



# **Governance, Policies and Procedures Manual**

## GOVERNANCE, POLICIES AND PROCEDURES MANUAL

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## INTRODUCTION

Welcome to the Lexington-Fayette Urban County Airport Board. The Lexington-Fayette Urban County Airport Board (LFUCAB) is not only the name of the governing body that oversees the development and operation of the airport, but it is also the legal name of the entity itself. Of course, many refer to the airport as Blue Grass Airport or LEX (our official three-letter identifier), and some will always remember it as Blue Grass Field. For simplicity purposes in this manual, we will refer to the LFUCAB as simply the “Board,” and use the title “Blue Grass Airport” or “Airport” when discussing the facility itself.

The Board is a Kentucky airport board, operating pursuant to Kentucky Revised Statutes Chapter 183. From an accounting point of view, the airport is a governmental entity and operates as an “Enterprise Fund” under Generally Accepted Accounting Principles. An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Blue Grass Airport does not receive federal, state, or local taxpayer funds for operating purposes, but instead operates by collecting rents and fees from the airlines and other tenants and operators. The Airport does receive federal and, more rarely, state grant funds for capital improvements.

## APPOINTMENT TO THE AIRPORT BOARD

The LFUCAB (Board) is comprised of 10 members. The Mayor, or an officer of the Lexington-Fayette Urban County Government (historically a member of city council) designated by the Mayor, occupies one seat on the Board, and the remaining nine members are appointed by the Mayor with confirmation by the Urban County Council. The nine members may serve up to two four-year terms, and the terms are staggered so as to maintain long-term institutional knowledge. Two of those nine members must live within a three-mile radius of the Airport.

Board Officers (Chair, Vice-Chair, Treasurer, and Secretary) are nominated late in the calendar year for the upcoming year by the Board Members. The current Board Member Terms, Officers, and Committee Assignments are located in tab #1.

Contact information for each Board Member, Executive Director, and senior staff member may be found in tab #2.

The Board is represented by legal counsel that advises the Board and staff on numerous governance and business-related legal matters. Contact information for the Board's legal counsel may also be found in tab #2.

## ROLE OF THE AIRPORT BOARD

The Board as a whole, and each member individually, has a duty to promote and develop aviation, including air transportation, airports and air navigation facilities. The Board should do so in a manner that ensures the activities of the Airport are conducted within the limits of the law, in an ethical manner, and with long-term, prudent business practices in mind. The Board is responsible for (1) establishing the vision, mission and core values within the context of the Board's statutory purpose; (2) setting policy in pursuit of the mission; (3) ensuring management presence that provides for the efficient and effective operation of all Airport activities; and (4) effectively representing the Airport in appropriate public arenas. Active involvement in policy development and oversight of the business affairs of the Airport are essential components of the Board Members' role.

### GOOD GOVERNANCE

Boards should take steps to provide effective governance of the organization. This includes causing the Airport to operate in a manner characterized by obedience, care, and loyalty.

#### **Obedience**

The Board should ensure that the Airport is obedient to its central purposes as described in its enabling legislation.

#### **Care**

The Board should be prepared by reviewing all reasonably available information before taking action, and should then act with the prudence and care appropriate under the circumstances.

#### **Loyalty**

The Board should:

- Discharge duties unselfishly, to benefit the Airport and not the Members personally
- Disclose situations with potential for conflict with the Airport's mission
- Maintain the appropriate level of confidentiality of the Airport's business and discussions

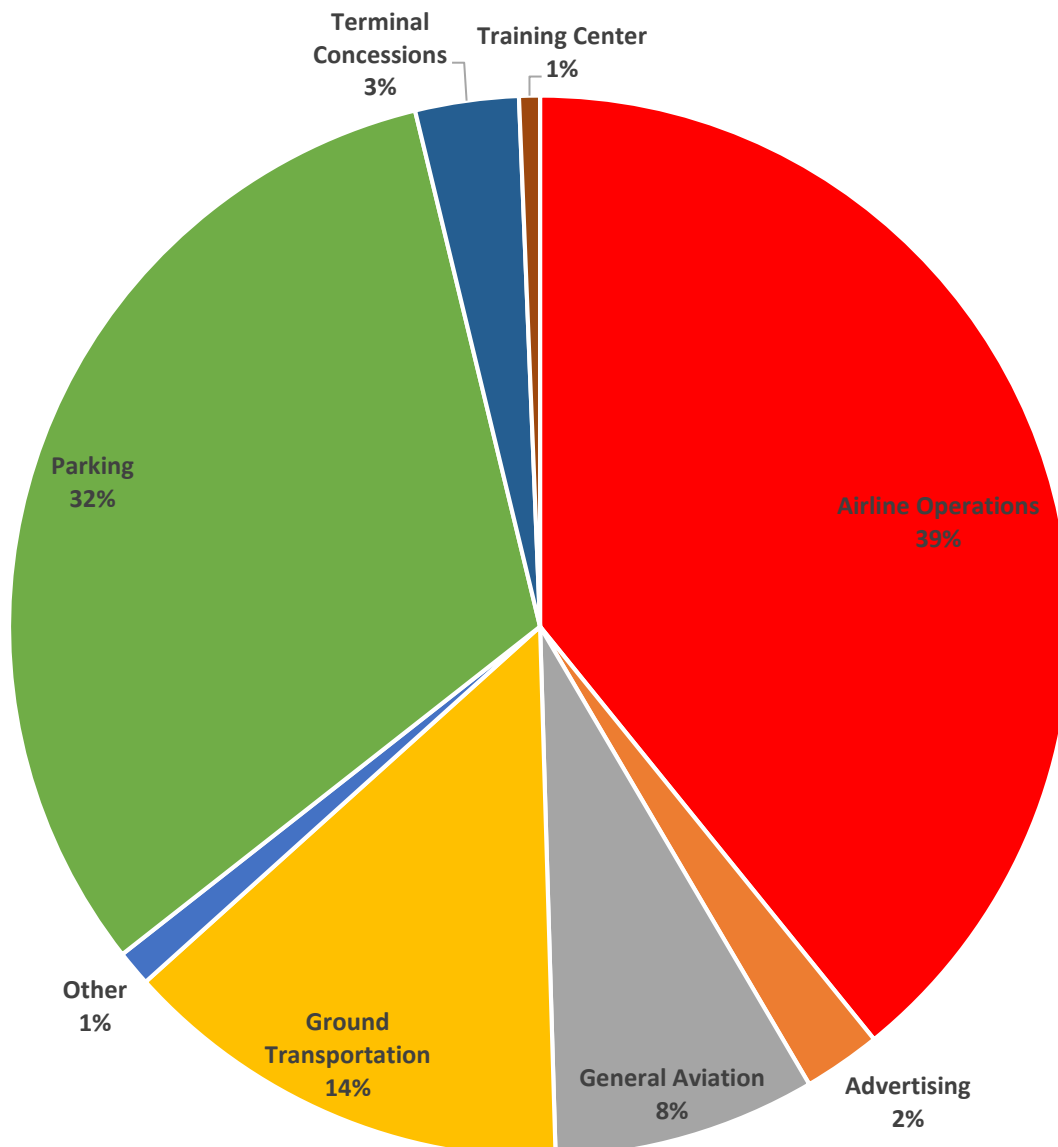
To assist the Board in providing effective governance, the staff meets regularly with various smaller Committees of the Board that delve into greater detail on important policy matters and financial oversight.

### FISCAL YEAR AND ANNUAL BUDGET DEVELOPMENT

The Board's fiscal year begins on July 1 and ends on June 30. In January of every year, staff begins the development of a detailed operating and capital improvement budget. This proposed budget is reviewed at the April Finance & Audit Committee meeting and then is subsequently reviewed and considered for approval by the full Board in May of every year.

