

SALT LAKE CITY DEPARTMENT OF AIRPORTS
MINUTES OF ADVISORY BOARD MEETING

21 May 2014

Members Present: Natalie Gochnour – Chair
 Igor Best-Devereux
 Mickey Gallivan
 David Ibarra
 J.T. Martin
 Russ Pack
 Larry Pinnock
 Mike Zuhl

City Council: James Rogers

Mayor's Office: David Everett

Excused: Wayne Holland

Department of Airports: Maureen Riley, Executive Director
 John Buckner, Director Administration & Commercial Services
 LuJean Christensen, Management Support Coordinator
 Eddie Clayson, Facilities Maintenance Superintendent
 Carol Dean, Financial Reporting Manager
 Barbara Gann, Director of Public Relations/Marketing
 Steve Jackson, Operations General Aviation Manager
 Dave Korzep, Superintendent Terminal/Landside Operations
 Marco Kunz, Attorney, SLCDA
 Steve Marlovits, Chief of Police
 Allen McCandless, Director of Planning
 Joel Nelson, Property Manager
 Connie Proctor, Superintendent Security Operations
 Kevin Robins, Director of Engineering
 Mike Williams, TRP Program Director

Chair Natalie Gochnour called the meeting to order at 8:00 a.m.

AGENDA

A. Minutes

The motion was made by James Rogers and seconded by Igor Best-Devereux to approve the minutes of 19 March 2014 with one correction in Discussion Item B, Director's Report, to change the spelling of Ms. De Voeller's last name. All votes were affirmative; motion passed.

B. Utah Airport Operators Association (UAOA) Award of Excellence

Jim Petersen, Director of Airports for Tooele County and President of Utah Airport Operators Association (UAOA) recognized the contributions made by the Salt Lake City Department of Airports to the UAOA. Petersen presented the President's Award of Excellence to Utah Aviation to Maureen Riley.

C. Director's Report

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

- Riley congratulated Gochmour on receiving the 2014 Tough Cookie Award from the Girl Scouts of Utah at a dinner held on March 6. In recognition, the Board members received Girl Scout cookies.
- Passenger activity increased in March by 3.4%. This increase is in addition to the 4% increase that was experienced in February, so passenger traffic is on the rise. Riley stated that the surge in traffic has resulted in many food and beverage concessions showing record-breaking gross revenues. For the month of March, Market Street Grille had the highest gross revenue of any food and beverage outlet, followed by Gordon Biersch.
- Delta Air Lines reported profit of \$10.6 billion or a net profit \$2.7 billion for 2013. Delta further expects profits to continue to rise, as it adds new planes to its fleet to help control costs.
- Riley reminded the Board that the June 18 meeting will be a 4 hour retreat and discussions will include smoking rooms, rental car project design, and other components of the Terminal Redevelopment Program.
- David Everitt addressed the current taxi situation and updated the Board members. Yellow, Ute, and City are still operating in Salt Lake City under a 30 day waiver provision. Salt Lake City is currently in the process of evaluating how to accommodate the new transportation networking companies while maintaining a strong and consistent taxi cab service.

Gochmour raised the question of whether the taxi issue is a City or Airport issue. Everitt responded that it is a City issue and the Airport is charged with enforcing the ground transportation regulations for Salt Lake City.

Discussion ensued regarding the impact the transportation networking companies will have and the best way to navigate and accommodate them while maintaining excellent ground transportation for the City. Mike Zuhl made the recommendation to add this item to the June agenda, if possible, for further discussion. Everitt responded that recommendations will be presented to the City Council for consideration. Russ Pack questioned whether the City ordinance states the Airport will manage the taxi service or if it was designated by the Mayor.

Riley responded that the department to manage the service is designated by the Mayor. Marco Kunz responded that the Mayor is authorized by City ordinance to designate a department director to administer and enforce the ground transportation ordinances. The Mayor designated the director of the Salt Lake City Department of Airports.

D. Regulatory Framework – Fixed Based Operators (FBOs)

Scott Lewis, Managing Partner at Anderson & Kreiger LLP, presented to the Board the legal framework for FBOs operating at commercial service airports.

Lewis discussed the following issues:

- Federal compliance requirements for FBOs
- The Airport's participation in the Airport Improvement Program (AIP) is conditional upon the Airport's agreement to comply with federal grant assurances. One of those grant assurances requires the Airport to make access to airports reasonably available to aeronautical users, which include FBOs, on fair and reasonable terms, without unjust discrimination.
- That grant assurance prohibits the City, as the Airport's sponsor, from granting an exclusive right to any FBO through a contract or by creating a "tilted playing field" that restricts competition. The assurance that an airport will not grant an exclusive right is enforced vigorously by the FAA. If the FAA finds that the City has granted an exclusive right in violation of the grant assurances, a consequence would be a denial of AIP eligibility.
- Complaints by an FBO that it has been denied access or treated unfairly, and that an exclusive right has been granted to a competitor, dominate the FAA enforcement docket. The reason is if an FBO is able to obtain and maintain a monopoly, it can be very profitable, particularly in the sale of aviation fuel.
- Airports that have available space and the market demand to support a second FBO must engage in reasonable efforts to procure a second FBO. Supporting rationale for such an obligation include (1) requirements to comply with federal grants assurances; and (2) prudent management practices, which promote competition for the benefit of the aviation community served by the FBOs.

