



Official Minutes
Board of Directors Meeting September 13, 2018
Best Western Hotel – Kodiak, Alaska

1. Call to Order

Chairman Dr. Robert McCoy called the meeting of the Board of Directors of Alaska Aerospace Corporation (AAC) to order on September 13, 2018 at 9:00 a.m.

2. Roll Call

Roll call was taken and a quorum established. The following Board members were present:

- Dr. Robert McCoy, Chairman, University of Alaska Fairbanks Geophysical Institute
- Lindsay Knight, Vice Chairman, Owner Kodiak Athletic Club
- Bruce Abel, CEO Don Abel Building Supply
- Representative Louise Stutes

Via Telephone and video conference:

- Thomas Walters, Owner Maritime Helicopters
- Robert Doehl, Deputy Commissioner DMVA
- Dr. Ronald M. Sega, Director Systems Engineering at CSU
- Dr. James Hemsath
- Representative Louise Stutes
- Lee Ryan, Vice President Ryan Air

Also present were Craig E. Campbell, President and CEO; Mark D. Lester, President Selectee; Amy Hillenbrand, Executive Financial Manager; John W. Cramer, Chief of Staff; Bruce Walter, Director PSCA Facilities; Barbara Bruggenkamp, Administrative Support.

Tom Klinkner, Legal Counsel, Birch Horton Bittner & Cherot; Barry King, Director Range Operations via Telephone.

Public attending were Russell Sell, PRL Logistics; Kodiak Borough Mayor Dan Rohrer, Doug Letch, Brian Himbloom and Dennis Symmons.

3. Approval of the Agenda

McCOY asked for a motion to approve the Agenda. Knight motioned, seconded by Abel, hearing no objections the Agenda was approved.

4. Approval of the Minutes

McCOY asked for a motion to approve the minutes from the June 21, 2018 meeting. Knight motioned, seconded by Abel, hearing no objections the minutes were approved.

5. Public Comments

Borough Mayor Rohrer thanked the board for holding the Open House, Town Hall and Board Meeting in Kodiak. Rohrer supports developing a Master Plan and looks forward to the process.

Doug Letch, representing Senator Stevens office, reported that the Senator is out of town and welcomes the community outreach.

Brian Himbloom said he would like to see more transparency from AAC and appreciated the meetings held in Kodiak.

Dennis Symmons voiced concern regarding PSCA not paying Kodiak Island Borough property taxes.

6. Old Business

a. Introduction of New Alaska Aerospace President

CAMPBELL introduced Mark Lester, the new Alaska Aerospace President, Lester will start work on October 8. Lester said he was honored to be selected and looks forward to working with AAC.

b. Adoption of Alaska Aerospace Corporation Policy Manual

CAMPBELL said the Policy Manual was presented and suggestions for edits were made from the last board meeting. Staff clarified the payment in lieu of taxes and the dividend distribution policy, which will be on a 5-year rolling average of net income. The five items the Board requested to be modified have been incorporated into the policy manual.

McCOY asked for a motion to adopt the AAC Policy Manual. Abel motioned seconded by Knight. Roll call vote was taken and the AAC Policy Manual was approved.

7. New Business

a. *None*

8. Action Items

a. *Adoption of the Aurora Launch Services Contract Agreement for Services to Alaska Aerospace*

CAMPBELL said the structure of Aurora Launch Services has been formed and will start adding employees. Staff is asking for authorization to enter into a written agreement to provide the ground services at PSCA, launch services will be added at a later time. Adoption of Resolution 18-02 would provide the funding authority for AAC to enter into the agreement with ALS to perform the work and bill AAC for services provided.

McCOY asked for a motion to adopt Resolution 18-02, Motion by Ryan, seconded by Knight.

RYAN asked how the ALS Board was structured. Campbell said the Chairman of Alaska Aerospace Board of Directors is a board member and the Executive Director or CEO of AAC is a board member. The president of ALS will be an Ex officio board member, and two members of the public. Aurora Launch Services operating agreement requires that staff report at each AAC meeting. Initially meetings will be held every 120 days. One annual meeting is required, subsequent meetings will be determined by the board as necessary.