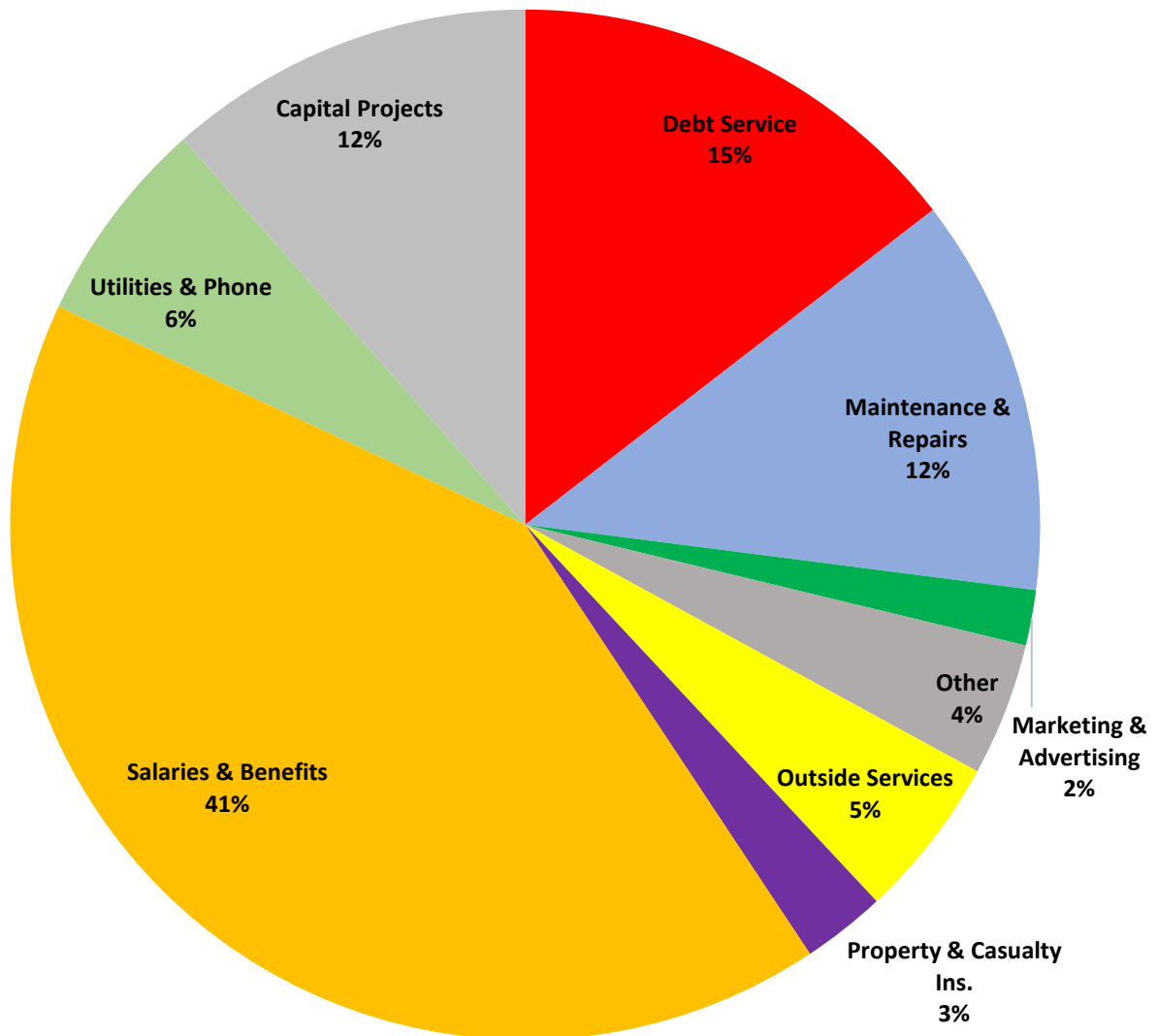
The pie chart below illustrates the breakdown of the major operating revenue sources the Board receives annually.

**FY18 Budgeted Revenues \$18,776 (in 000s)**



The pie chart below illustrates the breakdown of the major costs to operate the Airport on an annual basis. For FY18, budgeted operating expenses total \$13,246,539, local capital improvement expenditures are budgeted \$2,189,900 and debt service is budgeted \$2,281,629. Capital expenditures will vary annually as project funding and capital requirements change.

**FY18 Budgeted Expenses \$18,534 (in 000s)**



## **FUNDING MECHANISMS FOR AIRPORT CAPITAL IMPROVEMENT PROJECTS**

Below is a list of the most frequently used funding mechanisms for the Airport's capital improvement projects. It is important for the Board to understand how these different mechanisms work as well as some of the constraints of each. The goal is to optimize all sources of funding to maximize the greatest value for the Airport.

### **Federal Aviation Administration (FAA) Airport Improvement Program (AIP) Grants**

During the 1970s, the federal government, through the Department of Transportation/Federal Aviation Administration, authorized a grant program to maintain the U.S. aviation system infrastructure. A 7.5% tax on all airline tickets was instituted and the revenue was deposited (in theory) to an Aviation Trust Fund to support the needs of the air transportation "system" (i.e. FAA, air traffic control and navigational aids, airport runways, taxiways). For airports the size of Blue Grass Airport, the FAA provides 90% funding for eligible projects and the Board matches that with 10% of its own local funds. It is important to note that these grant dollars are heavily restricted in their use. They generally may be used only for capital improvement projects that benefit the public and cannot be used for day-to-day operating expenses or for areas that generate their own revenue, such as exclusive leased space in the terminal, parking lots, etc. There are two main types of grants that airports may use under this program—entitlements and discretionary.

Entitlement grant funds are distributed to airports based on the number of passengers that flow through the airport. The FAA applies a formula that correlates the number of annual passenger enplanements to a specific grant amount. In the case of Lexington, over the past several years, Blue Grass Airport has received an average of \$3.5 million annually.

Discretionary grant funds are also available from the FAA, but Airport projects must compete with airport projects from all over the country for those grant dollars based on a number of factors.

### **Passenger Facility Charges (PFCs)**

Passenger Facility Charges are user fees that, once approved by the FAA, are collected by the airlines and submitted to the airport for specific projects (as opposed to being placed in the Aviation Trust Fund and administered by the federal government). Blue Grass Airport currently collects the maximum amount of \$4.50 per passenger or about \$2.5 million per year. Generally, only projects that would be eligible under the FAA grant program outlined above are eligible to use these funds.

### **Contract Facility Charges (CFCs) (also known as a "Customer Facility Charge")**

Similar to the PFC's above, the local car rental companies that do business at Blue Grass Airport collect a CFC from their customers to pay for capital improvements that benefit the car rental companies and their customers, such as the covered parking structure the car rental companies presently use. These CFC dollars are not legislatively controlled so the Airport has a greater degree of flexibility on what the per customer charge can be. That said, the amount is somewhat limited by what the market will bear. It is currently set at \$4.00 per contract day and is used to pay the debt service associated with certain bond debt, the proceeds of which were used to construct car rental maintenance facilities.



### Revenue Bonds

Blue Grass Airport recently sold revenue bonds to raise funds needed to accomplish numerous capital improvement projects. This debt will be partially repaid by PFCs and CFCs but will also have to be supplemented by general Airport operating revenue as well. A risk of this funding mechanism is that the Airport's ability to pay its annual debt service is contingent on the amount of PFCs and CFCs collected, which ultimately is determined by the number of passengers that fly out of the Airport.

