – Mr. Adam Gremillion

It was moved by Mr. Gremillion, seconded by Mrs. Parker, and carried unanimously to approve the minutes of the Regular Authority Meeting held December 13, 2023.

Motion was made by Mr. Gremillion, seconded by Mr. DuRousseau, and carried unanimously to approve the payment of all current invoices.

It was advised that the Calcasieu Parish Police Jury has appointed Mr. John Hixson to replace Mrs. Mary Kaye Eason as a member of the Airport Authority Board, effective December 14, 2023.

Motion was made by Mr. DuRousseau, seconded by Mrs. Parker, and carried unanimously to adopt a resolution thanking Mrs. Mary Kaye Eason for her service as a member of the Airport Authority Board since 2007.

It was moved by Mr. DuRousseau, seconded by Mr. Gremillion, and carried unanimously to adopt a resolution thanking Mr. Mark McMurry for his service as an advisor to the Airport Authority and Airport Administration since 2010.

Next, Mr. Jeremiah Gerald, Senior Director of Air Service Strategy, ASM Global Route Development, gave an update regarding current trends and efforts taken by the Airport concerning air service retention and recruitment.

In his Engineer's report, Mr. Jessen stated that he is working with PERC Development on acquiring the Parking lot expansion contracts.

Next, Mr. Jessen stated that Hangar 2 project is now underway.

Mr. Allen then presented his Annual 2023 Airport Report as follows:

*President Dickson and members of the Authority, I am pleased to present this Annual Report on the activities and progress of the Lake Charles Regional Airport. As we close out 2023, I am happy to report that the state of the Airport is strong –perhaps even better than it's ever been. In years like this one, it is exciting to give this presentation – especially as we welcome two new members to our executive board.*

*I'm pleased to report that in 2023, the Airport experienced a banner year. I don't know what it was like in the sixties, seventies, and eighties, but it's hard to imagine that it was better than our position today. Whether it is passenger numbers, operational financials, capital projects, or other key performance indicators, all signify a strong performance. This speaks volumes for the resiliency of this Airport and the Region, as much of our success reflects the broader regional economic landscape. I know everyone is tired of hearing about it (including me), but I think it is important to mention for context that only three years ago, we were amidst a global pandemic and reeling from several natural disasters that resulted in a historic loss of passengers, airport infrastructure, and revenue.*

*Commercial air service was paused for over three months by our dominant carrier, American Airlines; we lost important tenants, including our food and beverage provider and Hertz Rental Car. We lost over 20 based aircraft, 70% of our hangar capacity, and the use of our FBO. The airport was in ruins, and to say that the situation was dire would be a monumental understatement. We were at a crossroads where this story could have gone a lot differently. Nonetheless, with sound policies set by this Board (before and after these events), hard work by our*

*employees, key assistance from the Federal government, and a little luck, this story is one of tremendous rebound and success. While we are not "too big to fail," failure was never an option. There are many things that we, as an Airport, cannot control, but if we put ourselves in the best position for success, success will follow. By the way, Hertz is back, and 2024 will see the opening of an all-new FBO, hangar space exceeding pre-hurricane level, and the opening of Magnolia Food Hall in the commercial passenger terminal.*

*Right or wrong, if there is one KPI used to measure a commercial airport's success, it is passenger numbers. I say "right or wrong" because many things can affect passenger numbers, and many of those things are far beyond the control of an airport, including regional, state, national, and global economies, government policy, airline strategy, supply chain interruptions, natural disasters, global pandemics, and many more. Nonetheless, as mentioned before, we are tasked with setting forth a policy that puts the Airport in the best position to deal with these unforeseen challenges.*

*While many of the challenges I mentioned have manifested themselves in recent years, LCH has withstood, recovered, and indeed excelled as it relates to passengers after experiencing the best year in over two decades. Nearly 170,000 passengers utilized LCH in 2023, including 85,417 people departing, which hasn't happened since 1998. Annual enplanements have only exceeded 80,000 four times since 1994, including this year, and this past October was the best in 29 years. We closed out 2023 with a 35% passenger enplanement increase over 2022 and a 42% increase over 2019 BP (before the pandemic). Passenger load factors regularly exceeded 80% and averaged 76% for the year.*

*With that result, we can finally cease benchmarking against what occurred before the pandemic and focus on the future. While much has been said about the far-reaching impact of the pandemic, and rightly so, regional air service has been facing headwinds for several years brought on by airline industry consolidation, an aging regional aircraft fleet, challenging small market economics, and staffing shortages. The most acute of those issues is the shortage of qualified pilots –*

*especially captains – which has slowly developed since 2013 and was exacerbated by the pandemic. Since April 2020, American, Delta, and United have exited 71 small markets across the U.S., with some of these terminations of air service hitting very close to home, with United’s exit from Alexandria and Monroe.*

