



AIRPORT COMMISSION

ACTION SUMMARY MINUTES OF SPECIAL MEETING

Tuesday, September 27, 2022 – 12:30 P.M.

1. CALL TO ORDER:

Chairman Dada called the Airport Commission Meeting to order at 12:30 P.M., and he led the Pledge of Allegiance. The meeting was held in the City Hall Council Chambers and via videoconference.

2. POSTING OF THE AGENDA: Posted on September 22, 2022.

3. ROLL CALL:

Commissioners Present:

Patricia Breslin (Palm Springs)	Scott G. Miller (Palm Springs)
Paul Budilo (Indian Wells)	John Payne (Palm Springs)
Todd Burke (Palm Springs)	Jan Pye (Desert Hot Springs)
Kevin Corcoran (Palm Springs) – Vice Chair	Jhan Schmitz (Indio) *
Aftab Dada (Palm Springs) - Chair	M. Guillermo Suero (Palm Springs)
David Feltman (Palm Springs)	Thomas Weil (Rancho Mirage)
Ken Hedrick (Palm Springs)	Kevin Wiseman (Palm Desert)
Kathleen Hughes (La Quinta)	

Commissioners Absent: Gabriel Martin (Coachella)

Staff Present:

Teresa Gallavan, Interim City Manager
Harry Barrett, Jr., Airport Executive Director
Daniel Meier, Deputy Director of Aviation, Marketing and Air Service
Victoria Carpenter, Airport Administration Manager
Ramon Sanchez, Interim Operations Manager
Christina Brown, Executive Administrative Assistant
Jeffrey Ballinger, City Attorney

4. ACCEPTANCE OF THE AGENDA:

ACTION: Accept the Agenda as presented. **Moved by Commissioner Burke, seconded Commissioner Hedrick and unanimously approved noting the absence of Commissioner Martin.**

5. PUBLIC COMMENTS: None

6. INTRODUCTIONS AND PRESENTATIONS:

6.A Overview of Objectives and Agenda

Vice Chairman Corcoran said that the objective was to understand the status of the airport, the airport's operational issues and constraints, and the passenger projections through 2042. He said that the Airport Commission would be discussing priorities, and the Commissioners would be completing a prioritization exercise which would help the Commission inform funding requests and goals for the long-term plan. Vice Chairman Corcoran explained that the Commission would be looking at a 5, 10, and 20-year window for the investments, and he said that once the Commission understands the investments, the Commission would take a step back to go through an exercise to get a sense of the priorities that the Commission has relative to some of the proposed long-term plans. He said that the Commission would receive the pieces that are needed to make sure that Commission understands the long-term planning process, what will happen after the meeting with the consultants that are bidding to participate in helping to develop the long-term plan for the Commission, the airport and the city, and the timing of those steps. Vice Chairman Corcoran said that if time were to permit, the Commission could discuss some of the current budget surpluses and short-term priorities, and he said that towards the middle of the meeting, Interim City Manager Gallavan would be discussing the role of the Commissioners moving forward.

Vice Chairman Corcoran said that the Commission would be looking at a forecast of the future to see what the opportunities are that face the City and the airport moving forward which Airport Executive Director Barrett and Commissioner Hedrick would be providing a presentation for that agenda topic, he said that Interim City Manager Gallavan would be speaking to the Commission about the role of the Commission and that she would be picking up from the discussion that was held at the September 21st Airport Commission meeting. Vice Chairman Corcoran explained that it had been decided to organize the meeting in three different buckets to discuss the 5, 10, and 20-year investments, and he said that after each of the presentations, the Commissioners would be asked to make notes on each set of the project spreadsheets to prioritize the projects that they believe should be prioritized based on what has been learned about that particular segment of the proposed investments which would be turned in and the airport staff would tabulate the results. He said that there would be time for final thoughts and a summary, and the next steps would go back to Airport Executive Director Barrett.

Vice Chairman Corcoran reviewed the rules of engagement for the meeting, and he said that he thought that it was important for the Commission to be fully present for the meeting. He said that he would be keeping a "parking lot" list of issues that may not be within the scope of the meeting and that those issues would be addressed a future Airport Commission meeting.

