

LYNCHBURG REGIONAL AIRPORT

COMMISSION MEMBER UPDATE

Wednesday, February 1, 2023

REPORT

CY 2022 PASSENGER TRAFFIC INCREASES 8.9%

Amid continued strong air travel demand, passenger traffic at LYH finished the year with total passengers increasing by 8.9%. This marks the continuation of a gradual return to pre-pandemic levels as passenger traffic finished the year within 90% of 2019's near-record performance. In all, the airport handled a total of 148,077 passengers for the year, with American Eagle flights averaging 84.4% full. That's a record annual load factor rate for LYH and a strong indicator of how much our market remains significantly underserved.

AMERICAN AIRLINES' 2023 SCHEDULED SERVICE LEVELS REMAIN DEPRESSED

In light of the continued airline pilot shortage — made worse for the regional airlines by the disproportionate loss of regional pilots to their major airline partners — LYH's scheduled flights and seat capacity have been reduced to just four daily departures (most days), with little improvement expected anytime soon. In addition, our current schedule features the smaller, 50-seat Embraer regional jets which are further handicapped by performance issues and weight limitations that reduce capacity. Recent communications with our route planning official at American headquarters have produced little encouragement, although I have been assured that LYH remains a strong and valuable regional market for them. I'll provide more details on the current situation and an overview of our updated air service development strategic plan and targeted tactics for exploring expanded opportunities as part of Monday's meeting agenda.

PASSENGER TERMINAL PROJECTS UPDATE

Restrooms - The recent bids we received for the remodeling of six of the restroom facilities in the main terminal unfortunately came in well above our consultant's estimates. As a result, we are anticipating a design modification in order to re-bid the project later this month. As you will recall, this project includes a complete remodeling of the original terminal restrooms with a new motif that incorporates features with a distinctive local flare, and will include new touchless, high-efficiency fixtures, sinks and hand dryers. We are coordinating with our consultant and the City Procurement Department and now expect final contractor selection by mid-March. Construction is planned to begin sometime in April.

Terminal Security Checkpoint and Exit Lane Expansion - This much-needed upgrade and expansion of the passenger security checkpoint to eliminate a major choke-point for both departing and arriving passengers is currently in design. A significant portion of the project will involve the expansion of the existing connecting bridge between the main terminal and gate areas with an additional bridge to incorporate a state-of-the-art exit lane security gate system. This will eliminate the need for TSA or airport personnel to monitor arriving passengers as they exit from the sterile (gate) side of the airport terminal. Funding is expected to be provided through the use of state entitlement funds at 100%.

Ticket Counter Belts and Baggage Claim Modernization - The ticket counter belts and baggage claim carousel were originally installed when the terminal was built in 1992 and are both reaching the end of their useful life. We are currently coordinating with our consultant to provide modernized plan drawing options. Funding is expected to be provided through the use of state entitlement funds.

COMMISSION MEMBER UPDATE

February 1, 2023

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LYH SCHEDULES NEW RAMP TOUR FOR VEDP OFFICIALS

With the recent completion of construction on the new North Development Ramp, LYH will be hosting a tour of the airport's latest airfield addition later this month for officials from the Virginia Economic Development Partnership (VEDP). This visit is part of the process to update that aeronautical infrastructure to the highest Tier 4 level of VEDP-designated available site development. This upgrade essentially raises the new ramp and related taxiway improvements to a "building-ready" status which should significantly enhance our chances of attracting aeronautical tenants such as an MRO or airline maintenance facility.

LYH HOSTS SECOND ANNUAL UNITED WAY 5K AIRPORT RUNWAY RUN

After last year's successful 5K running event hosted by Lynchburg Regional Airport, we have once again partnered with United Way to sponsor another 5K on the airfield. Scheduled for Sunday, April 30th, the run will begin at 8:00 a.m. and be completed by 10:00 a.m. At this point, the event's plan and safety/security protocols have been reviewed and approved by the FAA (with both the Washington Airports District and Safety offices), along with TSA review being completed shortly. Coordination meetings with all parties, including tenants, will be held up to the time of the race. This event is a great way to involve the community and raise awareness of LYH and the aviation services the airport provides, and typically attracts considerable local/regional media coverage.

