



AIRPORT COMMISSION

ACTION SUMMARY MINUTES OF ADJOURNED MEETING

Wednesday, April 21, 2021 – 5:30 P.M.

1. CALL TO ORDER:

Chairman Jones called the Airport Commission Meeting to order at 5:30 P.M. He and Vice Chairman Hoehn led the Pledge of Allegiance. The meeting was held via videoconference.

2. POSTING OF THE AGENDA: Posted on April 15, 2021.

3. ROLL CALL:

Commissioners Present: Gerald Adams, Patricia Breslin, Paul Budilo, Todd Burke, Jeffrey Clarkson, Kevin J. Corcoran, Aftab Dada, David Feltman, Peter A. Freymuth, Ken Hedrick, Rolf Hoehn, Kathleen Hughes, Al G. Jones, Jill Philbrook, Jan Pye, Bill Riesen.

Commissioners Absent: Gabriel Martin, Jhan Schmitz, M. Guillermo Suero.

Staff Present: City Manager Justin Clifton, Airport Executive Director Ulises Aguirre, Director of Finance and Treasurer Nancy Pauley, Deputy Director of Aviation - Marketing and Air Service Development Daniel Meier, Airport Administration Manager Victoria Carpenter, Sustainability Manager Patrick Tallarico, Airport Executive Administrative Assistant Nadia Seery.

Others Present: Gary Orfield, Director of Tourism Development - GPSCVB

Public Attendance: Two.

4. ACCEPTANCE OF THE AGENDA:

ACTION: Accept the Agenda as presented. **Moved by Vice Chairman Hoehn, seconded by Commissioner Hedrick, and unanimously approved noting the absence of Commissioners Martin, Schmitz and Suero.**

5. PUBLIC COMMENTS: None.

6. APPROVAL OF MINUTES:

The minutes of the Regular Meeting held on March 17, 2021, were presented for approval. **Moved by Commissioner Freymuth and seconded by Commissioner Riesen.**

AYES: Adams, Breslin, Budilo, Clarkson, Corcoran, Dada, Feltman, Freymuth, Hedrick, Hoehn, Jones, Philbrook, Pye, Riesen.

NOES:

ABSENT: Martin, Schmitz, Suero.

ABSTAIN: Burke, Hughes.

7. CHAIRMAN COMMENTS

Chairman Jones presented his congratulations to reappointed Airport Commissioners Breslin, Clarkson and Hedrick, and welcomed the new City Manager, Mr. Justin Clifton.

Mr. Jones thanked Daniel Meier, Deputy Director of Marketing and Business Development for providing an air service update which Mr. Jones presented at a "Main Street" business meeting.

8. INTRODUCTIONS AND PRESENTATIONS:

Mr. Patrick Tallarico, Sustainability Manager, updated the Commission on the airport demonstration garden. He explained that the design is similar to that presented last December but will offer a more meandering central path. A platform will be installed in front of the garden to potentially display a public art piece. This was approved by the landscape subcommittee consisting of members of the Airport Commission and Sustainability Commission. Mr. Tallarico will reach out to the Public Arts Commission to assess their interest in placing and funding an art piece, with the understanding that the choice of artwork and its installation would follow strict parameters which would have to be further approved. If this does not materialize, the platform will house a guide of plants displayed in the garden.

Mr. Tallarico indicated that the irrigation lines in front of the garden are linked to the rest of the garden and desertscape is recommended for that area as well.

Signage for the plants will be hexagonal to mirror the shape of the main entrance to the airport. Smaller signs throughout the garden will be equipped with QR codes describing the plantings.

Construction documents are almost ready to be produced to go out to bid. Planting is scheduled to begin in the Fall of 2021.

9. CITY MANAGER REPORT:

City Manager Clifton expressed his pleasure at being in Palm Springs and looked forward to learning more about the operation of the airport, a new professional experience for him, and how to help maximize that asset.

With regard to the budget, Mr. Clifton commented that revenues are returning more to normal for hotel occupancy, tax collection, and airport enplanements. Staff will present to City Council the third quarter report which includes the restoration of approximately \$20M of General Funds revenues, and \$5M in measure J. How looking at next year's budget most sources of revenues are returning to the 2018-19 levels while others are expected to continue to improve throughout the fiscal year.

