



AIRPORT COMMISSION

ACTION SUMMARY MINUTES OF ADJOURNED MEETING

WEDNESDAY, MAY 17, 2017

1. CALL TO ORDER:

Chairman Wachs called the Airport Commission Meeting to order at 08:00 A.M.

2. POSTING OF THE AGENDA: Posted on May 11, 2017.

3. ROLL CALL:

Commissioners Present: Berriman, Betts, Bushore, Call, Fabricant, Freymuth, Hampton, Hoehn, Johnson, Jones, Riesen, Schmitz, Stelk, Suero, Teal.

Commissioners Absent: King, Pattison, Spike.

Staff Present: City Manager Ready, Director of Finance and Treasury Kiehl, Airport Executive Director Nolan, Assistant Airport Director Aguirre, Deputy Director of Aviation - Operations and Maintenance Bowser, Airport Operations Manager Graff, Airport Security Coordinator Daugherty, Executive Administrative Assistant Seery.

4. ACCEPTANCE OF THE AGENDA:

Accept the Agenda as presented. **Moved and seconded, and unanimously carried noting the absence of Commissioners King, Pattison, Spike.**

5. PUBLIC COMMENTS: None.

6. APPROVAL OF MINUTES:

The minutes of the Regular Meeting held on April 19, 2017, were presented for approval. **Moved by Commissioner Jones and seconded by Commissioner Freymuth.**

AYES: Berriman, Bushore, Call, Fabricant, Freymuth, Hampton, Hoehn, Johnson, Jones, Riesen, Schmitz, Stelk, Suero

ABSTAIN: Betts, Teal, Wachs

ABSENT: King, Pattison, Spike

7. INTRODUCTIONS: None.

8. **PRESENTATIONS:** None.
9. **CITY MANAGER REPORT:** None.
10. **BUDGET AND FINANCE REPORT:** None.
11. **DISCUSSION AND ACTION ITEMS:**

11.A. Budget 2017-18

Chairman Wachs explained how the purpose of this meeting would be to approve the overall airport budget for FY 2017-18 for presentation to City Council. How several Budget and Finance Committee meetings had been held, the last one occurring on May 2nd, after the last Commission meeting, and how the Committee approved a method of funding the \$740,000 needed for increased security. How this item is up for some discussion and once agreed upon, the Commission would still have to approve the overall budget.

Chairman Wachs asked for a motion to discuss just the \$740,000 portion of the budget.

Commissioner Freymuth commented that he thought that the Budget and Finance Committee had already come up with the recommendation that the Commission would be voting on today and made the following amended motion: increase the airline lease rate by nine percent to \$270,000 (instead of the formerly agreed to percentage of ten percent), a one-dollar increase to the daily parking fee to \$16 for another \$160,000 and the remaining \$310,000 by deferring the Kirk Douglas road improvement.

Chairman Wachs clarified that the components were the same but were allocated differently with the balance coming from the Kirk Douglas road project.

Commissioner Bushore asked that the terms agreed upon in the Budget and Finance Committee meeting be reiterated.

Chairman Wachs explained how the Committee had agreed to an increase of ten percent in airline lease rates, a \$2.00 increase in parking fee from \$14 to \$16 and the balance was to come from the Kirk Douglas road project.

Commissioners Suero and Freymuth pointed out that the recommendation was for a parking increase from \$14 to \$17 and the remainder to come from Kirk Douglas.

Commissioner Freymuth commented that the Committee agreed to keep the same components but reduced the parking by one dollar, reduced the airlines by one percent, and the remainder would be coming out of Kirk Douglas, and he reminded

the Commission that the one-dollar increase in parking was needed just to balance the budget, before the added security. How many discussions were held and some people felt strongly about not passing on a double-digit increase to airlines.

ACTION: Recommend an increase in parking fees from \$14.00 to \$16.00, increase the airline lease rate by only nine percent and the remainder to come from the deferred Kirk Douglas project in order to cover the \$740,000 expense for added security.

Moved by Commissioner Freymuth and seconded and unanimously carried noting the absence of Commissioners King, Pattison and Spike.

Chairman Wachs then opened the main portion of the budget for discussion.

Commissioner Jones explained how the bottom line would be the same but the components would be different.

With a PowerPoint presentation as support, Executive Director Nolan explained how the airport would have \$3.5 million of projected reserves balance to begin the next fiscal year and explained in detail the planned projects.

Director of Finance and Treasury Kiehl explained the increase in airport personnel expenses amounting to \$330,000 as the City is in its fourth year of its incentive agreement with the collective bargaining groups. How there's a two percent cost of living adjustment for these groups, a PERS increase, and healthcare increases ranging between five and six percent.