AGENDA FOR THE COMMISSION MEETING

The Commission Agenda for Monday's meeting includes an overview of our 2022 year-end passenger performance and traffic statistics, along with an update on American's 2023 Spring schedule and other airline challenges. I've also included a summary of the airport's FY 2023 1st quarter financial report and preview of our proposed 2024 operating budget. Finally, I'll provide a briefing on the status of recent airport lease agreements and related City Council public hearing actions. In the meantime, if you have any questions, or would like to discuss anything prior to the meeting, please feel free to call me at (434) 455-6089.

Respectfully yours,
Andrew LaGala, A.A.E.
Airport Director

LYNCHBURG REGIONAL AIRPORT COMMISSION
Monday, February 6, 2023
4:00 p.m.

AGENDA FOR THE COMMISSION

1. Call to Order

CONSENT AGENDA

2. November 14, 2022 Commission Meeting Minutes
3. Lynchburg Regional Airport February 2023 Air Service Update
4. December 2022 Passenger Traffic Report

Consent Agenda Recommended Action: Receive and File

REGULAR AGENDA

5. Report of the Airport Director
 - A. A report on the airport's FY 2023 1st Quarter Financial Report and proposed FY 2024 Airport Operating Budget submission
 - B. A presentation regarding the 2022 year-end passenger traffic results and update on American Airline's 2023 current and Spring flight schedules
 - C. An overview of LYH's updated Air Service Development Strategic Plan for 2023
 - D. A report with regards to the status of recent airport lease agreements
 1. Republic Parking (Reef) lease amendment
 2. Virginia State Police Hangar lease
6. Miscellaneous business
 - A. Inquiries and/or comments by Commission Members
7. Reports of airport businesses
8. Hearings of citizens upon Commission matters
9. Next Commission meeting: April 17, 2023
10. Adjournment

**MINUTES OF THE
LYNCHBURG REGIONAL AIRPORT COMMISSION MEETING
November 14, 2022
4:00 p.m.**

PRESENT:

Janice Crawford
Dan Deter
Jones Stanley
Massie Ware
Debra Allen
Greg Patrick
John Marcinik

ABSENT:

Mark Elliott
Frank Rogers

STAFF PRESENT:

Andrew La Gala, Airport Director
Cedric Simon, Assistant Airport Director Ops and Maint
Cathy Vance, Assistant Airport Director Finance and Admin
Carmen Singh, Marketing Coordinator
Wes Campbell, Finance Manager

(1) CALL TO ORDER:

The meeting was called to order at 4:00 p.m. by Mr. Massie Ware. It was noted that Mark Elliott and Frank Rogers were not in attendance.

(2) APPROVAL OF NOVEMBER 14, 2022 CONSENT AGENDA

Mr. Massie Ware confirmed that everyone had received the items from the Consent Agenda; the Aug. 1, 2022 Commission Meeting Minutes and asked if there were any questions, comments or changes regarding the consent agenda items. There were no comments.

(3) REPORT OF THE AIRPORT DIRECTOR

A. LYH Airline Performance Metrics: Pre-Pandemic to Date

1. Comparisons by year: 2020-2022
 1. Passenger Traffic
 2. Monthly Seat Capacity
 3. Passenger load factors
 4. Average air fares by month with regional comparison

B. Looking Ahead

1. 46% Decline in December Seat Capacity? Here's Why
 1. Due to the severe pilot shortage, 76% of U.S. airports have lost or experienced reduced air service since 2019
 2. Average reduction in flights: 31%
 3. Disproportionate impact on airports that rely on regional airline service...regionals are the entry level pilot pipeline