### Summary

As demonstrated by the explanations above, the Airport's ability to fund its day-to-day operations, as well as its long-term capital improvements, is directly impacted by the number of passengers that use our facility. Unfortunately, the airline industry has a history of instability, and therefore, the Airport, in many ways, has little control over its own financial destiny. First, the airline industry is subject to a number of external factors the airlines themselves cannot control — terrorism, SARS/flu, oil prices, economic downturns, etc., which in turn can have a direct negative result on the Airport. Secondly, the Airport itself has no control over how the passenger service is provided. We cannot control what fares the airlines charge; we cannot control the level of customer service they provide; we cannot control the frequency of flights or the type of aircraft they choose to fly. Although the Board sets the rents and fees charged to the airlines, as a practical matter, the impact of market forces is such that we have little control over what we can charge the airlines for rents and fees without risking the loss of air service.

We can, and do, market Blue Grass Airport and the community to the airlines and offer customer amenities to provide the best possible flying experience for our passengers. However, those amenities will only go so far to attract passengers if the airlines do not provide competitive fares and customer service. Finally, staff acts as an important conduit to facilitate air service development by understanding the airline business, understanding the community, and developing potential partnership opportunities where both the airline and community benefit. In the end, however, only the marketplace will determine the level and quality of air service our region enjoys, and the type of air service provided to meet that demand will have a direct impact on our ability to operate the Airport.

## ROLE OF THE BOARD AS A WHOLE

The Board as a whole:

- Sets organizational direction and policy
- Approves a strategic plan and monitors its progress
- Monitors, evaluates and holds the Executive Director accountable for organizational and management performance, including:
  - Selecting a professional, qualified Executive Director
  - Specifying Executive Director performance expectations
  - Evaluating Executive Director performance
  - Determining Executive Director compensation and benefits
  - Terminating the Executive Director employment relationship with the organization, if the need arises
- Promotes and develops aviation and sustains the Airport's value to the community and maximizes its return on investments by prudent financial management through actions such as:
  - Determining fiscal policy
  - Approving the annual operating and capital budgets
  - Assuring the availability of sufficient capital
- Represents the Airport in the community
- Assumes responsibility for its own effective and efficient performance through actions such as:
  - Regularly attending Board and committee meetings
  - Assuring appropriate governance
  - Engaging in Board development and evaluation
  - Holding efficient and effective Board and committee meetings

## ROLE OF THE BOARD CHAIR

The Chair has principal responsibility for ensuring that the Board, as well as its individual members, conduct their affairs with the highest integrity, fully meeting their duties. The Chair is responsible for ensuring that the Board develops policies appropriate to its vision, mission, core values and guiding principles.

### General Expectations

- Preside over meetings of the Board
- Work with the Executive Director to ensure that meeting agendas are in accord with Board requirements and interests
- Work with the Executive Director to ensure appropriate preparation for meetings
- Work with the Executive Director to ensure the Board is kept informed of any issues or items that are materially important
- Work with the Executive Director to ensure all Board policies and decisions are appropriately implemented
- Act as spokesperson for the Board, as appropriate

## ROLE OF THE BOARD MEMBER

Individual Board Member duties and responsibilities flow from those of the Board as a whole. Each individual member is expected to prepare for and attend meetings; to participate actively in the deliberations on, and setting of, policy; to participate in assigned committee work; to play an active role in supporting and promoting the vision, mission, core values; to be knowledgeable about the airline industry and the forces/factors that affect it; and to provide other needed support to facilitate the Airport's effectiveness.

Board Members are expected to make all decisions based on what is in the best interest of the Airport and the communities it serves.

### General Expectations

- Understand, be guided by and support the vision, mission, and core values
- Develop a knowledge and understanding of the Airport's strategic plans
- Review and remain informed about Airport's budget and financial condition
- Analyze and represent the needs and expectations of those who conduct business at the Airport, customers and the broader community
- Support and empower management—distinguishing the role of the Board from that of management
- Undertake committee assignments willingly and enthusiastically, assuming a fair workload with colleagues
- Foster a sense of collaboration and cohesiveness among fellow Board Members

### Duties

- Prudently govern the Airport's financial affairs (See pages 13-15.)
- Faithfully read and understand the Airport's financial statements and otherwise help the Board fulfill its duties

### Meetings

- Prepare for, and participate in, Board and committee meetings
- Demonstrate respect for fellow Board Members and the integrity of the governance process
- Ask timely and substantive questions, and encourage the expression of differing opinions when discussing issues and proposals at Board and committee meetings
- Be willing to challenge management in a constructive manner
- Approach issues from a broad, impartial, and Board perspective
- Support the majority decision on issues decided by the Board
- Maintain confidentiality
- Speak on behalf of the Board when authorized to do so (See tab #3.)
- Bring good will and a sense of collegiality to the Board's deliberations

### **Relationship with Management**

- Requests for management action should be presented during Board or committee meetings
- If requests for management action arise between meetings, the Board Member(s) should channel them through the Chair

### **Confidentiality**

- Preserve the confidentiality of Board information
- Recognize that improper disclosure of confidential information may subject the staff, Board, and/or Airport to liability

### **Avoiding Conflicts**

- Serve the Airport as a whole rather than any special interest group or constituency. Avoid any perception that the Board Member "represents" anything but the best interest of the region served by the Airport.
- Disclose any possible conflicts to the Board in a timely fashion
- Maintain independence and objectivity and do what best serves the Airport's interest, considering your sense of fairness, ethics, and personal integrity dictate, even though not necessarily being obliged to do so by law, regulation, or custom
- To that end, the Board is required to conduct itself consistent with the following policies:

**Business Conduct, Integrity, and Ethics Policy:** The success of the Airport depends on the way it conducts business and the way the public perceives that conduct. Unethical actions, or the appearance of unethical actions, are not acceptable. This policy is intended to define the high standard of business conduct, integrity and ethics expected of all Board Members and employees of the Lexington-Fayette Urban County Airport Board. The policy provides guidance to help recognize and deal with ethical issues, provides mechanisms to report unethical conduct and aims to foster a culture of honesty and accountability, deter wrongdoing, and promote accurate disclosure and reporting. (See policy on tab #4.)

**Annual Statement of Financial Interest:** As a component of the Business Conduct, Integrity and Ethics policy referenced above, every officer or employee who shall have any private financial interest, directly or indirectly, in any matter pending before the Lexington-Fayette Urban County Airport Board shall disclose the precise nature of the interest, in writing, to the Executive Director or Chair of the Airport Board. The officer or employee shall not take any action with respect to the matter that is the subject of the disclosure.

## FINANCIAL OVERSIGHT

One of the mechanisms the Board has to accomplish its financial oversight duties is the performance of annual and monthly financial audits. The Board contracts with a Certified Public Accounting (CPA) firm for an external/independent annual audit and employs a qualified internal auditor to accomplish the internal audit function. Both are described below.

### The Role of the External Auditor

External auditors are CPA firms that are independent of the organization they are auditing. Their objectives are set by generally accepted auditing standards and statutory governmental auditing standards. They report to the Finance & Audit Committee and Board on an annual basis.

The external audit is designed to express an opinion as to whether the organization's financial statements are fairly presented in accordance with generally accepted accounting principles.

In performing an audit, the external auditors consider the organization's internal control over financial reporting to determine audit procedures they will use to form an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. External auditors will evaluate the work of internal auditors when considering the organization's internal controls and may rely on the internal auditor's work in determining their audit scope.

As a result of their consideration of internal controls, external auditors will issue a report that identifies significant deficiencies in internal control, if any. External auditors will also classify as material weaknesses any deficiencies noted if there is a reasonable possibility that a material misstatement in the financial statements will not be prevented, or detected and corrected because of the deficiencies. The auditors will also issue a Management Letter that lists opportunities for strengthening internal controls and operating efficiencies.