Executive Director Nolan explained how raising airline rates and parking rates is a standard instrument used at all airports. How PSP's car rentals lease space would be adjusted as has been discussed in great detail in previous meetings. How the CFC balance stands at \$15 million dollars to help finance car rental facilities improvements in the next couple of years.

Mr. Nolan explained how the Passenger Facility Charge had been discussed and would be brought up to City Council that evening. He explained how the same \$4.50 PFC charge which currently supports three bond issues would be leveraged to retire existing bonds and finance future bonds to pay for the ticketing wing remodel and reimburse the airport Capital Fund with \$4.5 million for future matching grant expenditures making the airport budget less reliant on using unrestricted funds.

Chairman Wachs asked for confirmation that the parking fees were going up three dollars to \$17.00 based on this presentation.

Commissioner Freymuth pointed out that the increase agreed upon for the parking was \$2.00.

Discussion ensued as to whether one dollar was being used towards the general fund and two more dollars for added security.

Commissioner Freymuth explained how his recommendation at the last Budget and Finance Committee meeting was for a one-dollar parking increase to balance the budget, and one dollar towards the added security, nine percent to the airlines, and the remainder to come from the Kirk Douglas project.

Chairman Wachs pointed out that the parking increase should be two dollars.

City Manager Ready commented that two dollars would still result in a deficit situation.

Commissioner Jones explained how now two dollars were required in order to avoid using reserve funds and how the airline ten percent increase can still be reduced to nine percent.

Commissioner Freymuth asked to review the supplemental budget for the four police officers one more time.

Executive Director Nolan explained how there was a \$740,000 added security expense to cover and, as an offset, the airport had to raise car rentals lease space by double digits, parking by three dollars, and airline rates by nine percent to come up with that differential and balance cumulative budgetary increases to ensure a balanced budget. How the Kirk Douglas road project was coming out of the Reserve Fund.

Executive Director Nolan suggested the Commission simplify their consensus by ratifying use of the three sources to balance the budget and allow staff to make the necessary calculations, and how Commissioner Freymuth's objective was to lower the double digit to the airlines to a single digit.

Commissioner Freymuth explained how at the last meeting \$130,000 was taken out of the Kirk Douglas road repair with a two-dollar raise in parking fees, and how since more funds were taken out of the Kirk Douglas project now, he failed to see the need to increase the parking by one more dollar.

Director of Finance and Treasury Kiehl explained that it didn't make sense to take out \$130,000 from the Kirk Douglas road project and leave part of it when there wouldn't be enough money there to complete the project. And how, therefore, the Airport Capital Expenditures budget was reduced to \$710,000 from the original \$1,035,000.

Commissioner Johnson asked what kind of analysis had been conducted to determine if a raise in parking from \$14 to \$17 would encourage people to take more taxis instead of parking and whether the airport assumes that the number of cars will be the same

and the airport just picked up 20 percent. How he is not concerned about PSP being competitive with Ontario but rather that raising the price would drive revenues down.

Executive Director Nolan explained how there is some level of elasticity on parking fees, that these were raised two dollars over the past two years and revenues are still at a record high. How despite the effect of Uber and other dynamics as well, parking revenue is holding well. That there are many factors contributing to passenger parking decisions and there is no definitive way to accurately identify which factor is influencing the most.

Commissioner Freymuth explained how he needed to withdraw his motion because the Commission voted on something which he recognized would not be implemented.

Chairman Wachs pointed out that the Commission voted as it pertains to the supplemental budget, not the entire budget.

Commissioner Jones explained how the raise in parking fees was in the minutes and how he had been the one who added the third dollar. He further explained that one dollar in parking would go towards the supplemental budget and two dollars towards the general fund.

Commissioner Freymuth asked Director of Finance and Treasury Kiehl if this was correct.

Director of Finance and Treasury Kiehl reiterated his earlier statement and Commissioner Jones explained how the Kirk Douglas project replaced the reserve fund. Mr. Kiehl explained how using the reserve had been considered unpalatable. How the presentation at the bottom showing the \$740,000 and the \$330,000 is letting us see the impact of the parking rate going from \$14 to \$17 in conjunction not only with the cost of the police officers but other issues we are trying to solve in operations with increasing costs of existing staff. How these issues are not mutually exclusive, but are being solved together.