6.B Forecast for the Future

Airport Executive Director Barrett said that the meeting would be to level set with a common understanding of where Palm Springs International Airport (PSP) has been and where the airport intends to go from the perspective of the airport executive team and then the discussion would roll into what the Commissioners anticipate and expect from the airport staff. He said that the airport is a gateway for leisure, hospitality, and recreation which would be up for discussion at the meeting and that the definition could change. Mr. Barrett reviewed the airport's competition, and he said that historically the airport has not had a strategic plan.

Mr. Barrett provided an overview of the facility, he pointed out that there is an industrial area to the south that needs to be considered when planning at the airport level, and to the north, east, and west there are residential areas. He said that on airport, there are public parking facilities, two runways, two fixed-based operators that provision the fuel for the airlines, as well as for corporate and general aviation traffic, a customs facility, and a host of other activities.

Mr. Barrett said that the airport is a CFR 14 Part 139 Certificated Airport which means that the airport can accommodate scheduled commercial traffic, the airport is subject to a multitude of restrictions and provisions that are specific to commercial airports, and he said that PSP is a small hub airport that is trending in the medium hub direction. Mr. Barrett said that PSP has a landlord-tenant relationship with many of the businesses that operate at the airport, he said that PSP has 13 airlines, three rental car companies, one master concessionaire, two fixed-based operators, a partnership with Customs and Border Patrol that is specific to general aviation, and the Air Museum. Mr. Barrett provided an overview of how PSP is regulated, and he said that PSP has 39 assurances that cover every aspect of the airport operations and that assurances have a legal basis which translates to policy applications through advisory circulars, and he explained that airports have their own formal legal process for resolving compliance issues.

Mr. Barrett explained that the airport is funded by the following: a) Land and building leases; b) Fees on aircraft operations which include landing fees, fuel flowage fees, and gate parking; c) Fees to passengers which include passenger facility charges (PFC) and customer facility charges (CFC); d) Public parking and other non-aeronautical revenues; e) Concessions and retail sales; and f) Airport and Airway Trust Fund (AIP Grants) and other grants. Commissioner Miller said that it was important to remind the Commission that PSP also has airport bonds which funded a large amount of the airport operations, the bonds have certain restrictions and covenants that the airport is required to follow, and the City and the taxpayers are responsible for the bonds. Commissioner Hedrick said that he disagreed with Commissioner Miller in regard to the City and the taxpayers being responsible for the bonds because he believed that the covenant states that the city nor the taxpayers are responsible and that the bonds are self-supporting. Vice Chairman Corcoran said

that he would add a note to the “parking lot” list so that the Commission could get further clarification on this matter.

Mr. Barrett explained that PSP has been subject to the same residual use agreement structure for several decades, and he said that FAA policies and the local agreement form how the airport can budget and use funds. He said that PSP’s residual use agreement is structured for the signatory airlines to completely fund the costs of operating the airport for the life of their lease, and this is whether they are operating or not operating. Mr. Barrett said that the airport staff meets annually with the airlines to jointly determine the budget for the year, the airlines approve the budget, the airlines have significant control and influence over the airport’s capital programs, and all non-aeronautical revenues are remitted to the airlines at the end of the fiscal year. He also explained that the airlines have a majority in interest clause and that for projects that exceed the threshold of \$300,000, the airlines can vote to approve or veto those projects. Mr. Barrett said that the non-signatory airlines operate on a month-to-month agreement, they do not have a long-term commitment, and their revenues help pay down the signatory airlines. Commissioner Payne inquired about the number of signatory and non-signatory airlines. Mr. Barrett said that PSP has seven signatory airlines and six non-signatory airlines.

Mr. Barrett provided an overview of PSP’s constraints which included: a) Undersized facility; b) Outdated and highly unfavorable revenue/use agreements; c) Skeleton organization with detached control of personnel; d) Staff development/morale; e) Lack of innovation; f) Delayed maintenance and infrastructure deficit; g) Lack of close partnerships with key interested partners; and h) Inefficient processes for enterprise fund.

Mr. Barrett reviewed the current organizational structure for PSP, and he noted that the Assistant Airport Director position was vacant and that the position was currently in the interview process. He said that there are five managers and/or directors that report to him, and the managers and/or directors have their own line of business that they oversee. Mr. Barrett explained that the airport has other city departments that either participate or influence how the airport operates. Those departments include IT, Engineering, Facility Maintenance, Police, and Fire, and Mr. Barrett said that the airport does pay for these additional services.