The external auditing firm may also perform a Single Audit, formerly known as the A-133 audit, which is an organization-wide audit required for any entity that expends \$750,000 or more of Federal assistance (commonly known as federal funds, federal grants or federal awards) for its operations. Given that our airport receives FAA grants every year for capital improvements that meet or exceed that threshold, the external auditor performs this audit every year.

### The Purpose of the Retirement Audit

On an annual basis, the Board also elects to conduct an external audit of the retirement plan for Blue Grass Airport employees. Although not legally required for this type of plan, the Board felt this was the prudent course of action and followed good business practices. Some of the goals of the annual audit are as follows:

- Determine that assets of the plan are being safe-guarded and plan assets are fairly valued
- Ensure that plan contributions are made in a timely manner
- Verify that accounts of the individual participants are fairly stated
- Examine the tax status of the plan and verify compliance
- Ensure that plan rules have been documented and are being followed

- Ensure that any payments made are in accordance with the terms of the plan
- Communicate any audit findings to staff and the Finance & Audit Committee for follow up

### The Role of the Internal Auditor

Internal auditors can be staff, or CPA, or consulting firms, and they are an independent activity within the organization. Their objectives are usually set by management, the Board and the Finance & Audit Committee. The work of internal auditors tends to be ongoing, as well as their reporting to management, the Board and the Finance & Audit Committee. Blue Grass Airport employs an internal auditor that reports to the Director of Finance & Administration and also communicates directly with the Executive Director and Finance & Audit Committee Chair.

The internal auditors' role includes monitoring, assessing and analyzing organizational risks and the airport's internal controls, as well as reviewing and confirming information and compliance with policies, procedures and laws. Internal auditors place more emphasis than external auditors on reviewing and evaluating the organization's internal controls. In addition, they provide assurance that risks are mitigated and they make recommendations for enhancing processes, policies and procedures, and for preventing and detecting fraud.

### What are internal controls?

Internal control is a process designed to provide reasonable assurance regarding the achievement of the following objectives:

- Reliability and integrity of financial and informational reporting
- Compliance with applicable laws and regulations
- Effective and efficiency of operations
- Safeguarding of assets

Internal controls comprise the policies, plans, procedures and practices used to manage the organization and meet the organizations goals and objectives:

**Control Environment:** This is the foundation for all other components of internal control and provides the discipline and structure to the organization e.g., policies, procedures, guidelines, organization charts. Management is responsible for setting the overall control tone. Employees must be competent and committed to following the policies and procedures and ethical standards and recognize that they will be held accountable.

**Risk Assessment:** Identifying the things that could go wrong and would have a significant impact on the organization. Identify and prioritize areas of potential risk, both internal and external, assess existing control activities and revise controls as needed.

**Control Activities:** A process or system of policies, procedures and practices that manage or reduce risk. Internal controls can be classified as preventative (pro-active, reduce the chance of occurrence) or detective (identify a control breakdown or weakness after it has occurred).

**Preventative controls:**

- written policies and procedures
- segregation of duties
- physical and technical safeguarding of assets
- authorization and approval
- system and login passwords
- signature authority

**Detective controls:**

- reconciliations
- management or supervisory reviews,
- audits
- financial and budgetary review and analysis
- monitoring of transactions

Due to inherent limitation (human error, staff size limitations), preventative control measures cannot ensure 100% prevention, but they are the first line of defense in minimizing risk.

Management is responsible for developing an effective system of internal controls. All employees are responsible for following and applying those business practices.

**Monitoring:** Is it working? A process that assesses the quality and effectiveness of the control system's performance over time. Ongoing monitoring activities include various management and supervisory activities that evaluate and improve the design, execution and effectiveness of internal control. The use of spot checks of transactions or sampling can provide a reasonable level of assurance that the control is functioning as intended. Monitoring needs to be performed on a regular basis and in a timely manner. If we find a problem, we do a corrective action and continue monitoring.

**Information:** What you want others to know or be aware of e.g., written policies, procedures, guidelines, financial or operational reports, contracts, agreements, etc.

**Communication:** System to impart information throughout the organization and to the Board, the Finance and Audit Committee and the general public. Clear, concise, timely and provided when appropriate. Communication must flow up, down and across the organization as well as to outside the organization.



## BOARD COMMITTEES

Committees have been developed to assist the full Board with offering policy guidance, i.e. establishing the principles, rules, and guidelines formulated or adopted by the body in order to reach the long-term goals of the LFUCAB. Committees provide Board members the opportunity to engage in a more in-depth understanding and consideration of issues and policy formulation. Allowing small groups to commit their time to certain tasks allows the full Board to act with greater efficiency and effectiveness during full Board meetings. However, committee recommendations are not intended to be “rubber stamped” by the full Board. Nor is committee work to be duplicated during full Board meetings. Instead, the committee should maintain minutes of its meetings and report the results of its deliberations with sufficient detail that permits the non-committee Board Members to make a well-informed decision.

Board committees may be “standing” or “special.” The Board may, from time to time, change the committee structure and committee responsibilities.

Near the end of each year, the Board selects Officers and Committee Chairs for the upcoming calendar year. (See tab #1.)

The Board has established the following standing committees:

- Administration Committee
- Airport Operations Committee
- Finance & Audit Committee
- Strategic Planning Committee

The committee meeting schedule is adopted annually by the Board in conjunction with the full Board meeting schedule. Committee meetings are subject to change based on the availability of the members, timing of relevant committee agenda items, or lack of agenda items. The schedule and any changes will be communicated with the appropriate Board members and will be posted on the Airport website.

The Board and Committee meeting schedule can be found on the airport website ([www.bluegrassairport.com/administration](http://www.bluegrassairport.com/administration)) or under tab #5.



## ADMINISTRATION COMMITTEE

### PURPOSE

To provide general guidance to staff on matters pertaining to employment policies, procedures, benefits and other Human Resource practices at the Airport.

### DUTIES AND RESPONSIBILITIES

The committee reviews progress in the execution of the Board's goals and objectives in respect to Human Resource strategies and policies. The committee requests adjustments be considered as needed.

Evaluation measures may include:

- The effectiveness of policies, procedures, and compensation and benefit practices for the employees of the Airport within prudent budget constraints.
- Monitoring employee relations in general and the employee hotline for any complaints or concerns and ensuring appropriate action is taken and management is accountable.
- Conducting employee engagement and satisfaction surveys on a routine basis and evaluating the results.
- Ensuring management is trained in the latest human resource concepts and that the Airport continues to be innovative in its approach to managing human resource activities.
- Ensuring the management is open, fair and non-discriminatory in its hiring, promotion, and discipline practices, and that it demonstrates exemplary leadership through honest, integrity and ethical practices.
- The application of the budget to relevant and appropriate activities and expenses.

Members are asked to lead and coordinate the evaluation process for the Executive Director among the other Board Members and various Airport stakeholders.

Committee members provide input as needed on policies, practices, business and planning issues that may be recommended to the full Board for consideration.

## AIRPORT OPERATIONS COMMITTEE

### PURPOSE

To provide general guidance to staff on matters pertaining to capital improvement construction projects, airfield and terminal maintenance activities, public safety and operations, and business practices in support of the commercial, general and corporate aviation community at the Airport.

### DUTIES AND RESPONSIBILITIES

The committee reviews progress in the execution of the Board's goals and objectives in respect to providing a safe, secure environment and the best possible infrastructure and facilities to the traveling public, as well as, commercial, general and corporate aviation stakeholders.

