

December 7, 2020

Mr. Thomas Winston
President and Chief Executive Officer
Toledo-Lucas County Port Authority
11013 Airport Hwy, Box 11
Swanton, OH 43558

SCOPE OF WORK

Objective

1. A review of financial results and capital deployment to assess the financial health and sustainability of the airport operations.

Deliverables

- Airport Financial Review
 - Interview CFO / Controller to understand financial policies and strategy
 - Financial Performance and TLCPA Organizational Structure
 - Cost sharing and management
 - Cash and investment management strategy
 - Risk management
 - Revenue, expense, and capital resource deployment review over last ten years
 - Operating income
 - Liquidity
 - Capital expenditures and deployment
 - Key metrics: debt per enplanement, non-aeronautical revenue per enplanement, non-aeronautical revenue share of total revenue
 - Aeronautical and non-aeronautical tenant review
 - Identification of on-airport tenants, facilities usage and lease arrangements
 - On-airport vacancy rates and understanding of off-airport property dynamics
 - Space efficiency trends (e.g. enplanements per terminal square feet)
 - Benchmarking versus other competitive / peer airports
 - Identify airport competitive set
 - Compare TOL to competitive set using key metrics: total revenue per enplaned passenger, operating expense per enplaned passenger, total non-aeronautical revenue growth, total operating expenses growth, etc.
- 2. A review of air cargo and industrial development opportunities at TOL
 - Air Cargo Market Review
 - Provide an air cargo industry update relevant to TOL, identifying key trends and taking into account COVID-19
 - Review current air cargo operations and existing information, including TOL Master Plan, past air cargo studies, market assessments and promotional materials
 - Overview of key commodities, current air cargo carriers, markets served, etc.
 - Research and analysis of current and historical air cargo activity at TOL and in the Great Lakes region
 - Identify potential air cargo opportunities

- Industrial Development Review
 - Provide an update on trends in industrial park development at and around airports
 - Identify considerations for on- and off-airport industrial development
 - Review past, current, and prospective industrial development at and around TOL, including vacancy rate trends
 - Understand on-airport property available for lease or development and propose potential uses
 - Identify potential industrial development opportunities

3. A complete market assessment and airline-specific review pertinent to TOL

- Provide a holistic industry update relevant to TOL and the changing trends due to COVID- 19
- Review historical traffic / fare / revenue service trends at TOL and the region using Department of Transportation data (For international we will utilize IATA – AirportIS data)
- Define and assess TOL’s competitive/peer set with benchmark analysis of TOL vs competitive/peer set, Great Lakes region, and other FAA non-hub airports
- Based on the results of the Market Diversion Study, assess the possibility to recapture passengers at TOL who are using other airports in the region either for originating travel
- Prepare an air carrier review, including current network strategies and future capacity plans, relative to each airline’s potential ability to commence and/or grow TOL service
- Estimate the airline P&Ls of identified market opportunities to glean a sense of any financial “gap” that might exist
- Based on the P&L review, define the potential need for any incentives or cost-abatement measures
- Define an airline or route specific engagement strategy(s) for new market opportunities and to gain additional capacity in current markets
- Define an airline or route specific engagement strategy(s) to retain current air service in those markets that could be at risk due to specific market performance or industry dynamics
- Include recommendations & strategies to best position TOL in terms of air service recruitment and on-going air service development consultation

Staffing

Ailevon Pacific will serve as the lead advisory firm on this project. Today, we serve nearly 70 clients around the world, half of those in the United States. Our experience working collaboratively with airports, destinations, governments, and their airline partners on air service development issues is broad and deep. Our team has extensive experience in network planning roles within leading airlines, and we have worked with our clients to present their opportunities at all levels within airlines, from senior leadership to the analysts who make day-to-day network planning decisions.

Rhett Morgan will serve as the principal consultant for this project. Rhett has over 15 years of airline industry experience. Prior to joining Ailevon Pacific in 2015, he was Senior Manager of Network Planning and Performance for Southwest Airlines. During his tenure at Southwest, he held various commercial leadership roles focusing on Network Strategy, Capacity Planning, and Integrated Commercial Planning. Rhett has been a noted speaker at network planning conferences and air service development forums. Previous to joining Southwest, Rhett had seven years of experience at Delta Air Lines, Corporate Sales, and Network Planning.

Ailevon Pacific will partner with Hubpoint Strategic Advisors on this project. Hubpoint Strategic Advisors is highly experienced in providing economic and strategic advice to airports, airlines, planning firms, transportation service providers, governments, and related organizations. Hubpoint is led by Managing Director Doug Bañez, who has over 25 years of aviation industry experience with particular emphasis on air cargo and passenger market development for airports. Doug is a recognized expert in air cargo and is currently a senior member on the Steering Group of Airports Council International – North America’s (ACI-NA) Air Cargo Committee and Chair of the U.S. Transportation Research Board’s (TRB) Air Cargo Subcommittee.

The Hubpoint team also includes experienced aviation industry consultants Zach Mensen, Matt Barton, and Dan Muscatello. Zach is Vice President of Hubpoint with over 10 years of industry experience, possessing a diversified airline background from Southwest Airlines and Delta Air Lines in Commercial roles, along with nearly five years at leading aviation and transportation industry consulting firms. Matt is an aviation professional with over twenty years of experience at the intersection of finance, operations, and strategy. His career to date has covered key portions of the industry, including: airport and airline restructuring, airport traffic forecasting, capital budgeting, fleet and network planning, pricing, and labor relations. Dan is a forward-thinking airport and air cargo executive with more than 40 years of domestic and international experience. He has been a development strategist for both the business and physical facility planning of air cargo complexes, and the integration of ancillary and supporting logistics services that make them operationally and financially feasible.

Timeline

The final report will be delivered in late Q2 of 2021. This flexibility allows us to ensure our review is comprehensive and most accurately reflect current industry conditions.

Kick-off meeting will be scheduled (likely virtual) in January 2021 with appropriate stakeholders. This meeting is to source information as well as present a detailed timeline on deliverables and checkpoints. Stakeholders should include appropriate entities (i.e. Connect TOL, chamber, etc...)

Final results of study will be delivered in Q2 of 2021 with a data presentation in PowerPoint (.ppt) format in a full day session with the TLCPA board.



It is anticipated that sourcing interviews (virtual or in-person) with TLCPA and other relevant parties will be needed during the project to ensure our project team has the necessary data, context to complete the study. These interviews may be executed in Toledo or from our project team's offices in Dallas and Charlotte.

Cost & Payment Terms

Ailevon Pacific and Hubpoint will provide to TLCPA the deliverables indicated in this agreement for a fee not exceed \$125,000. Expenses including but not limited to, air travel and accommodations, will be reimbursed to Ailevon Pacific and Hubpoint. TLCPA will be invoiced at 40% of the contracted professional fees at the mid-point of the project (end of Q1 of 2021) with the remaining 60% balance invoiced upon completion of the project.

APAC will be paid within 30 days of the submitted invoice. This constitutes the entire agreement between the parties.

Proposal prepared by:

Rhett Morgan

Rhett Morgan
Senior Director – Strategic Advisory Services
Ailevon LLC dba Ailevon Pacific Aviation Consulting

TLCPA:

SIGNATURE

DATE

NAME

TITLE