Commissioner Feltman inquired about additional vacant positions. Mr. Barrett said that the Maintenance Superintendent position, several Operations and Maintenance positions, and the positions that were added in this fiscal year’s budget were additional vacant positions. Commissioner Feltman asked for a data chart to show what positions are filled and what positions are vacant. Commissioner Payne asked for the data on the number of current full-time employees and the number of employees that are to be hired. Mr. Barrett said that he would need to come back to the Commission with that data, and Vice Chairman Corcoran said that he had added the request to the “parking lot” list. Commissioner Payne asked Mr. Barrett if he felt that the airport was competitive from a salary basis with the industry and Palm Springs. Mr. Barrett said

that it depended on the position, he said that he has been in discussions with Human Resources to work on increasing the salaries that are not competitive, and he said that he believed that the discussions were moving in the right direction. Commissioner Payne requested that Vice Chairman Corcoran add salary challenges to the “parking lot” list.

Mr. Barrett reviewed the major functions of the airport which included: a) Capital Development – Design and build a great airport and plan land use; b) Security/Emergency Response – Ensure the security of the air transportation system; c) Inspection, Compliance & Operations – Inspect airport to ensure safety and keep the airport running; d) Facility Management – Fix anything that is broken and provide preventative maintenance; e) Food & Beverage – Enhance the passenger experience with food and retail options; f) Marketing – Develop the PSP brand, air service development, and community engagement; and g) Legislative Affairs – Partner with the U.S. government, community, and industry to improve the aviation system.

Mr. Barrett reviewed what the airport staff believed to be the executive pre-pandemic approach that was followed from 2009 to 2019. He said that there had been high growth focus, and a low focus on future planning, capital projects were planned and executed only within the current facility footprint, and there was external control over airport matters which included marketing efforts, air service development, and project management.

Mr. Barrett reviewed the executive post-pandemic approach for 2020 to present. He said that growth was based on the community’s feedback and needs, there was a high focus on future planning which included capacity and market expansion, sustainability, financial independence, customer experience and innovation, alignment with local and regional strategic goals, and high engagement with community, industry, and legislative partners. Mr. Barrett said that the executive staff recognizes that the airport is 15 years behind where it should be.

Mr. Barrett provided an overview of the emerging industry issues that included the following: a) Real ID roll out and biometrics; b) 5G impact on aircraft; c) Pilot shortages; d) PFAS liability; e) Urban Air Mobility; f) Sustainable/Alternative fuels; g) Cybersecurity; h) 2035 Zero Emissions; i) Safety management system policy; and j) Part 163 Land Use Policy.

Mr. Barrett reviewed the opportunities that the airport staff had identified for PSP which included a large amount of undeveloped land, front line knowledge to grow the organization, a strong market for passenger and airline growth, strong advocates within the community, continuous financial stability, an innovative and sustainable drive for infrastructure, year-round service opportunities, and finding ways to connect intermodal transportation to the rest of the region.

Mr. Barrett said that the executive vision is to harness innovation, to increase the partnership with the community, to be an industry leading airport that is globally

known, to be sustainable and emissions free, to harness new aviation technology, to have a regional airport with a strong governance, to focus on hospitality and customer experience, to be a robust economic engine and to create good jobs, to be diverse and inclusive, and to maintain the uniqueness of Palm Springs.

Mr. Barrett presented a diagram for a 1-Year Tactical Plan, he reviewed the short-term plan for converting the overflow parking lot to a permanent economy parking lot that would require some design and construction, converting a section of land that is to the west and across from El Cielo to an employee parking lot to eliminate employee parking from the airport campus, converting parking lot A to a commercial lot for taxis and TNC operators, and the roadway would be converted to have separate lanes for departures and arrivals to alleviate congestion on the roadways in front of the terminal. Mr. Barrett said that additional EV charging stations and ADA parking spaces would also be included in the plans. Mr. Barrett noted that the Common Use project was currently in construction which would allow the airport to park any airline or any aircraft at almost any gate at the airport.