Committee oversight may include:

- The performance of management in the day-to-day operations of the Airport.
- Ensuring the staff is complying with the regulatory bodies while at the same time maximizing its effectiveness of public safety, environmental, maintenance and operational activities within prudent budget constraints.
- The execution of policies, practices, business and planning issues surrounding Airport operations, safety and security of the property and customer service issues ranging from commercial aviation to private and business aviation to ground transportation.
- The application of the budget to relevant and appropriate activities and expenses.

Committee members provide input as needed on consultant selection, policies, practices, and business and planning issues that may be recommended to the full Board for consideration.

## FINANCE & AUDIT COMMITTEE

### PURPOSE

To assist the Board in fulfilling its oversight responsibilities for the accounting and financial reporting processes of the Airport and provide guidance to staff and recommendations to the Board on financial and business policies, practices and strategic planning issues.

### DUTIES AND RESPONSIBILITIES

The committee will review progress in the execution of the Board's goals and objectives and request adjustments to be considered as needed in respect to the following:

- Integrity of the Airport's financial reporting and internal control processes and compliance by the Airport with legal and regulatory requirements.
- Strategy for and performance of the Airport's investments.
- Planning for long-term capital needs and related debt financing management, including the development of long-term financial planning models to ensure a sound debt management strategy.
- Effectiveness of the enterprise risk management, insurance, and information technology practices.
- Management of leases, concession agreements, airline agreements, and tenant relationships.
- Development of the annual budget, reporting of budget variances and recommendation of budget amendments.
- Designated ex officio of the Ethics Committee including enforcing the provisions of the Ethics Policy, investigating complaints, holding hearings, making findings, issuing advisory opinions and imposing penalties when necessary.

The committee will also provide oversight of the internal and external audit functions and coordinate open communications between the internal and external auditors, senior management and the Board, including the following:

- Recommend the appointment and retention of external auditors.
- Review the scope, plan and reports of the internal and external auditors.
- Review corrective action plans and necessary improvements based on audit findings and recommendations received from internal and external auditors.

## STRATEGIC PLANNING COMMITTEE

### PURPOSE

To study macro industry trends and develop strategies accordingly for Blue Grass Airport in matters pertaining to air service development, commercial development, master planning and revenue generation at Blue Grass Airport.

### DUTIES AND RESPONSIBILITIES

This committee will chart a course for the future success of the airport. The committee will review current and potential opportunities to grow revenue, enhance the airport's services for its users and the community, and manage the planning process for airport expansion. The committee will oversee topics such as air service development, federal and state legislative strategies, stakeholder relations, master planning, internal and external communications, real estate acquisition and development, and long-term concession and lease planning.

Evaluation measures may include the:

- Review and evaluation of trends in the airport and airline industries and how they can potentially impact services and revenue at Blue Grass Airport.
- Development of strategies that enhance processes and incorporate best practices while ensuring financial strength and a positive customer experience.
- Planning for long-term capital needs that impact the efficiency of Airport operations for our customers, tenants and staff.
- Airport's reputation within the aviation industry and among Airport stakeholders as well as the effectiveness of air service and marketing initiatives of the Airport.
- Management of leases, concession agreements, airline agreements and tenant relationships.
- Application of the budget to relevant and appropriate activities and expenses.

Committee members will work with staff to develop policies, practices, business and planning issues, and incentive packages that may be recommended to the full Board for consideration.

## AIRPORT BOARD MEETINGS

The Airport Board is a Kentucky airport board, existing and operating pursuant to Kentucky law regarding the operations of airport boards, as well as Kentucky law pertaining to Open Meetings and Open Records of public agencies.

### PARKING

Board Members will have regular occasions to meet at the Airport for a variety of reasons. Consequently, they are provided a parking card during their Board term that allows them to park in the Airport's parking lots at no charge to them.

### SCHEDULE

Near the end of each calendar year, the Airport Board adopts a schedule of regular meetings for the succeeding calendar year. (See tab #5.) These meetings generally (but not always) take place at 8:30 am on the fourth Wednesday of the month, in the Boardroom of the Airport's terminal building. The schedule of regular meetings must reflect the date, time, and place of each meeting, be adopted by the Airport Board, and be made available to the public. The schedule currently is made available to the public by posting on the Airport's website. Additionally, all of the Airport Board's meetings must be held at times and places which are convenient to the public.

Special meetings of the Airport Board may be called by the Chair or by four members. Any meeting that does not appear on the schedule of regular meetings will be a special meeting. The Airport Board must provide written notice of the time, place and agenda of the special meeting. Action at the meeting must be limited to matters appearing on the agenda. The notice must be delivered to all members, as well as all media organizations that have made a written request for notice of special meetings, as soon as possible (and in any event at least 24 hours in advance of the meeting). The notice also must be posted in a conspicuous place in the terminal building. If an emergency precludes compliance with the notice requirements, consult with counsel regarding the requirements for emergency meetings.

### QUORUM

The transaction of the Airport Board's business requires the presence of a quorum of its members. A quorum consists of six members. If a quorum is present, a majority of those members present may act, even if that majority does not constitute a majority of the entire Airport Board. In the case of tie voting by the Airport Board, the motion is deemed to have failed.

Airport Board meetings may not be conducted by teleconference, but they may be conducted by video conference. The notice of the meeting must state that the meeting will be by video conference and identify the locations as well as which location is primary. Any interruption of the broadcast at any location shall result in suspension of the meeting until the broadcast is restored. The Airport Board may not conduct a closed session by video conference.

### **MEETING AGENDA**

The Executive Director, in consultation with the various Board committees, develops the monthly Board meeting agenda. The agenda, financial reports, background information on action items, and miscellaneous correspondence of interest to the Board will be forwarded to the Board electronically, sufficiently in advance of the Board meeting, so Board members have ample time to read the information and prepare for the meeting.

### **MEETING MINUTES**

Minutes of the actions taken at every meeting of the Airport Board, including votes and actions, must be recorded and available for public inspection no later than following the next meeting of the Airport Board. Once the minutes have been approved, a copy of the minutes will be signed by the Board Chair and Secretary and filed in accordance with the Board's Record Retention Policy.

### **PUBLIC ATTENDANCE AT MEETINGS; CLOSED SESSIONS**

The Airport Board's meetings must be open to the public. It may impose no conditions, except those necessary to maintain order, upon the attendance of its meetings by any member of the public. Attendees may not be required to identify themselves. Meeting room conditions must allow effective public observation. News media coverage, including recording and broadcasting, must be permitted.

The Airport Board may, however, conduct closed sessions from which the public and media may be excluded under certain circumstances (discussed below). Generally, notice must be given during the open meeting regarding the nature of the business to be discussed in closed session and the statutory provision authorizing the closed session. A closed session may be held only after a motion is made and carried by a majority vote in open session. No final action may be taken in closed session, and discussion during the closed session must be limited to the matters publicly announced prior to convening the closed session. There are some exceptions to these requirements; confer with counsel before entering closed session.