4. RAA reports that regional airlines now have more than *500 regional aircraft parked for lack of pilots*
5. 5% of regional airports have lost all air service
6. Trends are accelerating...since pandemic 161 U.S. airports have lost at least 25% of their commercial flights and 60 have lost more than half of their air service
7. U.S. Bureau of Labor predicts 18,100 annual demand for airline pilots, but supply of qualified pilots still short by 8,000
8. Airline pilot training falling behind...lack of training access blocks the career for most aspiring pilots due to high cost
9. In Virginia, Regional Airlines provide 57% of all the air service in the state.
2. Incumbent Airline Service Opportunities
 1. American Airlines meeting with network planners October 17th
 - i. LYH can expect four, 50-seat ERJ flights through the holidays; Winter schedule through February will hold at four daily flights most days
 - ii. Anticipate a possible increase in frequency and equipment going into the Spring 2023 depending on pilot availability
 - iii. Advance bookings improving and business travel demand has stabilized at about 25% and expected to remain there
 - iv. Leisure travel demand continues to dominate...but demand has overwhelmed supply as AA further reduced seat capacity
 - v. AA officials noncommittal as to 2023 Spring and Summer schedules due to state of industry and and LYH justification for additional flights/seat capacity
 - vi. While ORD service continues to be a possibility down the road, focus remains on CLT for right now
3. New Entrant Opportunities
 1. JetBlue/Spirit: Met with both on October 18th at Takeoff Airline Route Planners Conference
 - i. JetBlue acquired Spirit Airlines earlier this year...is in the process of merging with Spirit
 - ii. JetBlue now open to entering new smaller markets due to additional aircraft acquired from Spirit
 - iii. LYH service possible due to JetBlue redeploying existing smaller Embraer 190 and A220 regional aircraft
 - iv. Currently JetBlue is not serving west central Virginia and LYH's central location between ROA & CHO allows implementation of our "expanded market model"
 - v. Initial service would likely focus on Florida leisure markets with weekly service
 - vi. Is interested in airline incentive package and LYH's current low rates and charges
 - vii. Spirit is awaiting further direction from JetBlue
 2. Avelo
 - i. New ultra-low fare airline operating an all Boeing 737 fleet that targets service from smaller, uncongested markets on the east and west coasts
 - ii. Business model would fit well with LYH's expanded market model and Avelo has no current service from ROA or CHO
 - iii. Initial route system would fit well for initial weekly service to Florida markets
 - iv. Rapid rise in airfares from the major carriers in recent months has created greater opportunities for low-fare carriers as an enhanced competitive edge
 - v. Initial service would likely focus on Florida leisure markets with weekly service
 3. Breeze airways

- i. New low fare airline operating Airbus A220 and Embraer 190 regional aircraft with a medium market-size business model
 - ii. Currently serves RIC and ORF
 - iii. Offers nonstop service to west coast markets from airports that the major airlines won't consider
 - iv. LYH has been operationally evaluated by Breeze as to runway length, facilities, etc.
 - v. Weekly service to Florida markets would fit their route strategy
 - vi. Rapid rise in airfares from the major carriers in recent months would also enable smaller market profitability
- 4. United Airlines
 - i. United eliminated 14 routes from its IAD hub earlier this year
 - ii. United Express carrier Skywest eliminated service to an additional 5 smaller airports from IAD
 - iii. Carrier cited pilot shortage as main reason for reductions
 - iv. IAD is smallest of United's hubs and its future hubbing operation is uncertain once the \$50 million state incentive contract expires
 - v. LYH attempts to return United service to IAD has been continuous for 20 years with no success

C. Operating Budget

- 1. FY 2022 4th Qtr. & YE results
 - 1. Total Airport Revenue: \$5,797,358
 - 2. Total Expenses: \$4,723,218
 - 3. Transfer to airport capital budget: \$1 Million
 - 4. YE operating budget surplus: \$1,074,140 (\$209,703 w/o CARES)