Commissioner Payne asked if the timeframe for the 1-Year Tactical Plan was for fiscal year 2023 or 2024. Mr. Barrett said that the timeframe was for fiscal year 2023. Commissioner Miller referred to the commercial lot, and he asked if the lot would be leased to the current parking vendor to control or would it be controlled by airport staff. Mr. Barrett said that staff was currently weighing each of the options, and he said that part of the challenge of bringing on permanent airport staff would be that the airlines would have to be convinced to pay for the staff, and management of the additional staff would have to be coordinated.

Mr. Barrett presented a diagram for a 2-Year Tactical Plan, he referred to the challenges with baggage claim and the outbound baggage handling system (BHS), he said that staff has been working with the FAA, TSA, and the airlines to identify the challenges and the impacts of the challenges and on plans to find solutions to manage these challenges. Mr. Barrett said that the airport staff has been meeting with the FAA and TSA to discuss funding options. Mr. Barrett reviewed a plan to expand the terminal to accommodate the amount of traffic that is coming through the facility, and he said that staff was currently planning for the design and construction process. Mr. Barrett said that staff had determined that the airport needed more runway overnight parking (RON) for aircraft, and he referred to a section of the airfield that could accommodate two to three spaces for overnight aircraft parking which would allow for the aircraft to be used for morning departures. Mr. Barrett identified a location on the south side of the diagram as the location that would most likely be where the consolidated rental car facility (CONRAC) would be located, and he said that in theory, there would be shuttle bus operations for the CONRAC and that staff would also be looking into other mechanisms for getting passengers to the remote lots and the CONRAC which could include some kind of conveyance from the terminals and to those areas.

Mr. Barrett presented the 3-Year Strategic Transition Possible Outcomes, and he referred to four locations that had been identified as potential locations for building or

constructing operational infrastructure which could include a cargo facility, a Federal Inspection Station (FIS) for customs and immigration, concourse expansion or a potential new terminal, alternate CONRAC location, landside conveyances, and a solar farm or sustainable energy generation site.

Commissioner Payne inquired about the timelines for the 2-Year Tactical Plan and the 3-Year Strategic Transition. Mr. Barrett said that the 2-Year Tactical Plan would be completed in the beginning of fiscal year 2025, and the 3-Year Strategic Transition would begin at the start of fiscal year 2026. Commissioner Adams referred to the original design of the airport, and he said that each wing of the airport was meant to be expanded outward and that the space was allotted from the design of the runway to the design of the streets, and he asked if there had been any thought to keeping that original design. Mr. Barrett said that there has been some thought about keeping the original design to preserve the original design, and he said that the challenge would be staying in line with the current regulatory environment, specifically the TSA and FAA operating environment. Commissioner Adams asked if the USO building was still an option for the expansion. Mr. Barrett confirmed that the USO building was still an option for the expansion.

Commissioner Feltman asked if there was any other land that was owned by the tribes in the immediate perimeter or beyond the immediate perimeter of the airport that could be available for purchase. Airport Administration Manager Carpenter said that there was a large parcel of property that is northeast of the airfield that is owned by the Bureau of Indian Affairs. Commissioner Miller asked if there had been any discussions about enacting eminent domain on any of the parcels that could be needed for airport uses. Mr. Barrett said that at this time, the airport staff believes that everything that needs to be done can be done on the land that is currently available to the airport.

Mr. Barrett presented a 2030 Future Organizational Structure to demonstrate how the executive staff see's the organization moving forward, and he said that the idea was to create a structure that is sustainable to the airport and that will also facilitate what staff is trying to do to facilitate what is needed for short and medium-term projects. He noted that the structure includes promoting and adding Deputy Directors to run each individual line of business. Commissioner Miller asked if the organizational chart reflects upon depending less on city staff in terms of certain services or activities. Mr. Barrett confirmed that the organizational chart does reflect on depending less on city staff in terms of certain services or activities. Commissioner Payne asked Interim City Manager Gallavan if she supported that airport building its own staff. Ms. Gallavan said that the City does want to make sure that there is the staffing that is needed to run a competitive international renowned airport, and she said that there is support for having staff in the right place to run city operations. Vice Chairman Corcoran said that he believed that the assumption for the long-term process was that the airport be fully staffed so that the airport is almost self-contained, he said that it would be one of the goals that the Commission would ask for in the objectives of the long-term plan, and he said that he thought that Mr. Barrett's presentation provided a snapshot of what the organizational structure could look like. Ms. Gallavan added that sometimes there is

efficiency when there are two departments that are doing some of the same things and that the City doesn't want to become siloed or for it to be difficult for the departments to support one another.