Kentucky law provides 13 exceptions for which closed session meetings of the Airport Board are authorized. Among the most likely applicable exceptions are the following:

- Deliberations on the future acquisition or sale of real estate property when publicity would be likely to affect its value
- Discussions of proposed or pending litigation against or on behalf of the Airport Board
- Discussions or hearings which might lead to the appointment, discipline or dismissal of an individual employee or member
- Discussions with a business entity concerning a specific proposal if open discussions would jeopardize the siting, retention, expansion or upgrading of the business
- Meetings which federal or state law required to be conducted in privacy

### KENTUCKY OPEN RECORDS ACT

As a general matter and subject to a number of specific exceptions, *all* records of the Airport Board are open for inspection by any person, even if such inspection may cause inconvenience or embarrassment to Airport Board officials or others. **Communications, even the most minor day-to-day emails between Board members and staff, can be made public at any time.**

Kentucky law provides 14 exceptions to the general rule that the Airport Board's records must be made available on request. Among the most likely applicable exceptions are the following:

- Records containing information of a personal nature, where disclosure would constitute a clearly unwarranted invasion of personal privacy
- Records confidentially disclosed to the Airport Board, generally recognized as confidential or proprietary, the disclosure of which would permit competitors an unfair commercial advantage
- Records pertaining to the prospective location of a business or industry where no previous disclosure has been made
- The contents of real estate appraisals, engineering or feasibility estimates and evaluations made for the Airport Board relative to the acquisition of property, until such time as all of the property has been acquired
- Preliminary drafts, notes, correspondence with private individuals, other than correspondence intended to give final notice of Airport Board action
- Preliminary recommendations and preliminary memoranda in which opinions are expressed or policies formulated or recommended
- All records or information the disclosure of which is prohibited by federal law or regulation
- Records or information the disclosure of which is prohibited, restricted or made confidential by enactment of the General Assembly
- Records the disclosure of which would have a reasonable likelihood of threatening public safety by exposing a vulnerability to a terrorist act

In conjunction with the Kentucky Open Records Act requirements, the Board adopted a Records Retention Policy that outlines the length of time documents must be maintained.

### RECORDS RETENTION POLICY

Following a recommendation by the State Auditor, the Board adopted a records retention policy in October 2009 and updated it in 2015. Staff worked closely with the Board's legal counsel and the Kentucky Department of Library and Archives (KDLA) to create a comprehensive records retention policy which would provide guidance, promote greater efficiency, and provide for a systematic compliance program. This policy specifies the retention, destruction, and compliance guidelines for both the Airport's hard copy records and electronic records. This policy meets or exceeds the requirements for the Commonwealth of Kentucky.



## ROLE OF THE EXECUTIVE DIRECTOR

The Executive Director for Blue Grass Airport is the most senior staff position and the Board's primary contact with the organization. His/her role is to research and recommend actions on strategic or policy matters and then execute the policies approved by the Board. The Board's current contract with its Executive Director has been included in tab #6.

Contact information for the Executive Director and senior staff members may be found in tab #2.

## POSITION DESCRIPTION

### Job Purpose

This position is responsible for the overall business operations, administration, human resources, financing, marketing and community relations, air-service development, maintenance, safety and security, planning and development of the Airport and related facilities.

### Duties and Responsibilities

- Conferences with the Airport Board and recommends policies and procedures for the effective management of the Airport and overall achievement of the Airport's mission
- Provides overall direction and leadership for Airport's staff including all maintenance, operations, administration, financial, and development activities at the Airport
- Supervises and directs the activities of all management and other Airport personnel
- Confers with representatives of Federal agencies, commercial airline companies, military, private operators, and other users of airport facilities relative to mutual problems and overall policies and procedures
- Oversees and/or negotiates leases and agreements with users of facilities
- Oversees the preparation of reports on the status of Airport operations and finances
- Determines present and future operational, financial, and other needs
- Directs and participates in the preparation of long term strategic planning for continual growth and development
- Assures compliance with Federal and other laws and regulations governing Airport use
- Oversees and presents the annual budget to the Board and provides overall management of its implementation and expenditure
- Directs public relation programs for the Airport including news conferences, news releases, personal television and radio appearances, and delivers speeches to interested groups
- Oversees community relation initiatives and special events; represents the Airport on federal, state, and local legislative matters
- All other duties as assigned by the Airport Board



### Qualifications

- Degree in Aviation Management, Business Administration or related field from an accredited college or university
- Ten years of increasingly responsible experience in the management of a similar size airport, preferably as the Airport Director
- Accreditation as an Airport Executive by the American Association of Airport Executives is strongly preferred
- Comprehension of Federal, State and local laws and regulations related to airport development, operation and maintenance
- Understanding of management practices and principles relating to professional airport administration, operation and maintenance
- Knowledge of the principles of public and modern business administration
- Familiarity with proper airport design and construction and related procedures
- Ability to analyze and properly report on operating conditions and problems and to make sound recommendations or to take responsible actions
- Ability to plan, organize, and supervise the work of all airport employees in a variety of activities
- Possess excellent verbal and written skills and be able to effectively communicate across all levels of the organization as well as external stakeholders
- Strong technology skills are critical, particularly with spreadsheet, word processing and other database applications
- Strong critical thinking and planning skills
- Ability to establish and maintain effective working relationships with employees, government representatives, tenants, customers, elected officials and leaders within the business community
- Excellent public relations and public speaking skills
- Self-motivated/self-starter and able to work effectively with little direction or oversight
- Able to effectively deal with confidential information of written and spoken nature
- Ability to handle high stress emergency situations and daily reasonably necessary stress
- Pilot license a plus

### SUCCESSION PLAN

In the event the Executive Director position is vacated, the Airport Board has a Succession Recruitment and Communications Strategy that takes into consideration three types of scenarios: Planned Departure with Long-Term Notice, Planned Departure with Short-Term Notice and Unplanned Departure. The plans also address the appointment of an Acting Executive Director, depending on the time estimated for fill the vacancy. The Succession Recruitment and Communications Strategy is located in tab #7.

The following page is the most current organizational chart.

