



AIRPORT COMMISSION

ACTION SUMMARY MINUTES OF ADJOURNED MEETING

Wednesday, May 8, 2019

1. CALL TO ORDER – PLEDGE OF ALLEGIANCE:

Chairman Jones called the Airport Commission meeting to order at 8:00 A.M. and asked Commissioner Schmitz to lead the Pledge of Allegiance.

2. POSTING OF THE AGENDA: Posted on May 2, 2019.

3. ROLL CALL:

Commissioners Present: Berriman, Breslin, Call, Clarkson, Corcoran, Freymuth, Hedrick, Hoehn, Hughes, Jones, King, Pattison, Pye, Riesen, Schmitz, Suero.

Commissioners Absent: Altman, Dada.

Staff Present: City Manager Ready, Airport Executive Director Nolan, Assistant Airport Director Aguirre, Airport Administration Manager Jucht, Airport Operations Manager Graff, Finance Director Pauley, Executive Administrative Assistant Seery.

Others Present: Ms. Suzanne Harrell, Harrell and Company Advisors.

4. ACCEPTANCE OF THE AGENDA:

ACTION: Accept the Agenda as presented. **Moved and seconded and unanimously carried noting the absence of Commissioners Altman and Dada.**

5. PUBLIC COMMENTS: None.

6. APPROVAL OF MINUTES:

The minutes of the Regular Meeting held on April 10, 2019, were presented for approval. **Moved and seconded.**

AYES: Breslin, Call, Clarkson, Freymuth, Hedrick, Hoehn, Hughes, Jones, King, Pattison, Pye, Riesen, Schmitz, Suero.

NOES:

ABSTAIN: Berriman, Corcoran,

ABSENT: Altman, Dada.

7. CHAIRMAN COMMENTS:

Chairman Jones asked three Commissioners to speak about their backgrounds and how their experience contributes to the Airport Commission. Commissioner Hughes, Commissioner Corcoran and Commissioner Berriman gave a short presentation of their professional backgrounds.

Chairman Jones appointed Commissioner Freymuth to the Operations Committee to replace Commissioner Hughes.

Commissioner King gave a farewell address on the occasion of his last term on the Airport Commission which he indicated also marks the end of his fifty-two-year public service career. Mr. King shared recollections of significant milestones in Palm Springs when he served as City Manager in the 1980s, highlighting important projects he spearheaded or in which he participated in the city and at the airport.

Commissioner King received heartfelt thanks and a standing round of applause.

8. INTRODUCTIONS AND PRESENTATIONS: None

9. CITY MANAGER REPORT: None

10. BUDGET AND FINANCE REPORT: See Item 11.C below.

11. DISCUSSION AND ACTION ITEMS:

11.A Ticket Wing Modernization Bond Financing

Airport Executive Director Nolan described how two bids were received for the construction of the ticket wing with a low responsive bid being \$32.3M. How this bid includes three alternatives: a third outbound baggage carousel, a modular structure to house auxiliary office space for the airlines, and Phase II of the TSA checkpoint enlargement to allow for eight screening devices. Mr. Nolan indicated that the modular structure may be opted out, thus saving \$700,000. How additional costs include RS&H Construction management fees of \$763,878, Phase I of the TSA checkpoint enlargement to add the sixth screening device at \$800,000, and a Change Order provision of 10%, or \$3,166,000 bringing the total to \$36.3M.

Mr. Nolan invited the City Financial Advisor, Ms. Suzanne Harrell, to update the Commission on the PFC bonding process to fund the Ticket Wing Modernization project.

Ms. Harrell explained how bonds will cover \$22.6M of the project's construction funding, pay the cost of issuance and also provide a \$2.5M security reserve fund in the event of a downturn in the revenue stream. How this is being paid solely from PFC funds leaving a surplus every year to fund local matches on other projects. How the

total repay time for the \$25M bonds is approximately 13 years, or if enplanements continue to grow according to the feasibility consultant's projections, these bonds could be paid off by 2026 from excess PFCs. How the estimated interest rate is slightly over 3%.

Commissioner Hedrick asked if the outstanding bonds would be paid off.

Ms. Harrell replied that there were sufficient funds in the PFC Fund to pay off the 2006 (\$2.43M) and 2008 (\$1.53M) bonds upon issuance of the new ones.

