



AIRPORT COMMISSION

ACTION SUMMARY MINUTES OF ADJOURNED MEETING

WEDNESDAY, March 14, 2018

1. CALL TO ORDER:

Chairman Wachs called the Airport Commission Meeting to order at 8:00 A.M. and led the Pledge of Allegiance.

2. POSTING OF THE AGENDA: Posted on March 8, 2018.

3. ROLL CALL:

Commissioners Present: Berriman, Breslin, Call, Clarkson, Dada, Hedrick, Hughes, Johnson, King, Pattison, Riesen, Schmitz, Spike.

Commissioners Absent: Freymuth, Hampton, Hoehn, Jones, Parks.

Staff Present: Airport Executive Director Nolan, City Manager Ready, Director of Finance and Treasury Kiehl, Assistant Airport Director Aguirre, Airport Administration Manager Jucht, Airport Operations Manager Graff, Airport Security Coordinator Daugherty, Executive Administrative Assistant Seery.

Others Present: Scott White, Director and CEO Greater Palm Springs CVB.

4. ACCEPTANCE OF THE AGENDA:

ACTION: Accept the Agenda as presented. **Moved and seconded and unanimously carried noting the absence of Commissioners Freymuth, Hampton, Hoehn, Jones, Parks.**

5. PUBLIC COMMENTS: None

6. APPROVAL OF MINUTES:

The minutes of the Regular Meeting held on February 14, 2018, were presented for approval. **Moved and seconded and unanimously carried noting the absence of Commissioners Freymuth, Hampton, Hoehn, Jones, Parks.**

7. INTRODUCTIONS: None.

8. PRESENTATIONS: None

9. CITY MANAGER REPORT:

Mr. Ready announced that the airport budget would be presented to the Airport Commission at the next commission meeting, anticipating it would be read at City Council at the first meeting in May. He asked that the Budget Committee meet and work out all details between now and the next Commission meeting.

10. BUDGET AND FINANCE REPORT:

Director of Finance and Treasurer Kiehl presented the February 2018 Financial Summary.

Mr. Kiehl explained how PSP's revenues were up 21% year-to-year. How car rental were up 44%, the largest increase in ten years. How all this is a reflection of higher airline activity.

He pointed out that expenses were down by 6.6%, although part of that is timing differences, but is a good indicator that the airport expenses are under control.

Mr. Kiehl indicated that funds would have to be budgeted for future years PERS contribution requirements increases. How the airport will have to set aside funds every year for about the next five.

He explained how the airport's Fund 415 – General Airport surplus stands at \$2.9 million today, the highest he has ever seen this fund at this time of year, over \$3 million higher than at the same time last year. How the unrestricted cash balance now stands at nearly \$5.4 million.

Chairman Wachs inquired if the posting differences were major.

Airport Administration Manager Jucht explained that some commercial operators have until the 15th to report their numbers.

Director of Finance and Treasurer Kiehl added that because the Commission meeting was moved one week earlier, it is the posting of both expenses and revenues that lag and it is encouraging to see the revenues so strong.

Chairman Wachs inquired about the car revenues which reflect a strong 44% increase and whether significant expenses were anticipated as an offset.

Airport Administration Manager replied in the negative.

11. DISCUSSION AND ACTION ITEMS:

11.A Airline Incentive Program

Executive Director Nolan, with a PowerPoint presentation, provided an overview of the main points of the current airline incentive program, first initiated in 2010, with a million dollars approved by City Council as a marketing incentive on new routes and increased service, and while this program has been successful it is time that the program be revised to address industry trends and be more competitive.

Mr. Nolan presented a general overview of a Revised Air Service Incentive Program approved at the Marketing and Business Development Committee meeting on March 7, 2018.

He explained how this revised program would eliminate cash outlay by the airport and instead gives airlines abatement of airport rates and charges. How this method eliminates the need for an airline to market its service and for the airport to approve the airlines' marketing. How it provides airlines an immediate financial incentive reducing their expenditures on airport fees, and allows them to use that savings in any way they deem necessary to make the service successful and self-sustaining.

With the next slide, Mr. Nolan explained how the new program will be made available to all incumbent airlines or new airlines, how it will be destination and frequency specific and how the program will be consistent with and approved by the Federal Aviation Administration.