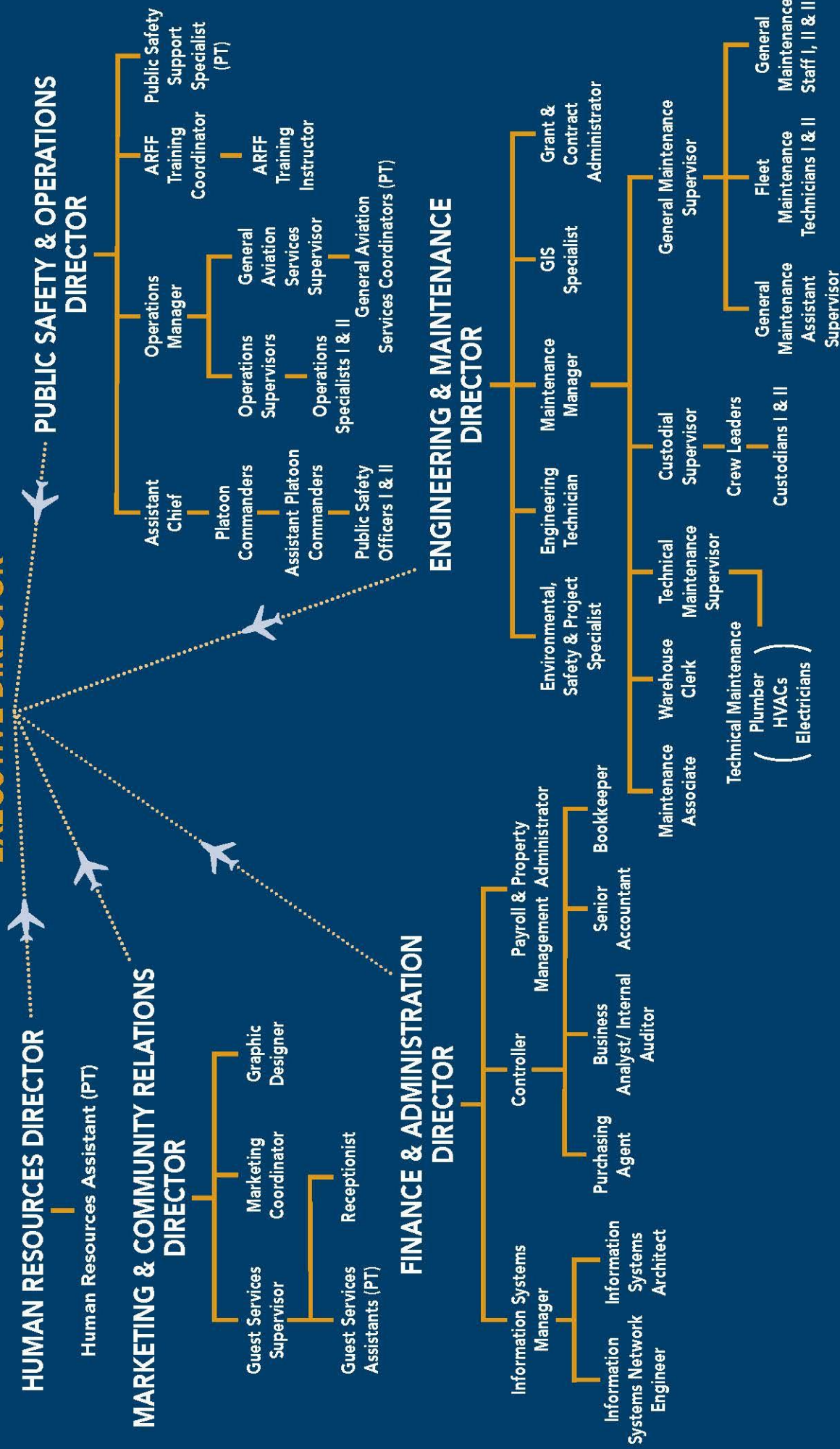


Lexington-Fayette Urban County Airport Board

## BOARD OF DIRECTORS



## EXECUTIVE DIRECTOR



## VISION, MISSION AND CORE VALUES

### OUR VISION

Blue Grass Airport will be a responsive and essential link in the economic and cultural vibrancy of the Bluegrass.

### OUR MISSION

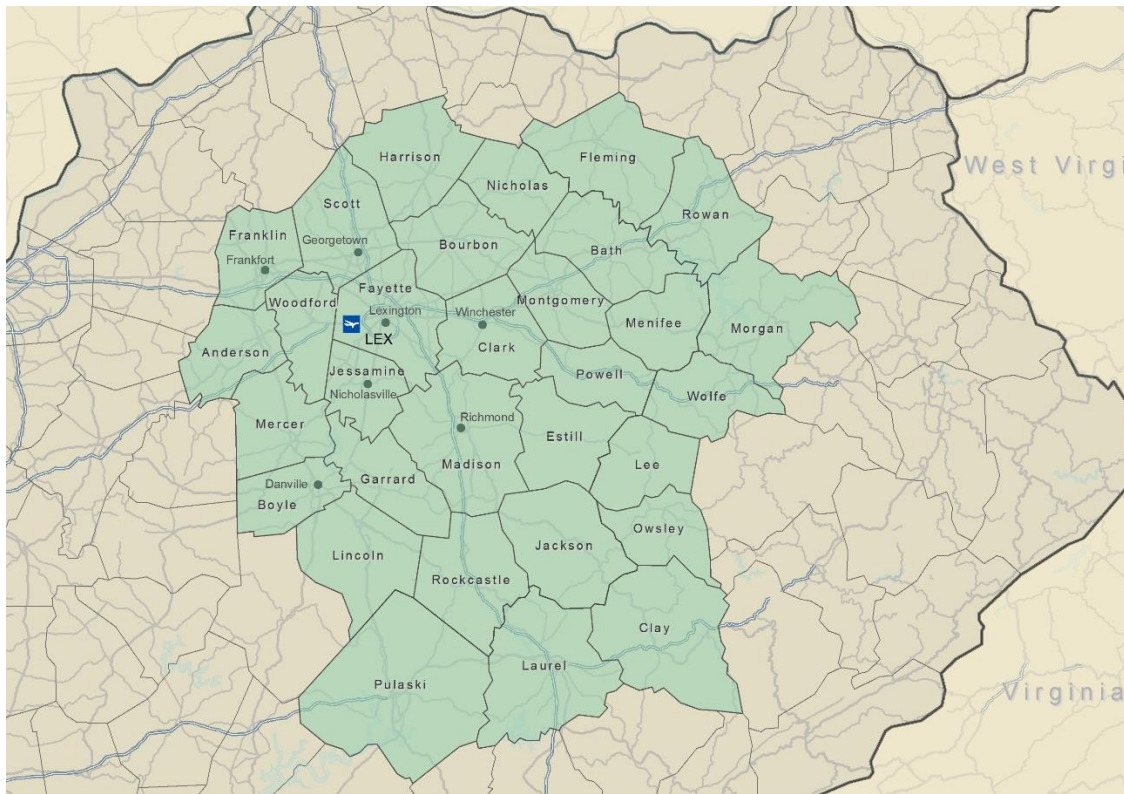
To provide convenient transportation facilities and services that meet or exceed the needs of the region in a safe, efficient, customer service-oriented, and fiscally and environmentally responsible manner.

### OUR CORE VALUES

Integrity, Service, Respect, Flexibility, Innovation, Responsiveness, Inclusiveness

## SERVICE AREA

The Airport's primary catchment area encompasses 31 counties, which includes 1,077,821 potential travelers. More than 670,000 potential travelers reside within a 30-mile radius of the Airport.



## STAKEHOLDERS

### AIRPORT BOARD EMPLOYEES

Airfield, terminal building and general maintenance, custodial, engineering, environmental, operations, properties, public safety, fire training center, guest services, marketing/community relations, terminal advertising sales, accounting/finance, human resources, information systems

### FEDERAL AVIATION ADMINISTRATION

Federal employees – oversees air traffic control tower and maintenance of navigational equipment

### TRANSPORTATION SECURITY ADMINISTRATION

Federal employees – oversees security checkpoint, checked bag screening, perimeter security

### U.S CUSTOMS

Federal employees – provides U.S. Customs service for general aviation passengers

### AIRLINES

Allegiant, American Airlines, Delta Air Lines, United Airlines – airlines oversee airfares, flight schedules, routes, customer service, check-in, baggage handling and flight operations

### RENTAL CAR SERVICES

Airport contracts with Avis/Budget, Enterprise/Alamo, Hertz/Dollar and National

### PARKING OPERATIONS

Airport contracts with Republic Parking

### TERMINAL RESTAURANTS AND RETAIL SHOPS

Airport contracts with Creative Food Group (restaurant), Paradies (retail shops) and Cork & Barrel (bourbon retail shop)

### HORSE TRANSPORT

Airport leases facilities to H.E. Sutton Forwarding Company, also known as Tex Sutton

### FIXED-BASE OPERATOR

Airport leases facilities to TAC Air, which provides fuel and hangars for airlines, corporate, private aviation

### AIRCRAFT MAINTENANCE

Airport leases facilities to Thoroughbred Aviation

### FLIGHT INSTRUCTION

Airport leases a hangar to TAC Air, which in turn subleases it to NexGen Aviation

### AIRCRAFT SALES

Airport leases a hangar to TAC Air, which in turn subleases it to AirMart



## **STRATEGIC BUSINESS PLAN (2017-2021)** (NUMBERS CORRELATE TO ENCLOSED PROJECT MAP)

### **2017**

- 1** - Complete Phase III (of V) of Taxiway Safety Enhancement Program **(99% DONE)**
- 2** - Begin construction on additional west side general aviation hangars **(DONE)**
- 3** - Begin construction on west side facilities for Tex Sutton horse transport **(DELAYED INDEFINITELY)**
- 4** - Begin construction on car rental maintenance facilities **(DONE)**