City Manager Ready asked if rolling bonds over and keeping the \$4M was an option.

Ms. Harrell explained that as old bonds have the first lien over PFC revenues, their firm thought it would be more economical to redeem them but they could look into it.

Ms. Harrell then explained the security reserve.

Commissioner Hedrick asked if the feasibility study had been done.

Suzanne Harrell replied that it had been done, that the consultant had provided a first draft, and a second draft was forthcoming.

Vice Chairman Hoehn inquired about the modular structure listed on slide one and costing \$700,000 which Mr. Nolan proposed to exclude from the Ticket Wing project.

Executive Director Nolan explained that it had been incorporated in the original designs but that the airlines may not require it, as the spaces under the Bono concourse would prove to be sufficient.

City Manager Ready pointed out the \$6.7M that would be required to fund the Ticket Wing Project which slims the airport balance, and proposed further analysis of the various components.

Commissioner Hedrick commented that he thought old bonds paying 6.5% would be refinanced at 3% providing the flexibility of having cash on hand considering the uncertainty of the economy. How the airport will have those bonds rated, and the rating is affected by fund balances, particularly at a seasonal airport.

Ms. Harrell explained how her guesstimate is that PFCs will generate \$2.5M yearly to replenish Airport Fund 416.

City Manager Ready indicated that the budget committee will convene for a last review of the bond funding mechanisms.

11.B Airport Concession Program

Commissioner Schmitz, Chairman of the Operations Committee, gave a synopsis of that Committee's meeting held on May 6, 2019. He explained how the airport currently has two prime concessionaires: one for food and beverage, and one for retail who have been in place for about twenty years. How consulting firm Ricondo and Associates had conducted an in-depth study to establish goals for the airport. How the Operations Committee convened and weighed in on three issues: the extension of the existing concessionaires' contract, the new contracting methodology and the additional concession space square footage as recommended by the consultant.

He explained how the Committee voted to recommend extending the existing contract from October 30, 2019, until May 1st, 2020 to enable new concessionaires to formulate a plan and refurbish or construct facilities during the slower summer months which would be less disruptive for the traveling public.

The second motion pertained to the contracting method and Commissioner Schmitz explained that the consultant defined the following options: one master concessionaire, two primes, a hybrid method and a direct contracting method. How the Committee voted unanimously in favor of the hybrid method which allows possible opportunities for local partners to bid independently on one location and was the most flexible option, however this location will still be open to everyone.

The third motion addressed the concession space that Ricondo's study determined was needed to meet demand and optimize revenues, adding 7600 sq. ft. of new concession space. How several areas in both concourses had been identified for additional concession opportunities and a large area behind Starbucks, between the Bono and Regional concourse, would amply satisfy the 7600 sq. ft. requirement. The Committee voted in favor of accepting Ricondo's added square footage recommendation with an emphasis on the outdoor area.

Vice Chairman Hoehn asked if the other concession areas proposed in the Gensler design would be included in the Airport Commission's recommendation and addressed as part of the bidding process.

Commissioner Schmitz confirmed they would be.

Commissioner Suero brought up his suggestion of an airport lounge.

Chairman Jones explained how concessionaires would be proposing concepts which would make financial sense to them, and may or may not include a lounge.

Commissioner Hedrick inquired about the proposed removal of the fountain in the Bono concourse to be replaced by a food and beverage concession.

Commissioner Schmitz explained how the area offers great potential for a new concession, however, the proposed configuration blocks one of three entrances to the gate hold areas and would impede passenger traffic flow, and how this option requires more analysis.

Commissioner Pye later stressed that it was the consensus of the committee that we not proceed with blocking one entrance.

Vice Chairman Hoehn asked whether all these considerations are part of the criteria that must be addressed by concessionaires in the RFP process or if they can base their proposal solely on managing existing concessions.

Executive Director Nolan explained how the Committee already identified the centrally located outdoor area which offers more than the 7600 additional square feet recommended by the consultant. How this area would be identified in the RFP, and typically, industry practice is to allow Concessionaires to compete with each other on submitting concepts as this is a criteria for selection.