*While we were not unaffected by air service challenges at different points these past several years, I believe the strategy we employed before, during, and after the pandemic helped us tremendously and is why we’ve been an outlier, having experienced expanded air service through increased seats, and in turn, record passenger totals. We’ve always placed a premium on air service development, which includes airline recruitment and marketing. Through the years, we’ve learned that we must do our best to keep our thumb on the pulse. We’ve worked with professional air service consultants who deeply understand airline metrics, such as Jeremiah, long before the pandemic began. We attend training sessions, airline data seminars, industry conferences, airline recruitment events, airline headquarters visits, and hold conference calls with our incumbent airlines throughout the year, all to ensure that we stay ahead of emerging trends and communicate pertinent information. The first time you talk to an airline representative should never be when they’re calling to tell you they have eliminated service at your airport. Air service development is a marathon, not a sprint, and we will always be engaged and ready to take advantage of opportunities that come our way.*

*The other component of air service development is marketing to airlines and prospective passengers. We’ve worked hard to develop and enhance our marketing program – especially in response to the pilot shortage and pandemic. We have invested in robust data, like that included in Jeremiah’s presentation, which has provided excellent market insight. We use this data to formulate our message to airlines and passengers. Examples of what we can glean from this granular data include how many passengers in the market are flying each day, what zip codes they live in, what airport they are using, where they are going, and what fare they are paying. For example, we know that 70605 is the number one producer of air travelers in Southwest Louisiana by far. We also know that 75% of our market*

*travels to Houston to board flights. Our proximity to Houston will not change and it represents a significant challenge, but those leaking passengers also represent the opportunity. I am pleased to say that our marketing efforts have increased passenger retention from 18% to 22% in the last two years. While that doesn't sound like a lot, every retained passenger makes a difference in a small market like ours. At the center of managing these efforts is our relatively new Marketing and Business Development Manager, Amelia Hebert, who is doing a fantastic job on our behalf.*

*The story is much the same as it relates to our operational and financial status. Following our 2022 annual legislative audit, the airport has a net position of \$73,626,677, an increase of 21% over 2020 and 114% from the end of 2008. Our cash reserves are also at record levels and have increased approximately 2435% since 2009. That said, we will transition to more normal levels of operational funding in 2024 following several years of increased revenue related to pandemic relief. While the cash on hand has many benefits, it cannot be the goal of public bodies to hoard cash. We will always maintain a healthy reserve in case of a rainy day, but we will put excess money into work for the Airport. As you know, many capital improvements are ongoing, and many more are planned. With healthy cash reserves, we can provide local matches to grants, which opens the door for new capital funding sources. We can also cash flow capital projects without interim financing, saving interest payments, and speeding up construction. Construction without delay can save additional expenses as construction delays equal increased costs. We've made investments in capital equipment (which makes our operations more efficient while allowing us to save money) and in capital improvements that yield returns on investment. We've also been able to supplement our operating budget to increase our marketing efforts at a critical time when the industry faces unprecedented challenges, as previously mentioned. Lastly, we can invest available cash in safe markets to yield greater returns than a typical savings account. This aims to make us more efficient, provide a critical public service, and generate a positive economic outcome for Southwest Louisiana.*

*While net position and cash are great, we also seek to generate an additional \$1,000,000 in annual recurring revenue to address the ever-increasing cost of operating the Airport. We successfully renewed our 10-year district ad valorem in 2023 with 65% approval. The district tax accounts for 15% of our operating budget, while 75% of the Airport's revenue is generated by our operations. Most of Calcasieu Parish doesn't pay a single penny toward the operation of LCH but reaps the benefits of having a commercial airport. While I do not envision a scenario where our District boundaries expand parish-wide, there may be opportunities to expand the boundaries in industrial areas, thereby providing meaningful revenue generation without impacting private property owners. We will closely examine this now that the current tax has passed. We will also continue to pursue commercial development at every turn. We currently have over 30 tenants operating on the Airport property, producing an annual economic impact of \$333,458,000 in output, \$79,873,000 in payroll, and 2,015 jobs. We're working to ensure that those numbers continue to increase. In the meantime, the Airport continues to be a great investment, with every \$1 in local tax resulting in \$333 being returned in the form of economic output.*

*Operationally, the Airport continues to excel. Following investments in equipment and facilities, the Airport is well positioned to maintain the high standards required by our Part 139 certification and run this commercial airport safely and efficiently. I'm proud of the technology, facilities, and equipment at LCH. We give our employees the tools they need to succeed while keeping the public and themselves safe. This is evidenced by clean FAA certification inspections, zero workers comp claims, an unqualified audit (good), and other accomplishments by our highly efficient and effective team.*

#### *Capital Improvements*

*Since 2008, we've now accomplished nearly \$100,000,000 in capital improvements. These improvements increase safety, maintain critical infrastructure, and enable the Airport to fulfill its mission. In a continuing theme, capital improvement dollars equal jobs and economic output for our Region. That*