Roll call vote was taken and the motion was unanimously adopted.

9. President and Chief Executive Officer Report

a. *PSCA Open House and Town Hall Meeting – September 12, 2018*

Alaska Aerospace held their second annual Town Hall meeting in Kodiak on September 12th. The event was well attended with several questions being asked by visitors regarding commercial and government operations at PSCA.

AAC hosted the open house before the Town Hall meeting allowing the public to see the facilities, and then come to the Town Hall. Campbell plans to hold a Town Hall each year.

b. PSCA Environmental Assessment Update Report

AAC is in the process of updating our current Environmental Assessment at PSCA. It is an FAA Environmental Assessment and follows the National Environmental Policy Act. Public meetings will be held in Kodiak. The planned EA Update will include “Lite-Lift” capability and increase the permitted launches per year.

c. Commonwealth of the Northern Mariana Islands (CNMI) Update

CAMPBELL sent CNMI a draft memorandum with the terms of the agreement for AAC to proceed and has not received a response. Campbell said the equatorial land site effort will continue to focus on Hawaii.

d. Space and Missile Defense Symposium – August 7-9, 2018

Alaska Aerospace was represented at the Space and Missile Defense Symposium in Huntsville Alabama for the fifth year. Participation by attendees appeared to be lower than in the past. If attendance continues to fall staff may drop SMDS. Many contacts were made with government agencies and staff had the opportunity to have side-bar meetings with existing customers during the symposium.

10. Director Range Operations Report

a. Government Programs Update

Government 2018 Mission is delayed until sometime in 2019. AAC Currently has 3 task orders open. Staff is entering into an additional government contract with the customer conducting a new test program at PSCA in FY19.

AAC is in contract negotiations with Raytheon for a government program. Staff anticipates a contract around November 1, 2018, it is a 15-month baseline with a 48-month option.

AAC has three different government agencies helping balance the commercial contracts.

b. Rocket Lab Launch Support Update

Flight #3 of the Electron Launch Vehicle was rescheduled for November and Launch #4 in December 2018. AAC has extended the RSTS lease through June 2019.

c. Commercial Customer Launch (Name NDA restricted) Update

Commercial Customer X (P120 mission) successfully launched on July 20, 2018. P120 was the first commercial launch from PSCA in our twenty-year history. Flight #2 is scheduled for October 2018. Due to changes in the design of the Launch Vehicle a third flight is not expected until the summer of 2019.

d. Vector Program Status Report

The Pathfinder operation was successfully completed in July, and the their first launch window is late October or early November.

e. Potential Future Commercial Customer

Phase 1 contract to conduct research and provide ROM cost estimates is almost complete. Staff are awaiting input from the FAA addressing the approach for the Environmental Assessment/Review. Following this initial effort, assessments will be made by both parties the feasibility of this program progressing at PSCA.

f. East Hawaii Launch Site Environmental Assessment Update

AAC continues to work with KFS on the Environmental Assessment submittal and public hearings. AAC will initiate the FAA Launch Site Operators License process after the public scoping process provides assurances that the site is viable for development.

11. Director, Facilities Management/Operations

a. Facility Damage Report from July 20, 2018 Launch

WALTER reported that commercial customer P120 had a successful launch, however the flight was not successful. Flight damage was limited to the Integration Processing Facility (IPF) exterior siding without causing any structural or internal damage to the facility. The customers insurance agency has taken full responsibilities and is working with AAC to resolve.

b. Telemetry Radomes Installation

The installation of two Radomes has been completed, the final stage will be the installation of the heating and cooling HVAC systems.

c. Spacecraft Assembly and Transfer Facility Structural Issue

WALTERS reported that after P120 launched from LP2 staff noticed a deformation in the rails. In subsequent meetings with AAC's engineering firm, BRPH it was concluded the new SCAT is considerably heavier than the predecessor as well as using a new roller configuration. Campbell added more details will be available at the next meeting.

d. Rocket Display and Public Amenities Update

The PSCA vertical rocket display was erected and the concrete sign will be installed within the week.

