



AIRPORT COMMISSION

ACTION SUMMARY MINUTES OF ADJOURNED MEETING

WEDNESDAY, JUNE 10, 2020

1. CALL TO ORDER:

Chairman Jones called the Airport Commission Meeting to order at 08:00 A.M. The meeting was held via videoconference.

2. POSTING OF THE AGENDA: Posted on June 5, 2020.

3. ROLL CALL:

Commissioners Present: Altman, Breslin, Burke, Clarkson, Feltman, Freymuth, Hedrick, Hoehn, Hughes, Jones, Pattison, Pye, Riesen, Schmitz, Suero.

Commissioners Absent: Adams, Budilo, Corcoran, Dada.

Staff Present: City Manager Ready, Airport Executive Director Nolan, Airport Assistant Director Aguirre, Deputy Director of Operations and Maintenance Barrett, Administration Manager Jucht, Airport Executive Administrative Assistant Seery.

4. ACCEPTANCE OF THE AGENDA:

ACTION: Accept the Agenda as presented. **Moved by Commissioner Hoehn, seconded by Commissioner Freymuth, and unanimously approved noting the absence of Commissioners Adams, Budilo, Corcoran, Dada.**

5. PUBLIC COMMENTS:

None.

6. APPROVAL OF MINUTES:

The minutes of the Regular Meeting held on March 11, 2020, were presented for approval. **Moved by Commissioner Riesen and seconded by Commissioner Breslin.**

AYES: Breslin, Clarkson, Feltman, Freymuth, Hedrick, Jones, Riesen, Schmitz, Suero.

ABSTAIN: Altman, Burke, Hoehn, Hughes, Pattison, Pye.
ABSENT: Adams, Budilo, Corcoran, Dada.

7. CHAIRMAN REPORT:

Chairman Jones made the following announcements:

American Airlines nationwide is reintroducing 141 aircraft from storage into service in July and Delta is reactivating narrow and wide-body aircraft.

The TSA has processed nearly 2 million passengers nationwide in May, the busiest they have been since March.

Riverside County nominated Commissioner Freymuth to serve another term on the Airport Commission.

The July Airport Commission meeting will take place at 5:30 P.M. and most likely via videoconference.

The Arts Council has been contracted to clean all the art within the airport terminal.

8. INTRODUCTIONS AND PRESENTATIONS:

Executive Director Nolan presented a photographic tribute to former longtime Airport Commissioner and Chairman, Bob Elsner, recently deceased.

Mr. Nolan then showed photos and described the progress of the construction of the ticket wing building and the outbound baggage handling carousels.

9. CITY MANAGER REPORT:

City Manager Ready announced that the City was going forward with the budget process, how City Council would have a first look at the airport budget on June 11, to be followed by a public budget hearing on June 25.

Commissioner Feltman asked if there would be an impact on the airport personnel.

Mr. Ready replied that the City is looking at eliminating 82 positions city-wide, by freezing hiring, through early voluntary separation packages and layoffs. How by virtue of the \$11M federal CARES grant the airport received from the FAA, there would be no layoffs at the airport, only voluntary separations and hiring freeze. Had it not been for the CARES grant, a \$7 million reduction would have been required.

10. BUDGET AND FINANCE REPORT:

Airport Administration Manager Jucht presented the May 2020 Financial Summary.

He explained how when Covid-19 occurred in mid-March the airport had collected 95% of the revenues for March, therefore, PFCs and CFCs stand at 98% of budget, General Airport Revenues at 78% and Grant Revenue at 34%. Fund 415 - Airport Operations & Maintenance stands at 75% of the budgeted amount due to conservative spending since March.

CFC restricted cash stands at \$24M.

Fund 410-PFC Restricted balance is at \$1.9M. In addition to this balance, the yearly debt repayment of \$2.5M is in a reserve account for next year.

11. DISCUSSION ITEMS:

11.A 2020-2021 Budget

Airport Administration Manager Jucht presented revised passenger enplanements projections for 2020/2021. He explained how passenger traffic through the summer is expected to be low: 80% less than a normal year, with an increase for the holidays with returning flights from Canada. With this conservative approach, passenger figures reflect a 49% decrease for FY2020-21.

Mr. Jucht then presented airport's revenues which would incur a 48% reduction as a consequence of the enplanements' decrease with a budgeted amount of \$14.5M compared to the \$27.7M budgeted last year for that period.

How total expenses were only reduced by 7% because of fixed expenses, but the CARES grant will bridge the gap with \$8.6M of that grant expected to be used in FY2020-21 resulting in a balanced budget.

He added that out of the total \$11M grant, \$2M may be used this year to ensure a balanced budget, leaving a balance after next year of \$337,977, a margin to be used for any unforeseen condition.

\$1.5 M were reduced from the budget for FY2020-21 from Fund 416 by deferring capital projects, \$507,000 from payroll and \$1.3M from Fund 415-Operating & Maintenance for a total of \$3.4M.

Mr. Jucht summarized that the cash on hand balance is estimated to be \$16M by December 31, 2021, allowing the airport to go through next year in a relatively good position.

Chairman Jones inquired about the City's voluntary early separation program's impact on the airport, particularly on airport operations.

Executive Director Nolan said that eight employees took the early separation offer: Airport Administration Manager Jucht, three operations employees, one maintenance employee, and three police officers. How all of these positions are needed to maintain the high level of operation and service delivery the airport organization has developed.