Mr. Scott White, President and CEO of the Greater Palm Springs CVB was invited to speak. He explained how after three years with marketing consultants InterVistas they have retained a new consultant in February, Ailevon Pacific Aviation Consulting, and the CVB will solely finance the costs. He explained how the CVB and Ailevon will identify services which will benefit the airport and create more CVB incentives in addition to what the airport can offer in terms of fee abatements.

He explained how this new scenario gives them a greater flexibility than under the old program, how they and Ailevon can offer airlines minimum guarantees which the FAA doesn't allow an airport to be involved with, for instance. How the CVB has a budget of \$700,000 a year for this program and is funded by hotels. How this is a continued great partnership with the airport as it can offer an airline cost reductions at the airport and financial incentives from the CVB.

He explained how Ailevon, based in Atlanta, has a global presence and how in Hawaii, they helped with the Southwest service, which is a great advantage for the CVB and the airport as we want to attract a low cost carrier to various destinations.

Executive Director Nolan explained how, in conjunction with the tourism community and the CVB, PSP would determine which destinations cities to target, as the airport's revised program would be city specific.

Mr. White mentioned potential target markets in the mid-Atlantic and East Coast regions, and how they have discussions with existing carriers about growing their current market, such as JetBlue with New York and Boston, and expanding it to start earlier and stay longer and ultimately aim for year-round service.

He explained how the CVB recognizes also that what grows the service is economic development so they are working with the CVEP and other Cities to apply resources to attract companies to this Valley which offer traveling jobs which will make good business sense for the airlines.

Executive Director Nolan explained how this will be a dynamic program and how if circumstances change in the future the program can again be amended.

He explained how this program will again need to follow FAA guidelines and will be submitted to the FAA for approval.

Chairman Wachs asked about the balance in the current incentive program fund.

Mr. Nolan explained that the balance which stands at approximately \$225,000 would revert to the capital improvement fund. How, currently, City Council has to approve moneys distributed on a case-by-case basis and how in the new program, Council would only have to approve the abatement of fees under the circumstances presented.

Chairman Wachs inquired about the cash outlay versus airline fees abatements in the future and whether the airlines consider it a win-win situation.

Mr. Nolan believed airlines will be very receptive as this is the most frequently used incentive program in the airport industry.

Commissioner King commented that with the current program the airlines had to use the funds to market PSP and how with the new program they can use the fee abatements for anything they choose even if it doesn't tie in with the market.

Mr. Nolan explained how this is consistent with other airport rate abatements. That the airlines can then use the savings on whatever they believe makes the PSP service self-sustaining.

Mr. King asked who will select which airlines get the incentive.

Mr. Nolan explained that it must apply to all airlines to be fair, but it will be dictated by what destination the new service supports.

Mr. King asked to confirm there won't be any further action required from this Committee or City Council once the program is approved.

Mr. Nolan confirmed.

Commissioner Clarkson asked what is the reasoning behind doing this incentive now, considering that the airport is doing so well, versus in 2010 when the goal was to grow the economy, and mentioned that this program would still cost money.

Mr. Nolan explained how it would be contrary to our success not to do anything.

City Manager Ready commented that fees should be well developed and set up-front.

Commissioner Clarkson asked if other airports in Southern California offer such an incentive.

Mr. Nolan said there were hundreds of airports around the country doing this similar incentive.

Commissioner Dada commented that the goal was to grow tourism and grow frequency and capacity for conventions and how we still need year-round service.

Commissioner Clarkson explained that with marketing you create buzz but not when waiving landing fees. He asked how long would the fees be waived.

Mr. Nolan explained that FAA regulation indicates up to two years.

ACTION: Change the incentive program from a cash outlay to a fees abatement program. **Moved by Commissioner Hedrick and seconded by Commissioner Spike and unanimously carried noting the absence of Commissioners Freymuth, Hampton, Hoehn, Jones, Parks.**

12. EXECUTIVE AND STAFF REPORTS:

Executive Director Nolan brought up the seating topic and asked the Chairman to create an ad-hoc committee consisting of three people to advise on the style of new seats to purchase.

Commissioners Call, Schmitz, Johnson and Hughes volunteered.

