

SALT LAKE CITY DEPARTMENT OF AIRPORTS MINUTES OF ADVISORY BOARD MEETING

October 16, 2019

Members Present: Cyndy Miller, Chair
Jim Riding
Larry Pinnock
Roger Boyer
Karen Mayne
J.T. Martin
Arlyn Bradshaw
Shawn Milne

Absent: Theresa Foxley
Steve Price

Mayor's Office: Mayor Jackie Biskupski

City Council Office: Russell Weeks

Department of Airports: Bill Wyatt, Executive Director
Tina Nee, Administration
Brian Butler, Chief Financial Officer
Kevin Robins, Director of Engineering
Brady Frederickson, Planning Director
Shaun Andersen, Controller
Eddie Clayson, Maintenance Director
Medardo Gomez, ORAT Director
Pete Higgins, Chief Operations Officer
Treber Andersen, Interim Director of Operations
John Buckner, Director of Commercial Services
Marco Kunz, Senior City Attorney
Nancy Volmer, Director of Communications & Marketing
Mike Williams, ARP Program Director

Other: Cory Kox, HDR, Inc.
Brian Bangerter, HNTB
Mark Lewis, TSA
Alan Campbell, AECOM
Andrew Scanlon, AECOM
Jared Esselman, UDOT Director of Aeronautics
Donnell Harvey, Delta Airlines
Dan Milich, Foursquare Properties

Cyndy Miller called the meeting to order at 8:02 a.m.

AGENDA

A. Minutes

A motion was made by Jim Riding and seconded by Larry Pinnock to approve the minutes of September 18, 2019 as presented. All votes were affirmative; motion passed.

B. Director's Report

Bill Wyatt, Executive Director, updated the Airport Advisory Board regarding current events.

Mr. Wyatt indicated the airport business is booming. An occasional service is even being added, which is hard to believe. Delta just added a flight to Santa Barbara. 29,000 passengers expected today for UEA. 334 days until opening; roughly 300 days until possession.

Mr. Wyatt said several of the Directors just returned from New York making the annual presentation to the rating agencies. It is a requirement under the Dodd-Frank Act. While it isn't necessary to hold a face-to-face meeting, due to our debt of \$2 billion, we think it's a good idea to go back and meet in person. Conversations with the rating agencies went extremely well. We will hear back from them towards the end of the month. We don't expect much change.

Mr. Wyatt shared there was a very successful meeting yesterday with the City Council. Over the last year or so, a lot of scope has been added to this project; the additional sky club, the enlarged federal inspection station for immigration and customs, and cost increases due to steel tariffs and labor challenges. Overall, this is a good story because the increased cost is essentially being paid for by enplanements which are by far greater than we had anticipated. Since the early planning days of the project, SLCDA has forecast 1.5% annual enplanement growth. That is prudent and in line with most of the major forecasts you would see around the country and is consistent with our larger customer has historically indicated to us; it's just consistent with what has actually happened. We've been experiencing 5.5 – 6% growth. The additional scope adds up to just under \$500 Million. This will result in a increase our cost per enplaned passenger in 2028, when we start paying bonds off, by \$0.60. The growth we have actually experienced is paying for all the scope additions. The growth is almost all local meaning it is being generated out of this area. That is an indication of a strong economy to airports. When the economy is strong, people fly. Having more local traffic is also attractive to bond investors and to the rating agencies. It makes the project even stronger.

Mr. Martin inquired if we have access to the airlines information on passengers who are originating in Salt Lake City and having to go through another city for a connection.

Mr. Wyatt indicated that yes, we could get access to that. We have an air service consultant that has access to the US Department of Transportation's data base.

Ms. Miller stated the presentations today of the financial audit results and the capital project update, Mr. Martin established several years ago as chair. At the time a sub-committee reviewed this information in advance. A finance sub committee was created this year and included Ms. Miller, Mr. Price, Mr. Pinnock, and Mr. Boyer.