Commissioner Hedrick asked if the budgeted positions for the Marketing Director and the Airport Engineer had been deferred.

Mr. Nolan replied that the engineer position was filled before the hiring freeze, the marketing position is presently deferred.

11.B Airport Concession Lease Status Update

Executive Director Nolan provided an overview of the Request For Proposal for Food & Beverage and Gift Concession prepared over the last year. He reminded the Commission how HMS Host and Paradies-Lagardère, whose 25-year contracts expired, were put on a month-to-month basis to accommodate the reschedule of the RFP and allow construction of concession spaces during off-season.

How since the pandemic, HMS Host, the Food & Beverage concessionaire, has experienced financial difficulties and decided to exercise their right to discontinue their month-to-month arrangement. How the airport has arranged for Paradies to fill the void and offer an array of pre-packaged fresh food starting July 1st. Paradies also holds a license with Starbucks and will be able to restart other concessions as traffic increases. An overview of Paradies depth of experience in food and beverage was also provided to demonstrate their ability to meet PSP's needs until a new RFP is issued.

11.C Car Rental Agreement Extension Update

Airport Administration Manager Jucht explained how the Airport Commission, at their February meeting, approved Amendment 3, a one-year extension with four one-year options to the current car rental agreements. How the car rental companies let it be known they did not wish to enter into this agreement because it was at the sole discretion of the City, but were willing to enter into a one-year extension, keeping the current terms and conditions. Therefore, an Amendment with a one-year extension only will be taken to City Council for their consideration.

12. EXECUTIVE AND STAFF REPORTS:

Airport Executive Director Nolan provided a full description on the following topics:

The ticketing wing's construction activity is progressing reasonably well despite several facility issues that are being discovered as the building is opened.

The Passenger Boarding Bridges bid has been advertised and has generated interest from at least three national companies specializing in this field, and bids should come to fruition soon, which will arrive at an opportune time as the airport will be able to accomplish this project with minimal impact to airline operations.

The ARFF trucks replacement has been bid out and awarded and the Notice to Proceed should be given soon and new trucks should be on board within 12 months.

The car rental construction project, while on hold at present, is still pertinent. Mr. Nolan gave a summary reminding the Commission how the "basis of design" indicated a need of a 1.4 million square feet building next to the terminal that had been found unsatisfactory, and an additional space off Kirk Douglas Way was being considered. How, therefore, the design phase needs to continue after the pandemic as the airport has \$24M in CFC reserves and the bond market may be more favorable at this time. That the facility size need will likely be more modest due to industry contraction, and will be more financially feasible and more compatible for the area adjacent to the terminal.

Commissioner Feltman indicated that some modularity could be included in the new concept to allow for future traffic growth.

13. COMMISSIONERS REQUESTS AND REPORTS:

Commissioner Riesen reported how he visited the airport with Mr. Nolan to see the construction and encouraged other Commissioners to do the same.

Commissioner Freymuth remarked on PSP airlines currently using mostly regional jets and asked if capacity control was exercised on other aircraft.

Executive Director Nolan replied that it is a combination of both. How we should expect modulations in seat capacity from the airlines. He expressed confidence that the market is positioned to rebound as the airlines have experienced double-digit growth over the last two years, and will likely not hesitate to add seat capacity consistent with demand generated by the rebounding tourism industry. That they have the ability to change aircraft gauge and adjust as needed to meet their revenue needs for the market.

Airport Administration Manager Jucht added that some airlines are already indicating returning with larger aircraft as soon as next month.

Commissioner Breslin pointed out the mandatory mask wearing in Palm Springs and asked if the airport had signage to that effect to advise arriving passengers.

Mr. Nolan replied that the airport has signage and PA announcements. How the airport expects a shipment of tens of thousands of masks from the FAA any week now that could be used for passengers and staff. How wearing the mask is being respected at the airport and monitored very closely.

In light of the FAA providing airline grants to continue operating on at least a minimal basis, Commissioner Burke asked if any airline has requested an exemption to temporarily remove Palm Springs from their route system.

Mr. Nolan replied that Allegiant, JetBlue and Frontier have exercised their CARES Act grant provisions for a temporary cessation.

Vice Chairman Hoehn commented that the CVB had endorsed JetBlue's request for temporary hold on service based on their good relationship and because JetBlue has never flown to Palm Springs in the summer.

14. REPORT OF CITY COUNCIL ACTIONS:

Included in the packet.

15. CORRESPONDENCE: None.

16. RECEIVE AND FILE:

ACTION: Receive and file:

Item 16.A. May 2020 Airline Activity Report had not been received at meeting time and would be e-mailed later.

Item 16.B. July 2020 Airlines Schedules.

Moved and seconded, and unanimously approved noting the absence of Commissioners Adams, Budilo, Corcoran, Dada.

17. ADJOURNMENT

ACTION: Motion to adjourn. **Moved by Commissioner Burke, seconded by Commissioner Schmitz, and unanimously carried noting the absence of Commissioners Adams, Budilo, Corcoran, Dada.**

The Airport Commission adjourned at 08:50 A.M. to Wednesday, July 8, 2020, at 05:30 P.M.

Nadia P. Seery
Executive Administrative Assistant