D. Virginia's Secretary of Commerce and Trade Visit

- 1. Virginia's new Secretary of Commerce and Trade, Caren Merrick, visited LYH as part of a state-wide listening tour on August 10, 2022
- 2. Airport staff briefed Secretary Merrick on small commercial service airport challenges, impact of the pandemic on smaller airports, and background on LYH efforts to improve air service
- 3. Urged assistance from the new administration in:
 - 1. Prioritizing growth and expansion of the IAD hub with emphasis on United serving *all* commercial service airports in Virginia
 - 2. Increasing funding for the "Governor's New Airline Service Incentive Fund" and create a set-aside for smaller airports
 - 3. Consider pursuing a JLARC study or similar effort to evaluate Virginia's air service competitiveness with surrounding states

E. Capital Improvement Program Projects Update

- 1. New north MRO ramp project progress, including public parking and utilities
- 2. New midfield corporate hangar and ramp expansion
- 3. South ramp expansion for new Freedom Aviation hangar
- 4. New Centra hangar living quarters hangar expansion design
- 5. Second set of T-hangars design kickoff
- 6. Taxiway B runup at Runway 4 end – 2023 design/construction
- 7. Terminal public restrooms design complete – package going on the street this month
- 8. Terminal building security screening checkpoint automated exit lane project in design
- 9. Terminal building generator and power upgrades project in design
- 10. Joint venture - Air Commerce Park – GoVa awards \$190K for "Due Diligence"

F. Recent Leases Awarded

- 1. **City Council approved all the following lease agreements presented in public hearing**
 - 1. Hertz Corporation
 - 2. Freedom Fuel Farm agreement

3. ARINC equipment space agreement
4. GSA/TSA space agreement

(4) REPORTS OF AIRPORT BUSINESSES

Mr. Massie Ware asked if there were any questions or comments from the citizens present. Andrew Wallace replied that Freedom Aviation would break ground on construction. Andrew LaGala then explained about the 19,600 square foot hangar being built on the airport.

Vice Chair Debra Allen was awarded a Resolution and thanked for her service on the Airport Commission.

(5) HEARINGS OF CITIZENS UPON COMMISSION MATTERS

There were none.

(6) Next Commission Meeting: TBD

(7) ADJOURNMENT

There being no further business, the meeting was adjourned.

Lynchburg Regional Airport Commission

Effective Feb. 2023

AIR SERVICE UPDATE

Summary For the month of February we have 4 daily departures on most days. We have four ER4 aircraft.

Carrier Profile	<u>Airline</u>	<u>Destination</u>	<u>Departures</u>	<u>Seats</u>	<u>Equipment</u>
	American Airlines	Charlotte	4	200	ER4

AIRPORT TOTAL: Monthly Seats: 5,650 Scheduled Flights: 113

American Airlines In February we have 4 daily departures on most days, all are ER4 aircraft.

Destinations Served	<u>Non-Stop</u>	<u>Departures</u>	<u>Total</u>
	Charlotte	4 per day	113

Aircraft Types	<u>Aircraft</u>	<u>No. of Departures/Day</u>
	CR9 CRJ-900	0
	ER4 Embraer 145	4
	CR7 CRJ-700	0