10. EXECUTIVE DIRECTOR REPORT

Airport Executive Director Aguirre pointed out a noticeable increase in traffic since the middle of March 2021, reaching the seventy percentile of March 2019, and up to 90% on certain days.

Regarding the Ticket Wing Project, Mr. Aguirre showed a video of the outbound baggage handling procedures implemented this winter while waiting for the completion of the construction of the north ticket wing. He explained how all bags were transported by carts to the south side of the terminal, screened, then funneled through a single exit point on a manual roller belt where ramp agents sorted and guided them onto secondary manual belts to be loaded onto carts, a labor intensive process. Mr. Aguirre wanted to acknowledge their efforts.

Mr. Aguirre then showed new progress on the south wing baggage belt system, with a completed section bringing bags from the south lobby into the building screening area as well as the manual search output belt, and the main overhead exit belt transporting bags to the three carousels.

10.A Air Service Update

Airport Deputy Director of Marketing & Air Service Development Meier presented the following updates:

Air Service: United and Delta have put Los Angeles on a summer hiatus. Alaska and United have reduced summer capacity by approximately 50% (compared to 2019) in great part due to a runway project in SFO reducing their capacity for the summer. However, Southwest's service to Oakland will help counter some of these summer reductions, with 60 monthly flights to the Bay Area.

Alaska interrupted the Portland service until September. Delta is increasing service to Salt Lake City this summer to three daily flights from two daily flights in 2019, and extended service to Seattle year-round.

The Denver service has been expanded to 5 daily flights with United and Southwest.

Southwest announced service to Las Vegas four times a week starting May 9, then daily from June onward.

WestJet currently operates Calgary, additional destinations still hinge on the vaccination rate in Canada.

Mr. Meier presented a comparison in number of available seats and the month of June 2021 is expected to be up 31% compared to June 2019.

With regard to advertising, Google click-through rates stand at 18%, an excellent return for our advertising compared to the industry average of 10.13% during COVID. The Desert Sun issued an email blast reaching 20,000 people in the Coachella Valley. Website traffic visits increased by 43% month over month. Billboards featuring “Fly non-stop to 27 destinations from Palm Springs” were modified to make “Palm Springs” more prominent. The summer ad campaign will be rolling out in the next few weeks advertising new local routes, and promoting “Fly PSP First” and “Start your summer vacation at PSP”.

The Marketing and Communications plan received thirteen proposals, six were selected to move to the interview process which were conducted this week. The winning proposer will be recommended to City Council on May 6, 2021.

Commissioner Hedrick expressed concern about the lack of service to Los Angeles this summer.

Mr. Meier confirmed that it would not affect PSP’s connectivity to destinations such as Hawaii.

Commissioner Feltman asked if Toronto would be considered as a long haul destination since we are offering service to the east coast.

Mr. Meier explained how Air Canada offers service to Toronto, did not return this year because of COVID but is expected to return in the Fall.

Chairman Jones asked if Commissioners Breslin and Burke who served on the Marketing and Communications Plan RFP subcommittee would like to share comments.

Commissioner Breslin, Chair of the Marketing Committee, commented that they had great applicants, that the airport is moving in an excellent direction. She congratulated Mr. Meier for his coverage.

Commissioner Burke expressed his surprise at the number and quality of the applicants. He commented that the subcommittee put a lot of work and thought into their questions and the last two days of interviewing were very exciting as applicants were greatly talented. He felt the RFP was a rigorous process and they are looking forward to the results.

10.B. Financial Summary March 2021.

Airport Administration Manager Carpenter presented the March 2021 Financial Summary.

Fund 405 – Customer Facility Charges (CFC) - Revenues stand at 53% of the projected budget of \$1.4M. Expenditures stand at \$68,472 or 1.67% of the \$4.1M budget.

Fund 410 – Passenger Facility Charges (PFC) - Revenues stand at 40.1% of the budgeted \$2.6M. There were no changes to expenditures this month.