Mr. Nolan then gave the following updates:

Regarding the PFC-backed ticketing wing rehabilitation project, how the FAA had changed its position from what was reported at the last meeting and had just adopted the original full sum, therefore, the airport can proceed with the program without any shortage of funds. That this has now taken an additional four months to have the FAA reverse their original decision to achieve the funding for the project.

Regarding Transportation Network Companies, how City Council had given its permission for them to operate and the City Council Ordinance mandated signage explaining to prospective riders the differences between other forms of transportation. Therefore, a sign reading "Unlike cab and limo drivers, ride-sharing drivers are not subject to drug and alcohol testing" will be posted in the TNC pickup area, and how TNCs may operate a PSP as early as next week.

City Manager Ready indicated the City had received the signed Uber contract and that they will start on Monday March 19 and hopefully Lyft's contract will be finalized today or tomorrow and they should hopefully start on Monday as well.

Commissioner Johnson asked about the geofence area so that drivers on the road miles away could not be pinged.

Mr. Nolan explained that the latitude and longitude of the staging area, located near the Park and Call lot on Kirk Douglas Road, was given to the TNCs, and how drivers would have to be in this staging area to receive a ping from a customer. How, once pinged, they will enter the commercial lane, as approved by City Council, and position themselves in one of the eight spaces designated for TNCs.

On other topics, Mr. Nolan commented that another water pipe had broken and needed to be repaired.

How taxiway J pavement rehabilitation project is completed.

How the airfield electrical project is substantially complete, with some work change orders involved within the FAA required 10%.

How the enabling project for the ticket wing modernization phase 1 is underway with the building of offices under the Bono concourse.

How the SOQ for professional services process is complete and will be taken before City Council.

Commissioner Hedrick inquired about the professional services involved.

Mr. Nolan explained how the FAA requires that every five years the airport publicly solicit and select consultants to help with the planning, engineering, and architectural processes we are going through.

City Manager indicated that the SOQ will be presented to the Commission at the next meeting.

How the January 2018 Airline Activity Report showed a 7% increase in passenger traffic year-over-year.

The enabling project for the ticketing wing modernization, which involves the build-out of airline operational space under the Bono, will start within the month.

13. COMMISSIONERS REQUESTS AND REPORTS:

Commissioner Riesen reminded everyone that form 700 was due.

Commissioner Berriman mentioned for the benefit of new commissioners that when one joins there is an two-hours ethics training class.

Commissioner Schmitz indicated that it has to be completed before the first year of the term.

City Manager Ready indicated that a schedule is being prepared and Commissions will be assembled and be given this information.

Commissioner Hedrick inquired about the effect of Measure C and the loss of twenty jobs at the airport if the public vote in favor of the measure.

City Manager explained that it was a citizens group movement and that Council had to put it on the ballot, but that he didn't recall any loss of jobs at the airport.

Commissioner Dada added that this report had mentioned that one thousand jobs in the tourism industry would be affected if the vacation rental prohibition measure passes.

The City Manager explained how they would be losing six million dollars a year in revenue and how it would have an impact on the budget.

Commissioner Spike commented on great assistance he received from United airlines in retrieving an item left on board after posting a help request on Twitter.

Commissioner Schmitz informed the Commission that the ATC privatization proposal was withdrawn due to lack of support.

14. REPORT OF CITY COUNCIL ACTIONS:

Chairman Wachs congratulated Commissioner Riesen, representing Rancho Mirage, on his reappointment to the Commission and announced the reappointment of Commissioner Parks, representing Desert Hot Springs.

15. CORRESPONDENCE: None.

16. RECEIVE AND FILE:

ACTION: Receive and file: 16.A January 2018 Activity Report. 16.B. April 2018 Airlines Schedules. February 2018 activity report was a handout at the meeting.

Moved and seconded, and unanimously carried noting the absence of Commissioners Freymuth, Hampton, Hoehn, Jones, Parks.

ADJOURNMENT:

Motion to adjourn. **Moved and seconded, and unanimously carried noting the absence of Commissioners Freymuth, Hampton, Hoehn, Jones, Parks.**

The Airport Commission adjourned at 8:52 A.M. to Wednesday, April 11, 2018, at 8:00 A.M., in the airport conference room, 3400 E. Tahquitz Canyon Way, Palm Springs.

N.S.

Nadia P. Seery
Executive Administrative Assistant