12. Executive Financial Manager Report

a. FY 2018 Financial Presentation Net Position

HILLENBRAND expected to have a Draft Audit to present to the board, however not all the information from the State of Alaska Division of Retirement and Benefits has been received. Staff will request Board approval before October 1, 2018 if the information from the State and the Draft Audit is received.

Cash in the bank is down \$1.5M due to accounts receivable. Current assets have increased \$.5M from the previous year.

Operating Revenues have increased significantly, from \$13M last year to \$23M this year, due to the government contract. In relation there is an increase in operating expense.

Overall a \$2.5M loss for the year which includes \$4.5M in depreciation, a non-cash item, and zero insurance proceeds revenue is being reported.

b. FY 2019 Cash Position

\$640K is in the operating account as of July 1. Inflows are projected at \$27.6M, outflows at \$26M, ending operating cash at approximately \$2.2M.

The General and Administrative Breakout of CY2019 totaling \$4.47M was reported. Cash outflow for Aurora Launch Services is projected at \$125K to get them up and running and will be repaid to AAC. There is a positive cash increase approximately \$1.5M.

13. **Administrative Report**

a. Federal FY 2017 Appropriation Completion Report

Cramer reported the liquid fueling capability and upgrade of the launch processing systems have been completed. Upgrade of the RSTS and upgrading computer systems for security improvements will be completed in September. FY2017 closeout meeting was held at PSCA with the government and contractors on September 11, 2018.

b. Federal FY 2018 Appropriation Implementation Report

Cramer reviewed the projects identified for completion, noting all projects are enhancements to support government programs as well as assist our commercial customers.

c. Federal FY 2019 Appropriation Request

The Senate has approved the Defense Appropriations Budget and the Bill is in Conference Committee negotiation, Cramer expects the budget to be adopted early October. The list of planned tasks for Air Force/NASA review and approval is expected after the release of funds for the 2018 projects. 2019 projects may start as early as December 2018. AAC's budget is expected to be similar to 2017 and 2018 budgets of just over \$4M.

CAMPBELL added at the Town Hall he heard questions concerning the federal money and investment. The perception may be to some that the federal government provides AAC money and that allows AAC to operate. The money AAC receives from the government is for capital investments, not operations and sustainment. The Air Force is the primary agent that guides where the money will be allocated across the United States. Our request is for improvements that will enhance the capability of the launch site to meet future demands.

d. Procurement Report

87 procurement actions completed for goods and services between June 21, 2018 and August 23, 2018 valued at approximately \$1,143,202.

e. Announce New Facilities Security Officer

CRAMER reported in August AAC's long term Facility Security Officer Joe Francisco retired to spend more time with family outside. AAC conducted a search for a replacement and selected Mr. Kim Butler to fill the position. Butler started employment on August 1.

f. Summer Intern Close-Out Report

TYLER HOOVER was our summer Aerospace Intern. He is a student at Embry Riddle studying for a Degree in Aerospace Engineering. Hoover worked in Anchorage and at PSCA from May 15 – August 15. During that time, he designed the plan for the Rocket Park viewing area, assisted the planning process for configuration changes between customers and learned the basics of responsibility of each station during launch.

g. 2014 Insurance Claim Subrogation Settlement Agreement

CRAMER reported AAC had closed out with the insurance companies over the 2014 anomaly. AAC insurers along with the State of Alaska contacted the government and requested compensation for non-reimbursed expenses through subrogation between State of Alaska Risk Management and the U.S. Government. The latest communication with State/Insurers Legal on September 28, indications are that the government will pay a percentage of the claim no earlier than December 2018.