Fund 415 – Airport Operations and Maintenance revenues stand at 61% of the budgeted \$25.5M. Landing fees increased \$250,000 since last month and stand at 99% of their budget. Leased airline space stands at 96% of the \$1.5M budget; on-airport car rentals revenues year to date stand at \$2.8M, or \$580,000 more than last month. Land rental fees stand at 82% of the \$1.25M budgeted. Leased parking increased by \$300,000 compared to last month. Expenditures for Fund 415 stand at 56.7% of the budgeted \$25.9M.

Fund 416 – Capital Projects and airport improvements. The airport is on track with \$13.3M in revenues, (a correction to the \$3.06M previously reported,) representing 86% of the budgeted \$15.5M amount. Expenditures stand at 20.3% of the \$60M budget.

For the period ending March 31, 2021, all four major accounts had a surplus as revenues exceeded expenditures. It is worth noting that Fund 415 expenses decreased by \$1.2M compared to prior year expenses for the same time period.

Cash flow for Fund 405 increased by \$175,000 compared to prior month, Fund 410 decreased by \$95,000 due to a timing issue in the collecting of PFCs, Fund 415 cash flow increased by \$1.6M and Fund 416 cash flow increased by \$1.4M.

11. DISCUSSION AND ACTION ITEMS:

11.A. Airport Budget for Fiscal Year 2021-22.

Airport Executive Director Aguirre explained how the budget is prepared by Airport Staff, is presented to the Airport Commission and Budget Committee (which met yesterday) then to the City Manager and finally to City Council. The airport must also share the information with the airlines prior to finalization. It is scheduled to be presented to City Council at their May 27 meeting. Changes may still occur until that date.

Vice Chairman Hoehn, who heads the Airport Budget Committee stated it was an excellent presentation and that the Committee had recommended it be presented to the full Commission for review and approval.

Mr. Aguirre presented a PowerPoint. The first slide included a passenger line graph from years 2012 to 2020, depicting a steady increase until COVID in 2020 caused the yearly passenger total to drop from 2.5M to 1.2M.

The next slide showed passenger traffic in FY2018-19, FY2019-20 and FY2020-21. Mr. Aguirre pointed out that neither last year nor this year followed the usual trend, last year the decrease came abruptly in March, this year an additional decrease due to COVID stay-at-home orders occurred in November.

The next slide showed passenger traffic for the current year, the last two years, and a forecast for FY2021-22 which is expected to be higher than FY2020-21 but still below FY2018-19 with traffic averaging 55% to 70% of 2019. This constitutes the forecast used for projected revenues for the next fiscal year.

Two more forecasts were elaborated, a best and a worst case scenario: In the worst case scenario 50.3% of 2019 passenger figures were used, and in the best case scenario 79.6%. The median, or Forecast, used an average of 71% of 2019.

The next slide depicted for each scenario the total passengers, the corresponding estimated revenues, federal grants and total combined revenue. Mr. Aguirre presented the proposed FY2021-22 expenses. Scenario F (Forecast) estimated revenues include drawing \$5M from the COVID relief grant.

Mr. Aguirre then presented the budget documents which were provided to the Commission.

Expected revenue for FY2021-22 based on scenario F (Forecast) is \$22.5M. Expected expenditures stand at \$24.2M. PERS set-aside of \$750,000 established a couple of years ago are included. Capital expenditures curtailed in 2020 must be increased in FY2021-22 to \$2.1M for work needed on the facilities. This will result in a deficit of

\$5.4M. including 900K for additional staffing pending approval by City Council on April 22.

Mr. Aguirre explained how additional staffing this year consists of three Industrial Technicians required to maintain the new baggage handling system which is scheduled to become operational on May 14. Fiscal impact will be felt next year. Next year's hiring will include an additional Maintenance Supervisor and a Maintenance Superintendent freeing the Deputy Director of Maintenance and Operations of certain tasks. This will add a supervisor on the swing shift to oversee technical operations and custodial staff, and will offer better coverage seven days a week. The additional technical staff will take on maintenance duties with the BHS as well as the new passenger boarding bridges.

Mr. Aguirre explained that the airport proposes to access CARES grant for \$5M. The projected fund balance will stand at \$7,491,720 similar to the balance at the beginning of FY2019-20.

Commissioner Feltman inquired about the use of the balance of the funds after \$5M are used, since the availability of CARES funds has a four-year time limit.