Finalize Governance, Policies and Procedures Manual **(DONE)**

Open Cork & Barrel bourbon store in terminal – ribbon cutting ceremony **(DONE)**

Host Kentucky Aviation Association annual conference **(DONE)**

### **2018**

- 2** - Finalize construction on additional west side general aviation hangars **(DONE)**
- 3** - Finalize construction on new west side facilities for Tex Sutton horse transport **(DELAYED INDEFINITELY)**
- 4** - Finalize construction on new car rental maintenance facilities **(DONE)**
- 5** - Begin construction on Phase IV (of V) of Taxiway Safety Enhancement Program **(DONE)**  
(new public safety facility) – ground breaking ceremony

Construction begins on baggage belt replacement **(DONE)**

Construction begins on parking improvements **(TO BEGIN SPRING 2019)**

Host Kentucky Aviation Association annual conference **(DONE)**

### **2019**

- 4** - Begin redevelopment of former car rental maintenance facilities
- 5** - Continue construction on Phase IV (of V) of Taxiway Safety Enhancement Program  
(new public safety facility)
- 6** - Begin construction on Phase V (of V) of Taxiway Safety Enhancement Program  
(construction of new midfield taxiway)

### **2020**

- 5** - Complete construction on Phase IV (of V) of Taxiway Safety Enhancement Program  
(new public safety facility) – ribbon cutting ceremony
- 6** - Continue construction on Phase V (of V) of Taxiway Safety Enhancement Program  
(construction of new midfield taxiway)

### **2021**

- 6** - Finalize construction on Phase V (of V) of Taxiway Safety Enhancement Program  
(construction of new midfield taxiway)
- 7** - Begin rehabilitation of main runway and associated safety areas

## **POLICIES**

Over the years, the Board has adopted policies to guide staff on significant operational, administrative or financial matters. Below are the major policies and a brief description of each. If you would like to review an entire policy, please contact the Executive Director.

### **FOUNDATION DOCUMENTS**

#### **Airport Rules and Regulations**

In 2012, the Board established a set of Airport Rules and Regulations (“ARR”) to provide essential guidelines for all persons utilizing services and/or operating the Airport. The ARR are adopted and codified as Urban County Ordinances (“UCO”) by the Lexington-Fayette Urban County Government (“LFUCG”) and are one of the three “foundation documents” of professionally operated airports. This document sets forth the Board’s philosophy in respect to the safe and efficient use, operation, and management of the Airport. The other two foundation documents are Minimum Standards and the Airport Leasing Policy.

#### **Minimum Business Standards**

In 2016, the Board amended its “Minimum Business Standards” for tenants and operators of aviation-related businesses at the Airport. As the document’s name implies, Minimum Business Standards are minimum operating, leasing, and investment thresholds required for tenants who wish to provide aviation-related services on the Airport. They are one of the fundamental documents of good airport management and are developed to create a stable, fair, and non-discriminatory business environment for tenants/operators that lease space and provide aeronautical services at the Airport. Minimum Business Standards are also established to meet obligations (Grant Assurances) set forth by the Federal Aviation Administration (FAA) when an Airport accepts federal grants. Airport Minimum Business Standards are established to provide a fair and level playing field to any entity that wishes to operate a commercial business at the Airport.

#### **Leasing Policy**

The third foundation document, the Leasing Policy, provides guidance to Staff when leasing facilities to ensure that good business practices will be employed on a fair and non-discriminatory basis while, at the same time, establishing a rent and fee structure that advances the goal of financial self-sufficiency at the Airport. This policy, last updated in 2016, also provides insurance requirements for different operators at the Airport to protect the Airport’s interest. Finally, this Policy sets forth leasing authority delegated by the Board to the Staff to efficiently approve short term leases and operating agreements.

## OTHER SIGNIFICANT POLICIES

### **Business Conduct, Integrity and Ethics Policy**

The success of the Airport depends on the way it conducts business and the way the public perceives that conduct. Unethical actions, or the appearance of unethical actions, are not acceptable. This Policy defines the high standard of business conduct, integrity and ethics expected of all Board Members and employees of the Airport Board. The policy provides guidance to help recognize and deal with ethical issues, provides mechanisms to report unethical conduct and aims to foster a culture of honesty and accountability, deter wrongdoing, and promote accurate disclosure and reporting.

### **Purchasing and Procurement Policy**

The Board adopted a new Purchasing Policy in January 2011 and has updated regularly as needed. This Policy guides staff in the purchasing of equipment and supplies, the selection of consultants and professional services, and check signing authority and limitations. The changes have strengthened that policy over time and increased the efficiency in which the Airport handles certain purchasing processes. The Policy is compliant with all appropriate statutes, includes strong internal controls over the purchasing process, and creates efficiencies for staff, management and the Board of Directors.

### **Travel, Business Expenses, Entertainment and Reimbursement Policy**

This policy concerning Travel, Business Expenses, Entertainment and Reimbursement provides a consistent means for the Lexington-Fayette Urban County Airport Board to control travel, business, and entertainment expenses. It is a clear and transparent policy and set of procedures to guide employees undertaking business travel and incurring business and entertainment expenses for which they seek reimbursement.

### **Investment Policy**

In compliance with the Kentucky Revised Statutes, the Board adopted an “Investment Policy” which has been reviewed periodically. In general, the investment objectives of the Board are to invest the Airport’s assets in securities which shall provide a reasonable rate of total return with a primary emphasis placed upon the preservation of the capital assets of the LFUCAB and establish an investment portfolio that remains sufficiently liquid to enable the LFUCAB to meet operating requirements that might be reasonably anticipated. Liquidity is achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

### **Human Resources**

As expected in any organization, the Airport has numerous policies and procedures in respect to our employees. The Airport has outlined its fundamental values in a Human Resources Philosophy statement. (See tab #8). From that foundation, the Airport has developed an employee handbook listing all employment-related policies including Anti-Harassment/Anti-Discrimination, Paid Time Off, Modified Duty, Leave of Absence, Employee Safety, Family Medical Leave Act, Social Media and Tuition Reimbursement.

### **Whistleblower Policy**

The purpose of this policy is to establish a procedure for employees of the Lexington-Fayette Urban County Airport to report illegal or dishonest activity affecting the Airport's financial or business affairs by any Airport employee or any person or firm doing business with the Airport. Employees and representatives of the Airport are expected to practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations. The Airport encourages its employees who have concerns about illegal or dishonest activity to come forward and report these concerns without fear of retaliation or unfair treatment. To that end, the Board contracts with an independent third-party to provide a "hotline" (phone number and website) that any employee can call at any time to report any inappropriate activity. The employee can remain anonymous and the information from a call will be reported directly to Human Resources and the Board's legal counsel.

### **Advertising Policy**

The Airport sells ad space in the terminal and on Airport property to national and local businesses. The Advertising Policy, administered by the marketing and community relations department, states the standards for the display of paid advertising. It includes a list of prohibited advertising content, a review process to determine whether advertisements comply with the policy and an appeals process in the event advertising is rejected by the advertising administrator.

### **Sponsorship Policy**

The Airport understands the importance of providing support to its industry and community-oriented organizations that use the Airport. The Sponsorship Policy outlines sponsorships that the airport will consider as part of its efforts to maximize air service promotion while supporting applicable organizations within a limited budget and in accordance with the Federal Aviation Administration's permitted revenue use.

### **Crisis Communications Program Overview**

As a part of the Airport's commitment to prudent risk management, protection of its reputation and proactive communications, Airport staff has developed a comprehensive crisis communications program. Based on industry best practices and practical experiences, this program includes a crisis communications manual, Board Member materials for working with the media, media training programs for Airport spokespeople and an external communications agency to provide support when needed. (See tab #3.)