Lewis stated that the Airport has received expressions of interest from FBOs that want to enter the SLC market, and compete with the incumbent FBO, which currently has a monopoly.

Zuhl inquired as to the number of airports, the size of Salt Lake City, with only a single FBO. Lewis replied that he did not have that data available but there are airports that have a single FBO. The reason they have only one FBO is they do not have available space or the economics will not support a second FBO.

Larry Pinnock questioned if the responsibility to do an economic study lies with the Airport. Michael Hodges replied the FAA's position is if there is land available and an FBO provider can meet minimum standards, the Airport does not have the right to say no. Lewis replied that the Airport will set the minimum standards and will utilize a RFP procurement process to select the best qualified FBO provider.

Gochmour requested examples of where an Airport failed to adhere to the standards and the federal funds were taken away. Lewis stated that it is very rare that an airport is cited for a compliance violation and doesn't cure it. If cited for a violation that is subsequently cured, an airport will retain its eligibility for federal grants.

J.T. Martin inquired about what decisions need to be made, what are best practices, and what is the most transparent way for those decisions to be made. Lewis stated that engaging in a transparent public procurement process where the opportunity is publically advertized, conditions are disclosed, and selection is made objectively on fair terms are all examples of best practices.

E. FBO Feasibility Study

Michael Hodges, President and Chief Executive Officer at Airport Business Solutions (ABS), presented to the Board an FBO Feasibility Study (presentation on file).

The presentation included:

- Salt Lake Dept. of Airports project overview
- Economic feasibility study of an additional FBO at SLC
- Fuel volume growth trends
- SLC market demand and property available for an additional FBO
- Review of greenfield sites, entire airfield complex, and other land use planning
- Leasehold consolidation opportunities and lease termination issues
- FAA and other regulatory restrictions
- Conclusions for next steps

Zuhl requested clarification in regards to the history of a second FBO operating at the Airport. Riley responded that the Salt Lake Jet Center was acquired by Million Air, which was acquired by TacAir. Pack stated that at one time the Airport had seven FBOs. Leaseholds were consolidated over time, as leases did not expire concurrently. For many years the Airport's business plan for FBOs was to have two operators, which would allow for competition, and allow each provider to have adequate leasehold, frontage, and hangar space.

Discussion ensued regarding trends in the FBO industry, consolidation of the markets, and the finite term leases associated with the FBO industry. Hodges stated that the consolidation of the SLC market occurred because it was economically more attractive to acquire the competition and to monopolize the market because of the financial returns. Zuhl commented that in the history of the Airport, there has typically been competition with more than one FBO. Hodges remarked that when TacAir purchased Million Air, it was buying it not for the real estate, but for the business market share predominately driven by fuel sales. The main profit center for the FBO is fuel.

Pinnock inquired how to protect the Airport against having the consolidation of the FBOs happen again. Lewis stated that you can lease under terms that allow the Airport to reject a proposed merger. Lewis stated that when TacAir acquired the Salt Lake Jet Center, a communiqué was issued to the Salt Lake Jet Center and its buyer to emphasize that the leases were near their end,

and there should be no expectation that those leases would be extended or renewed beyond their expiration date of 2015.

Zuhl requested an explanation on the statement that a second FBO would generate significant new jobs and investment at SLC. Lewis stated that the needs of a second FBO to meet the requirements and demands of competition are generally greater than the investment for an incumbent expanding its own leasehold areas. A new operation would have to staff up and provide a base of personnel to meet the operational needs of a second FBO.

Pack questioned if the FAA would perceive other operators providing some of the services such as a dealership as sufficient competition. Lewis stated that the FAA would look at the services provided by a provider other than an FBO as irrelevant. He reiterated that if there are both available land and parties interested in pursuing additional FBO opportunities, then the Airport should issue an RFP, so as to avoid the perception of granting an exclusive right to a sole provider. Hodges added that Title 16 in the City ordinances sets out the minimum standards for commercial aeronautical activities, including FBOs at the Airport. From the FAA perspective, the Airport's obligation is to ensure that if more than one FBO is allowed, that they are all subject to the same minimum operating standards.

The next Board meeting will be held the 18 June 2014.

The Board Chair closed the meeting at 9:30 a.m.

Natalie Gochnour, Chair

Date

Ralph Becker, Mayor

Date