LYNCHBURG REGIONAL AIRPORT AIR TRAFFIC REPORT FOR DECEMBER 2022

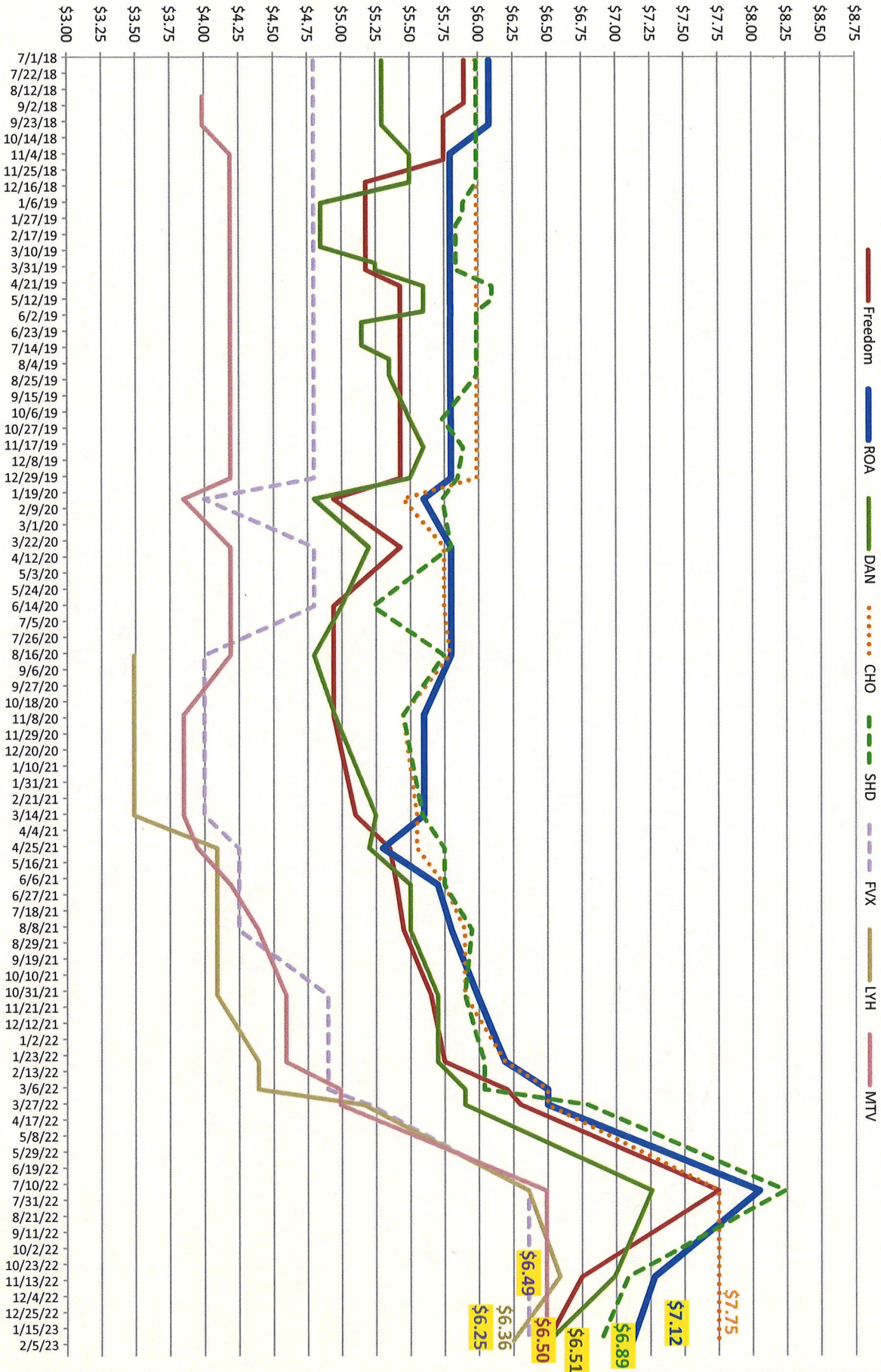
	YTD TOTALS			PERCENTAGE CHANGES			PERCENT OF AIRPORT TOTAL		
	Dec-22	Nov-22	Dec-21	Dec-22	Dec-21	22 YTD	Dec-22	Nov-22	Dec-21
AIRLINE PASSENGERS (REVENUE ONLY)									
ENPLANED									
US Airways - Piedmont	5,423	6,287	6,091	-13.7%	-11.0%	-4.6%	100.0%	99.0%	100.0%
US Airways - PSA	-	65	-	-100.0%	NA	#DIV/0!	0.0%	1.0%	0.0%
Envoy	-	-	-	NA	NA	NA	0.0%	0.0%	0.0%
Charter	-	-	-	NA	-	-	0.0%	0.0%	0.0%
TOTAL ENPLANED	5,423	6,352	6,091	-14.6%	-11.0%	8.8%	100.0%	100.0%	100.0%
DEPLANED									
US Airways - Piedmont	4,871	6,139	5,715	-20.7%	-14.8%	-6.2%	100.0%	99.0%	100.0%
US Airways - PSA	-	65	-	-100.0%	NA	#DIV/0!	0.0%	1.0%	0.0%
Envoy	-	-	-	NA	NA	NA	0.0%	0.0%	0.0%
Charter	-	-	-	NA	-	-	0.0%	0.0%	0.0%
TOTAL DEPLANED	4,871	6,204	5,715	-21.5%	-14.8%	9.1%	100.0%	100.0%	100.0%
TOTAL AIRLINE PASSENGERS	10,294	12,556	11,806	-18.0%	-12.8%	8.9%			