Executive Director Aguirre explained that at the end of next fiscal year the airport may have a CARES fund balance of \$15M, and at present, no programming for these funds has been determined until revenues return to a level where they can cover expenses. How it is prudent to keep these funds to cover any shortfall, then discussion can be had with the City Manager about their best utilization within the parameters established by the grant.

Mr. Aguirre pointed out the balances in airport funds, Fund 405 CFCs: \$26.9M, Fund 410 PFC: \$4.2M to be used to pay down debt on the bonds issued in 2019, Fund 416: \$2.1M.

Mr. Aguirre detailed the special capital projects. AIP grant funds allowed and covered in their entirety the replacement of eight passenger boarding bridges in the Bono concourse (\$7.4M), a project which will start in June, and the purchase of a runway sweeper (\$700,000). Two ARFF trucks (\$1.6M) will be delivered this summer and their cost will follow the 90/10 split between grant money and airport share.

Vice Chairman Hoehn commented that the Budget Committee was impressed by the work that went into the budget proposal, its presentation and professional delivery. He brought up the Committee question about the line item for Airport Marketing.

Mr. Aguirre commented that the Airport Marketing budget for the current fiscal year stands at \$100,000. The proposed budget for FY2021-22, pending receipt of the marketing plan and discussions with the new City Manager, has been set at \$600,000.

Chairman Jones congratulated the Executive Director and staff on the best budget presentation he can recall. He found it incredibly thorough in a very difficult time.

Vice Chairman Hoehn added that the Executive Director had asked the Committee if the airport was right by taking the conservative route (Scenario F) and not the worst case scenario for the upcoming fiscal year.

The Airport Commission concurred.

ACTION: Approve FY2021-22 budget based on scenario F. **Moved by Commissioner Freymuth, seconded by Commissioner Hedrick and unanimously approved noting the absence of Commissioners Martin, Schmitz and Suero.**

12. COMMISSIONERS REQUESTS AND REPORTS:

Commissioner Clarkson shared a summary of the Noise Committee meeting held prior to the Airport Commission meeting, as it is every three months. The committee discussed the airport website, agreed to add a search function in the main header, a mention of the Noise Committee's existence and meeting times, and moving the noise page to a more prominent location.

Commissioner Feltman asked if the Commission could be updated at a future meeting about the creation of a travelers lounge at the airport and review possibilities and obstacles.

Chairman Jones asked for minutes of previous meetings where the lounge was discussed, reminded the Commission that it had been turned down at the time, but proposed to agendaize it.

Commissioner Feltman commented that as he traveled through the terminal last Monday at 5 A.M., he found the inventory to be less than robust, and asked if the airport provides monitoring. He suggested that customer satisfaction surveys be conducted at different hours of the day, since concessions have changed hands six months ago.

Chairman Jones indicated that the concessions may suddenly have had more traffic than anticipated.

Commissioner Corcoran informed the Commission of the State of Hawaii strict travel requirements which include COVID testing from approved facilities within seventy-two hours of landing in Hawaii. He recommended travelers study the State of Hawaii website for all details. Covid Clinic at the Palm Springs airport is not an approved testing facility for the State of Hawaii.

Commissioner Budilo reported a concern expressed by the City Manager of Indian Wells whose traveling party found dirty female restrooms at the airport during a recent trip.

Executive Director Aguirre reported that an individual is designated to each terminal restrooms with multiple stops required. How female bathrooms get untidy at peak times for lack of female custodians, and cannot be closed to users to be serviced by male custodians, but this will be investigated if more details can be furnished.

13. REPORT OF CITY COUNCIL ACTIONS:

Included in the packet.

14. CORRESPONDENCE: None.

15. RECEIVE AND FILE:

- 15.A Airline Activity Report March 2021
- 15.B Airlines Schedules April 2021.

16. ADJOURNMENT:

ACTION: Motion to adjourn. **Moved by Commissioner Corcoran, seconded by Commissioner Hughes and approved unanimously noting the absence of Commissioners Martin, Schmitz and Suero.**

The Airport Commission adjourned at 6:59 P.M. to May 19, 2021, at 5:30 P.M. via videoconference.

Nadia P. Seery
Executive Administrative Assistant