C. Airport Redevelopment Program (ARP) Update – Mike Williams, ARP Director, SLCDA

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

- Safety and Schedule Stats
- CGMP #5 – Terminal/South Concourse West/Gateway status
- CGMP #6 – Roadways/Parking Garage/Central Utility Plant status
- CGMP #7 – Baggage Handling System status
- CGMP #9A – SCW Apron Paving and Hydrant Fueling status
- CGMP #15 – NCP Phase 1 enabling
- CGMP #16 – NCP Phase 1
- CGMP #17 – NCP Baggage Handling System Phases 1 & 2 status
- CGMP #18 – NCP Apron Paving/ Hydrant Fueling
- Project statistics
- Near term schedule
- Job progress photos

There weren't any questions presented for Mr. Williams.

D. Presentation of Financial Audit Results – Paul Skeen, Eide Bailly and Brian Butler, Chief Financial Director, SLCDA

Brian Butler, Chief Financial Officer, and Paul Skeen with Eide Bailey, presented a review of the SLCDA financial position as of June 30, 2019 (presentation on file). Main points included were:

- FY2019 Financial & Operating Highlights
- Total Passenger Traffic
- Cost per Enplaned Passenger (CPE) FY2018
- CPE Ten Year History
- Budget Comparison
- Airline Use Agreement Rates and Charges
- Comparison of Actual Operating Revenues
- Comparison of Concession Revenue
- Gross Sales per Enplaned Passenger (EPAX)
- Comparison of Actual Operating Expenses

Mr. Martin inquired as to the airport's decision to do street pricing (for concessionaires.) Has there been any models done as to the impact of that in the budget?

Mr. Wyatt responded the airport has forecasted what it anticipated the revenues will be. Based on other airports, volume should increase.

Mr. Martin also asked if there were any pressures to maintain the street pricing policy and how can this board support it.

My. Wyatt indicated our commercial properties team will secret shop the concessionaires. They keep an eye on pricing to be sure it is being enforced. After a year or so, it will be expected some of the concessionaire to push pricing, but we will be vigilant.

Mr. Martin inquired for clarification on the impact of Uber type services on rental car income.

Mr. Butler explained how in Utah, due to our geographical location to ski resorts and national parks, people want to rent cars v. taking a service. We are seeing rental car transactions increase.

Mr. Boyer asked what the cost per enplaned passenger will be.

Mr. Butler explained that it will be presented by Mr. Robins upcoming.

Mr. Pinnock is the airport tracking the revenue per enplaned passenger for these various transportation services. The gross number is not helpful to adapt to new trends.

Mr. Butler explained it is not a metric we have used in the past, but if it is something of interest to the board it can be included in future presentations.

A motion was made by Shawn Milne and seconded by Larry Pinnock to accept the comprehensive audit report as presented by Eide Bailey. All votes were affirmative; motion passed.

E. Capital Project Update – Kevin Robins, Director of Engineering, SLCDA

Kevin Robins, Director of Engineering presented a Capital Plan Update (presentation on file). Main points included were:

- Passenger activity continues to grow, exceeding planning forecasts used in ARP design
- Local O&D market and Delta hub continue to drive growing enplanement levels
- International traffic has increased significantly since the initial planning of the ARP
- The project, per the AUA has evolved in scope since it was originally approved, to meet demand
- Scope is being added to the ARP to meet growing demand
- Total capital costs are currently estimated at \$4.43 billion through FY2028
- Current cost estimates incorporate the following scope increases:
 - Accommodating international growth
 - Accommodating increased passenger, aircraft, and baggage volume
 - Technology improvements
- Current cost estimates incorporate the following scope increases to the ARP budget:
 - East side phasing complexity/ overall project duration
 - Phase 2 design/ procurement impacts
 - Design and architectural documents
 - Relocation costs and operational startup training

- 67% of ARP project costs are completed or under guaranteed maximum price contract

Mr. Martin left the meeting at 9:15 am.

Mayor Biskupski left the meeting at 9:20 am.

Mr. Bradshaw left the meeting at 9:30 am.

Mr. Wyatt stated the cost per enplaned passenger forecast is based on 1.5% growth in passenger volume which is very conservative. It could be expected the CPE number will come down given the reality of the actual growth being experienced.

Cyndy Miller adjourned the meeting at 9:35 a.m.

The next Board meeting will be held on November 20, 2019.

Cynthia Miller, Chair

Date

Jacqueline M. Biskupski, Mayor

Date