AIRLINE FLIGHTS									
NUMBER OF DAILY SCHEDULED DEPARTURES									
US Airways - Piedmont	5	5	6						
US Airways - PSA	-	-	-						
Envoy	-	-	-						
Total Daily Scheduled Departures	5	5	6						
NUMBER OF CANCELLED DEPARTURES									
US Airways - Piedmont	0	0	1						
US Airways - PSA	0	0	0						
Envoy	0	0	0						
Total Cancelled Departures	0	0	1						
NUMBER OF ACTUAL DEPARTURES									
US Airways - Piedmont	121	146	136	-17.1%	-11.0%	-9.7%			
US Airways - PSA	0	1	0	-100.0%	NA	176.3%			
Envoy	0	0	0	NA	NA	NA			
TOTAL ACTUAL DEPARTURES	121	147	136	-17.7%	-11.0%	-1.8%			
AIRCRAFT OPERATIONS									
(Landings and Takeoffs)									
Commercial Airline	406	454	396	-10.6%	2.5%	9.8%	6.8%	5.4%	5.7%
General Aviation	5,408	7,845	6,354	-31.1%	-14.9%	1.8%	90.7%	93.6%	92.2%
Military	149	98	143	52.0%	4.2%	-13.4%	2.5%	1.2%	2.1%
TOTAL AIRCRAFT OPERATIONS	5,963	8,397	6,893	-29.0%	-13.5%	2.0%	100.0%	100.0%	100.0%