CRAMER added AAC will receive a small amount of money for what was paid out of pocket that insurers did not cover. Campbell added it would most likely not cover half of the unreimbursed expenses.

h. Aurora Launch Services, LLC Implementation Report

CRAMER said he is anxious to get ALS operating, adding that he appreciated the action the board took allowing ALS to move into an active role in setting up accounts and filling positions.

The board took a one-hour lunch break reconvening at 12:15

14. Executive Session

CAMPBELL, President and CEO read the request for Executive Session:

I request that the Chair now entertain a motion that the Board of Directors convene in Executive Session to discuss the following topics:

- **Regarding August 16, 2018 Kodiak Island Borough Assembly Executive Session Pertaining to Legal Strategies for Compelling Alaska Aerospace to Comply with Borough Land Use Ordinances in Respect to its Development at the Pacific Spaceport Complex - Alaska** - to discuss with counsel for the Corporation matters pertaining to this subject, the immediate knowledge of which clearly would have an adverse effect on the finances of AAC, and that are required by law to be kept confidential [AS 44.62.310(c)(3), AS 44.62.310(c)(1)]

- **President and CEO Personnel Issue** –to discuss matters within the President and CEO employment contract required by law to be kept confidential, matters involving consideration of records that are not subject to public disclosure and involving trade secrets [AS 44.62.310(c)(3), (4), AS 26.27.130, and AAC regulation 1.220]

Chair's Response:

McCOY asked for a motion to convene in executive session to discuss the topics requested by the President and CEO.

KNIGHT moved, seconded by Abel that the Board of Directors convene in Executive Session. The session shall include such members of the Corporation staff as the Chair may designate.

A Roll Call vote was taken and passed at 12:15 p.m. to move to Executive Session. The Executive Session shall last approximately 45 minutes. Thus, the public session of this Board meeting shall resume in this room at approximately 1:00 PM.

The Board of Directors came out of Executive Session at 1:05 p.m. to return to Public Session.

15. **Any Other Matters to Properly Come Before the Board**

a. Alaska Aerospace Strategy Subcommittee Update

CAMPBELL said Dr. Hemsath proposed the Alaska Aerospace Strategy Subcommittee at the last BOD meeting. Five members of the board volunteered for the committee, there have been no meetings. When Alaska Aerospace Development Corporation was established the intent was to develop aerospace in Alaska. AAC needs to advance that to diversify Alaska economy. Campbell advised that no progress has been made on the Strategy plan to date, but the new AAC President will assume leadership of the project after the starts next month.

b. PSCA Master Plan Initiative

CAMPBELL said the Master Plan initiative evolved from talking to Mayor Rohrer and because the community has expressed concern over recent PSCA expansion. The Mayor and Assembly representing their constituents feel there needs to be more transparency and public input.

CAMPBELL recommended that the AAC Board authorize a master plan process for PSCA. It will follow the FAA standards of the airport master plan but adopted as a spaceport plan.

McCOY called for a motion authorizing Campbell to begin working a spaceport plan. Motion by Knight, Seconded by Abel. Roll call vote was taken and the motion passed unanimously. Campbell said it was a good first step to engage with the Borough, reports will be made at each Board meeting. The planning process will be public with Town Hall meetings.

16. **Board Member Comments**

Members expressed support of the Town Hall and Board of Directors meeting held in Kodiak and support a Master Plan for PSCA. Mark Lester was welcomed.

17. **Proposed Future Board Meeting Dates**

- a. December 6, 2018 (Anchorage)
- b. March 7, 2019 (TBD)

Public comments were opened, due to constituents unable to attend earlier.

Douglas Pengilly expressed concern regarding the contract with a foreign military agency.

Rebecca Skinner, Kodiak Borough Assembly thanked the board for approving the Master Plan process. Skinner offered the borough support and reiterated the importance of establishing a relationship with the community.

18. Adjournment

KNIGHT motioned seconded by Abel, hearing no objections the meeting was adjourned at 1:34.