ACTION: Extend the current concession agreements until May 1st, 2020, to account for the transition of the new program and not disrupt season; Select the more flexible hybrid formula contract approach option from the consultant's report; Expand the existing concession space by at least 7600 square feet within the enlarged new central area in order to increase revenues. **Moved by Commissioner King, seconded by Commissioner Pye and unanimously carried noting the absence of Commissioners Altman and Dada.**

11.C Airport Budget

Airport Administration Manager Jucht presented an update to the airport budget. (Rev 2). and pointed to the Special Capital Projects.

Executive Airport Director Nolan explained how all airports in California received a order from the State Water Board to assess their water tables for contaminants resulting from the use of ARFF foam. How a consultant was retained and remedial action may be required, prompting the addition of a place holder of \$500,000 in the budget to carry out the mandated work plan necessary.

Mr. Nolan then explained how the TSA Queue / Leo Office Renovation to add one security lane by next season as a change order to the ticketing wing project warrants an additional \$450,000 based on engineers' estimates, bringing this capital project line item to \$800,000.

How the outfitting of the Bono Concourse with all new seating is proceeding. How 100 seats are being added to the growing regional concourse, bringing this line item expenditure from \$550,000 to \$650,000.

Airport Administration Manager Jucht indicated that we incorporated the Commission-approved increase to parking rates, the adjustment of airline rates and charges and an increase of concessions percentage of gross to the airport, from our current 8% to an airport standard of 12%.

Mr. Jucht added how, since revenues this year came in at \$1M over budget and expenses are under budget, we suggest setting aside the sum of \$950,000 instead of \$200,000 for PERS for fiscal year 2018-19. How on the Grant AIP page, the total is increased by \$2.5M, to make those funds available for the ticket wing project if necessary.

Commissioner Call asked if the Commission-approved line item expenditure of \$150,000 for the landscape conversion project had been included in the budget.

Mr. Jucht confirmed that it was added in the landside account.

Commissioner Hedrick asked where the airport stood with airline fees as the Commission agreed to increase them at the last meeting.

Mr. Jucht explained that currently the cost per enplanement is about \$5.20 and the proposal discussed would increase it to \$5.80 in FY2019-20, and \$6.00 in FY2020-21, roughly a 15% increase spread over their various rates and charges. He reminded the Commission that airlines are paying less than other tenants and this would bring them more up to par.

Vice Chairman Hoehn inquired about the change to the projected fund balance which is now \$7.0M for 2019-20 and increases to \$9.4M in 2020-21.

Mr. Jucht explained that the variance is based on the funds used on the ticket wing expansion PFC project. How the most conservative approach dictated we set aside \$3M for the project, and how we can expect further changes in the budget process.

12. EXECUTIVE AND STAFF REPORTS:

Executive Director Nolan updated the Commission on the two new ARFF vehicles acquisition process and the passenger boarding bridge project.

How the pavement condition inventory requirement is another federally funded project, and will be accomplished through one of our three consulting agreements.

How a sixth screening device will be added to the TSA checkpoint before this winter season as Phase I of the expansion project, financed through a change order to the ticket wing modernization project. How Phase II will see the addition of up to two more lanes the following year, for a total of eight lanes, to meet long-term demand.

13. COMMISSIONERS REQUESTS AND REPORTS:

Commissioner Call, as Chairman of the Airport Volunteer Navigator Program reported that the Navigators just completed their winter schedule during which 61 volunteers worked 3825 hours, valued at \$25.43/hr., thus contributing over \$97,000 to the airport.

Commissioner Call received a warm round of applause.

14. REPORT OF CITY COUNCIL ACTIONS: Included in the packet.

15. CORRESPONDENCE: None.

16. RECEIVE AND FILE:

ACTION: Receive and file: 16.B. June 2019 Airlines Schedules.
Item 16.A, the April 2019 Activity report was not ready to be presented.

ADJOURNMENT:

Motion to adjourn. **Moved by Commissioner Call, seconded and unanimously approved noting the absence of Commissioners Altman and Dada.**

The Airport Commission adjourned at 9:25 A.M. to Wednesday, June 12, 2019, at 8:00 A.M., in the airport conference room, 3400 E. Tahquitz Canyon Way, Palm Springs.

Nadia P. Seery
Executive Administrative Assistant