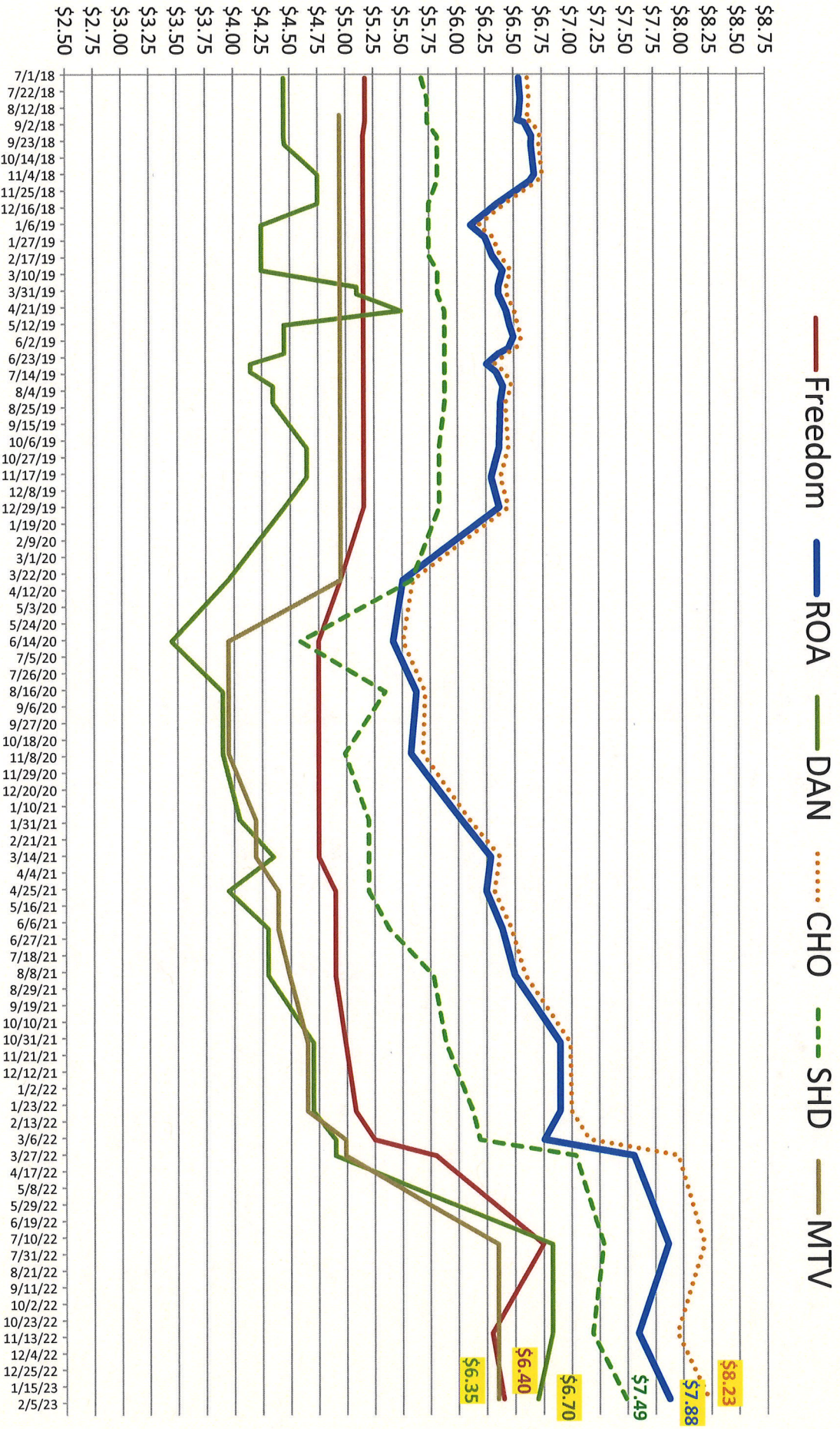
LYNCHBURG REGIONAL AIRPORT TRAFFIC STATISTICS FOR DECEMBER 2022

December	PIEDMONT				ENVOY				PSA				TOTALS					
	Aircraft Type	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	
ERJ 140					0.0%									-				0.0%
ER4 - 50	121	6,050	5,423	89.6%	0.0%				0.0%	121	6,050	5,423	89.6%					0.0%
CR7 - 65				0.0%	0.0%				0.0%	0								0.0%
CR9 - 76				0.0%	0.0%				0.0%	-								0.0%
Total	121	6,050	5,423	89.6%	0.0%	-	-	-	0.0%	121	6,050	5,423	89.6%					
Year-to-Date	PIEDMONT				ENVOY				PSA				TOTALS					
	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor		
ERJ 140				0.0%	1	50	38	76.0%					1	50	38	76.0%		
ER4 - 50	1,560	74,750	65,521	87.7%				0.0%					1,560	74,750	65,521	87.7%		
CR7 - 65				0.0%				0.0%	210	13,740	9,136	66.5%	210	13,740	9,136	66.5%		
CR9 - 76				0.0%				0.0%					-				0.0%	
Total	1,560	74,750	65,521	87.7%	1	50	38	76.0%	210	13,740	9,136	66.5%	1,771	88,540	74,695	84.4%		

100LL Fuel (Jul 1, 2018 – Jan. 31, 2023)



Jet A Fuel (Jul 1, 2018–Jan. 31, 2023)



← Indicates change from last report