

SALT LAKE CITY DEPARTMENT OF AIRPORTS MINUTES OF ADVISORY BOARD MEETING

27 April 2016

Members Present: Igor Best-Devereux - Chair
Robert Bergman
Christine Botosan
Mickey Gallivan
Senator Karen Mayne
Larry Pinnock

Excused: J.T. Martin

City Council Office: James Rogers

Department of Airports: Maureen Riley, Executive Director
Kristen Elder, Management Analyst
Brady Fredrickson, Senior Planner
Pete Higgins, Director of Operations
Cole Hobbs, Contracts and Procurement Manager
Marco Kunz, Attorney
Joel Nelson, Property and Real Estate Manager
Kevin Robins, Director of Engineering
Ryan Tesch, Director of Finance
Nancy Volmer, Director of Public Relations
Mike Williams, TRP Program Director

Chair Igor Best-Devereux called the meeting to order at 8:01 a.m. and welcomed Robert Bergman to the meeting, thanking him for his participation on the Board.

AGENDA

A. Minutes

The motion was made by Christine Botosan and seconded by Larry Pinnock to approve the minutes of March 23, 2016 as modified. All votes were affirmative; motion passed.

B. Director's Report

Maureen Riley, Executive Director, updated the Airport Advisory Board regarding current events.

- Riley reported that we have received positive media on the new London Heathrow flight and will continue to work closely with the tourism bureaus to promote the route.
- Riley gave an update on the status of the fixed based operator (FBO) at South Valley Regional Airport (SVR). As detailed in an e-mail sent to board members yesterday, the

Salt Lake City Department of Airports' (Airport) existing contract with the current FBO, Leading Edge Aviation, expires on May 16, 2016. Leading Edge was the only respondent to the Airport's Request for Proposals (RFP), and negotiations stalled last week over the amount and type of investment required in a new, 20-year contract. Leading Edge declined an offer to extend its existing contract for one year and intend to vacate on May 16th. The Airport is exploring its best options for an interim solution and have planned a meeting for the general aviation community on May 3rd. We've reached out to Atlantic Aviation and TAC Air about providing temporary services at SVR (TAC Air declined). If Atlantic declines, we will work with general aviation consultant Michael Hodges to obtain temporary services and resolicit an RFP. Riley added that the May 25, 2016 Board meeting will be devoted entirely to looking at general aviation issues as a system.

- Riley asked that all inquiries regarding active RFPs be directed to Airport Procurement Manager Cole Hobbs. City ordinance prohibits discussion of activities relating to an active RFP. The Board will be advised when a new RFP issued for FBO services at SVR. Three additional RFPs relating to the issuance of debt for the Terminal Redevelopment Program are currently active: disclosure counsel, trustee, and bond underwriters. Because there has been a lot of interest in all three of these active RFPs, please refer inquiries to Hobbs.
- Riley updated the Board on the proposed Fiscal Year 2017 budget. The Airport's budget was presented to City Council on April 12th. Although there were a modest number of questions, there were no changes made at that time. Full adoption of the budget is expected in late June.

Pinnock asked if there had been any discussion about whether Leading Edge Aviation could take on a capital partner for the capital improvements requested in a new contract. Riley stated that the Airport would like to see additional T-hangars and shade hangars constructed so hangar lease payments may be raised to fair market value. Leading Edge wanted to build corporate hangars. Riley emphasized that the Airport believes Leading Edge has been a professional and accomplished provider of FBO services and we have had no concerns with their performance.

C. Terminal Redevelopment Program Update

Mike Williams, Terminal Redevelopment Program (TRP) Director, presented an update on the TRP (presentation on file). Main points included were:

- A permanent Certificate of Occupancy for the Quick Turn-Around facility (QTA) and Rental Service Sites (RSS) has been received.
- Feedback from the tenants of these facilities has been positive.
- Close-out of individual trade contracts will continue into June.
- Environmental clean-up of existing rental car buildings is complete.
- Demolition of existing rental car buildings began this week. Tenants who left items behind (e.g. tires and tanks with unknown fluids) are being invoiced for the additional clean-up costs.
- Excavation of the underground fuel tanks is underway and is expected to be complete within a couple of weeks.
- The critical fuel line tie-in work at Gate D2 was completed on schedule.

- Utility work on the new terminal exit bypass road is taking place and the road will be paved and operational by the end of May. Because this work requires consecutive single lane closures, Public Relations Director Nancy Volmer will work with the media to notify the public.
- All bids for foundation and structural elements of the terminal, gateway, and western portion of the South Concourse have been received.
- Utility work has begun in the new park and wait lot, which will open later this year.
- A parking lot on the north end of Wright Brothers Drive is being planned for the 1,500-1,800 trade workers anticipated at the peak of construction. It is common practice for construction firms to bus their workers from a remote lot to the construction site.
- Temporary walls have been constructed in the E Concourse hold room in preparation for partial demolition of that room.
- Apron pavement crushing operations west of the E Concourse are underway. Pavement will be stockpiled and reused where possible throughout the project. The south leg of the E Concourse will be demolished later this year.