*number will continue to grow as we work through our capital improvement plan, and below is a comprehensive list of capital projects based on their status of being recently completed, ongoing, or upcoming (funded):*

*Recently completed:*

- *Terminal Arrivals/Departures Loading/Unloading Canopies*
- *Level II Electric Vehicle Charger Installation – Passenger Parking*
- *Gates 2 and 3 Passenger Boarding Bridges with pre-conditioned air for all gates*
- *Rental Car Ready/Return Parking Lot Improvements*
- *Hangar 3/AirMed Operations Base*
- *FBO/Freeman Jet Center*
- *Airport Maintenance Building(s)*
- *Employee/DPS Parking Lot*
- *Airport Traffic Control Tower Phase I – Feasibility Study*

*Ongoing:*

- *Entrance Road Improvements Phase I – Utilities*
- *Hangar 2*
- *Airport Masterplan Update*
- *Parking Lot Improvements – Phase II*
- *North Apron Design*

*Upcoming (2024):*

- *Terminal Loop and Access Road Improvements (multiple Phases through 2026)*
- *South Apron Expansion*
- *Hangar 5*
- *Airport Equipment Storage Building*
- *Airport Traffic Control Tower Phase II – Siting Study*
- *Level II Rental Car Vehicle Charging Stations*
- *Electric Aircraft Charging Station*

*These projects are funded by several Federal, State, and Local programs. In normal years, the Airport receives approximately \$1,000,000 annually from the Federal Airport Improvement Program (AIP) through a 90% entitlement grant, with the State of Louisiana picking up the remaining 10% through the State's Aviation Trust Fund (ATF). In addition to these entitlement funds, the Airport is eligible to apply for discretionary AIP grants, which are merit-based. At the State level, the Airport can compete for a maximum of \$3,000,000 annually with 100% grants above and beyond the match grants, all funded by the State Transportation Trust Fund. These primary funding sources represent a user-funded system, with those funds being derived from ticket taxes, fuel taxes, and other aviation fees. Other State funding programs include State capital outlay and merit-based grants funded by the State's general fund. Finally, at the local level, we can use Passenger Facility Charges (airline passengers), Customer Facility Charges (rental car customers), and local Airport funds to fund capital improvements.*

*In addition to these "normal" funding sources, the Airport seeks out other grant funds. These include various programs administered by different Federal and State agencies. An example would be the Building Resilient Infrastructure and Communities grant we are applying for in 2024. Our intention with this grant application is to design an airport electrical microgrid that includes solar technology. If funded, this project will allow the Airport to establish an independent electrical grid that can generate electrical power on Airport property that we can use to energize connected facilities. We could also feed power back to Entergy's grid when we have excess capacity and receive credit on our electrical bills. More importantly, we can isolate the Airport from the main power grid during emergencies, thereby keeping the airport fully functional until the main utility grid can be repaired. This initiative will also include clean energy generation, which many companies, utilities, and the Federal government are very interested in. This will make the airport an attractive option for investment opportunities by offering current and prospective tenants clean, resilient, and reliable energy.*



*This project is one example of the many forward-looking improvements we are working on. The ongoing masterplan update will also identify capital improvement needs and set the Airport on a clear path for the next 20-year planning cycle. This is very exciting as we consider what LCH will look like in the coming years.*

*I want to thank the Airport Authority for your support and guidance. Again, I want to welcome Mrs. Parker and Mr. Hixson to the Authority. You are joining the Airport at an exciting time, and I'm glad to have you both aboard. I look forward to working with and getting to know you. Thanks also to the Calcasieu Parish Police Jury and administration for their constant support and to all our consultants who work hard on behalf of the Lake Charles Regional Airport. Our team of consultants is deeply integrated into our airport management structure, and we rely heavily on them, including Kutchins and Groh, Mike Dees, Walt Jessen, Jr., Stulb and Associates, the Picard Group, and other design consultants working on all of the projects that I previously listed. I'd be remiss if I didn't mention Mr. Mark McMurry, specifically since he has "officially" retired after working with us since 2010. I was fortunate to be able to seek his counsel over the years – especially as a young Director starting this job. Mark helped this airport more than he probably knows, and I will always be grateful for his contributions and friendship. Finally, thanks to our employees. Our employees are our most valuable resource and are the backbone of this organization. I look forward to working with all of you in 2024 to make LCH the best it can be. I wish all of you a Happy New Year.*

There being no further business, it was moved by Mr. DuRousseau, seconded by Mr. Gremillion, and carried unanimously that the meeting be adjourned.

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Chris Dickson, President

CERTIFICATE

I, the undersigned, do hereby certify that the above is a true and correct copy of the minutes of the Airport Authority of Airport District No. One of Calcasieu Parish, Louisiana, convened in regular session on the 10th day of January 2024 and approved by said Authority on the 7th day of February 2024.

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Adam Gremillion, Secretary