ACTION: Approve the budget as presented in the staff report. **Moved by Commissioner Jones, seconded by Commissioner Bushore and unanimously approved noting the absence of Commissioners King, Pattison and Spike.**

12. EXECUTIVE AND STAFF REPORTS:

Airport Executive Director Nolan reported on the following topics:

An article in the Desert Sun this morning announced that Aviation Expo would not take place this year in Palm Springs. For the benefit of new Commissioners, Mr. Nolan explained how AOPA used to hold national events here annually since the 1960s with

a parade of planes, how with the advent of a new chairman, AOPA decided on smaller multiple regional events instead, and how Aviation Expo, an independent firm, had tried to sustain the event in Palm Springs for the last couple of years but had unfortunately failed to receive the necessary sponsorship, how this may be revisited in the future. How he has met with AOPA Chairman during a site visit with Aviation Expo, and the door is open for possible future events involving AOPA again.

The new PFC implementation process will be brought up to City Council this evening. The process will take six to eight months and the airport will make sure that the ticket wing project of 2017-18 has the proper financing.

For the car rental project, staff is still rigorously fine tuning the scope of negotiations for the design contract and a couple of members of this Commission will ultimately be asked to serve on the Statement of Qualifications review board.

The ticketing wing remodel enabling projects are moving forward this summer and all the way to December, and will not impact operations.

Taxiway J's pavement project is expected to be presented to go out to bid soon along with the rehabilitation of the electrical systems.

Commissioner Fabricant asked Mr. Nolan if the timeline which had been provided to the Commission some time ago had changed.

Executive Director Nolan explained how it had not changed on these projects but how the car rental project may have some iterations because of some delay with the negotiation of the scope of work and how updates would be provided to the Commission.

A nursing station is being added as required by state law now that PSP has surpassed one million enplanements.

Mr. Nolan commented on Airport Administration Manager Mark Jucht being out as a result of a traffic accident.

13. COMMISSIONERS REQUESTS AND REPORTS:

Commissioner Riesen brought up an article which recently appeared in the Desert Sun about the history of Palm Springs airport, and how this airport is the fourth one Palm Springs has had over the years. How the Air Museum has a display representing this history as well.

Mr. Riesen also announced that the Air Museum's new hangar is completed and the

grand opening ceremony will take place on May 27, followed by the Memorial Day week-end annual celebration and drop of carnations from a B-25 bomber.

Executive Director Nolan invited feedback from Commissioner Call regarding the TSA check-point and exit corridor this season indicating it was one of the smoothest years despite the airport hitting a record two million passengers.

Commissioner Call explained how the TSA had virtually no lines this season, with the exception of very few days, even during the 6:00 A.M. rush.

Executive Director Nolan took a moment to acknowledge the fine job of all airline partners at PSP, explained how the staff was friendly, works harder than at many airports, and does a tremendous job.

Mr. Nolan also acknowledged car rentals for their good customer service. How with record passengers the queuing lines still impede the baggage claim area, hence the forthcoming expansion projects being necessary.

Commissioner Suero added that the new signage had also been helpful.

City Manager Ready explained how the draft budget is on the City Council's agenda this evening but being that the action was only taken today he suspects they will not approve the budget tonight but will do so at the second budget hearing.

Director of Finance and Treasury Kiehl explained how there was one outstanding item which is insurances which are being addressed by a brokerage firm and will be revealed at the meeting of June 7. How historically there has always been an adjustment to the airport budget from the moment of the last Airport Commission Meeting to the time Council receives this information.

14. REPORT OF CITY COUNCIL ACTIONS:

04-19-17 - 1.A. Ratify and appoint the nomination of the County of Riverside to the Palm Springs International Airport Commission for the term ending June 30, 2020. Reappoint Peter A. Freymuth, as the county of Riverside representative, to the Palm Springs International Airport Commission for the term ending June 30, 2020.

1.H. Airport Taxiway J pavement rehabilitation and electrical systems replacement projects bid solicitation approval and FAA grant funding acceptance.

05-03-17 – 5.A. Airport Terminal Ticketing Wing renovation schematic drawings review.

15. CORRESPONDENCE: None.

16. RECEIVE AND FILE:

ACTION: Receive and file: 16.A April 2017 Activity Report; 16.B June 2017 Airlines Schedules.

Moved and seconded, and unanimously carried noting the absence of Commissioners King, Pattison and Spike.

ADJOURNMENT:

Motion to adjourn. **Moved and seconded, and unanimously carried noting the absence of Commissioners King, Pattison and Spike.**

The Airport Commission adjourned at 8:45 A.M. to Wednesday, June 21, 2017, at 08:00 A.M., in the airport conference room, 3400 E. Tahquitz Canyon Way, Palm Springs.

NS

Nadia P. Seery
Executive Administrative Assistant