Senator Mayne asked if the project follows local and federal procurement guidelines. Williams answered in the affirmative. Williams noted that only a few areas of the project had the potential for federal funding, such as the apron and a very limited area of the baggage system.

Mayne also asked if a preference is given to hiring Utah firms and workers. Williams explained that while the bids are structured around the lowest responsible bidder, a goal of the project is to maximize the opportunity for local contractors and consultants. Through hosting frequent outreach sessions, we are working with local contractors who can't prequalify on their own to become qualified through HD as a subprime. Of the \$127M spent on work completed to date, \$124M went to Utah-based companies.

Riley asked Airport Attorney Marco Kunz to comment on federal considerations for offering preferences to local companies. Kunz noted that the federal guidelines on this topic are very complex and that our outreach programs to partner local firms with other contractors have been very effective. Riley added that the City does not have a specific, targeted local participation requirement.

Pinnock asked about the long-term use of that trade contractor parking lot when construction is completed. Williams stated that the lot would most likely be reclaimed.

D. Terminal Redevelopment Program Budget and Plan of Finance

Ryan Tesch, Finance Director, gave a presentation on the TRP Plan of Finance to the Board (presentation on file). Main points included were:

- Passenger data highlights strong growth trends over past 27 consecutive months.
- Review of the funding plan for the TRP and capital improvements over the next 10 years.
- Detailed review of the budget for various elements of the project and dollar amounts spent or committed to date.

- Summary of the TRP bond plan of finance, timing of bond issues, and assumed interest rates.
- Review of funding and financial forecasts. Conservative figures were used in all models, especially the number of enplaned passengers
- Comparison of the Cost Per Enplanement (CPE) at SLC to other airports.

Riley noted that the current bond rate is 4%, which provides an incentive to go to market sooner for significant savings with the first bond issue.

Botosan asked if the bonds will be tax-advantaged to the investor. Riley answered in the affirmative.

Botosan inquired what the debt service was on \$1B of bonds and how that will affect our long-term cash projections. Riley explained that the debt service has not yet been officially structured, but can be designed to accomplish whatever targeted goals we want to achieve. This includes delaying payment of the principal in order to match revenue realization with the payment of the debt. Riley added that we have been ultra-conservative on the assumptions used in our financial models, which make forecasts through the year 2030.

Gallivan wondered if there has been any additional conversations about the North Concourse. Riley noted that we are still in conversation with the airlines.

E. Transportation Security Administration Overview

Ronald Malin, Federal Security Director for Utah, Transportation Security Administration (TSA), presented a brief overview of the TSA procedures and checkpoint anomalies.

Malin displayed a representative sample of prohibited items collected on a daily basis at the SLC security checkpoints. He further explained that the items are not illegal to own, but are prohibited in the sterile area. When a prohibited item is found or suspected, the bag must be searched and the issue resolved, which may cause delays at the checkpoint. This is also true for toys and other souvenirs which appear to be weapons when viewed through the x-ray machine.

Malin reported that 24 guns have been found in checked bags so far in 2016, the majority of which were loaded and owned by concealed firearm permit holders who forgot the gun with was in their bag. Last week, 73 guns were found by TSA at airports nationwide. Malin works closely with State Representative Curtis Oda and the Bureau Criminal Identification Division of the Utah Department of Public Safety to educate the public and concealed firearm permit holders.

Pinnock asked what process occurs when a loaded gun is found at the checkpoint. Malin explained that if the weapon is detected at the checkpoint, the x-ray operator activates an alarm which alerts Airport Police. A police officer will respond, render the item safe, then process the passenger on a criminal basis pursuant to local laws. TSA civil penalties may be as high \$11,000, although civil cases typically settle in court for \$3,500 to \$4,000 for a first offense.

Best-Devereux asked if signs for prohibited items are displayed at the checkpoint. Malin answered in the affirmative, further explaining that many passengers report that they saw a sign, but did not think they had a gun in their bag.

Best-Devereux asked if prohibited items are found in the PreCheck lane. Malin answered in the affirmative. Riley stated that if a PreCheck passenger is found to have a weapon at the checkpoint, that individual is permanently excluded from the PreCheck program.

Best-Devereux asked why the displayed power drill is a prohibited item. Malin explained that tools larger than 4” are prohibited, and added the airlines have the right to refuse any item on board an aircraft, even if it is not on the TSA prohibited items list.

Gallivan asked if the displayed hand grenades were the same items used during the previous Board presentation. Ron stated that with one exception, they were new items.

Best-Devereux thanked Botosan for her service on the Board and presented her with a parting gift. Botosan remarked that she would miss serving on the Board and wished the group well.

The next Board meeting will be held the 25 May 2016.

Igor Best-Devereux adjourned the meeting at 9:11 a.m.

Igor Best-Devereux, Chair

Date

Jacqueline M. Biskupski, Mayor

Date