Commissioner Payne asked if staff thought it would be necessary to research the airport's competitors to understand who PSP's customers are today and to know what needs to be put in place to bring more customers of different segments in over the next planning periods. Mr. Barrett said that airport staff had already done some of the research and that there will always be research that will need to be done, and he said that Deputy Director of Aviation, Marketing and Air Service Meier could speak more to the research that has been done. Vice Chairman Corcoran said that Commissioner Hedrick would be providing more information on that subject matter.

Commissioner Payne asked Mr. Barrett if he wanted to move the airport from a landlord model to an operator model. Mr. Barrett said that it was not within the airport's goals. Commissioner Payne asked Mr. Barrett to explain the difference between the current residual use agreement and a compensatory use agreement, and if he could speak to which use agreement he feels the airport should pursue for the future. Mr. Barrett said that he had defined the residual use agreement in his presentation, and he said that under a full compensatory use agreement, the airport would set the rates and charges for the airlines, and the airport would retain all revenues. He explained that there was also a hybrid use agreement and that in theory, the airlines would pay for the usage of the airfield which would cover the operating costs of the airfield, the airport would assume the risk of running the terminal and parking areas, and the airlines and the airport would enter into a profit-sharing structure. Mr. Barrett said that the executive team was leaning towards the hybrid use agreement. Commissioner Payne asked if the \$10 million in car rental revenue would have to go back to the airlines. Mr. Barrett said that the airport staff has been discussing that matter with the airlines to see if there could be a way to apply the revenue to future capital.

Commissioner Hedrick presented the PSP trade area, he said that PSP was more than Palm Springs, and he noted that the 2019 official statement states that PSP provides service to Riverside County and San Bernardino County. Commissioner Hedrick presented the 2022 and 2042 population projections for Riverside County and San Bernardino County. He said that both counties are growing faster than the broader Southern California which was due to job growth, lower housing prices, and net migration. Commissioner Hedrick said that Riverside's growth was in leisure services, professional business services, education, healthcare, and retail trade, and San Bernardino's growth was in leisure services, transportation, warehousing, manufacturing, healthcare, and education.

Commissioner Hedrick provided a list of the major employers in the air trade area, and an overview of PSP's customer base which included the hotel and leisure industry, Twentynine Palms Marine Base, residents from Banning to the Salton Sea and north to 29 Palms and Joshua Tree National Park, the healthcare and education sector, the growing remote workforce sector, government, and other business, manufacturing

and warehousing. Commissioner Payne asked Chairman Dada if he had a sense of where hotel rooms were trending, and if he thought that the trending of the hotels would be a good metric in regard to tracking what PSP should be doing. Chairman Dada said that there wouldn't be that much growth over the next five years.

Commissioner Hedrick reviewed four airport issues: 1) The main terminal is landmarked and designated as a historic site; 2) The Airport is landlocked and all future improvements, with minor exceptions, would have to be constructed within the current boundaries; 3) PSP is growing faster in passenger traffic than what was anticipated in the update approved by the City Council 2015 Master Plan and in the Feasibility Update for the 2019 bonds; and 4) PSP has not completed several projects called for in the 2015 Master Plan which included the expansion of the baggage claim, a new CONRAC, and other landside improvements.

Commissioner Hedrick provided an overview of risks that should be considered which included: a) Climate change; b) Economic and political concerns; c) Cost of aviation fuels; d) Cyber security; e) Structural changes in the travel market; f) Security requirements for air travel; g) Financial condition of the airline industry; and h) Federal government support of major infrastructure projects.

Commissioner Hedrick presented the total passengers report for 2018 to August 2022 and the forecasted total annual passengers to 2042 which projected that PSP would be at approximately 5.12 million passengers in 2042 which had been calculated by an approximate year-to-year average growth of 2.8%. Commissioner Miller asked Commissioner Hedrick if he had any thoughts on how a full recession could affect the airport if it were to happen within the next year. Commissioner Hedrick said that the airport had been through the recession in 1999, 2008, and the pandemic and that the airports outcome was dependent on the long-term growth. Commissioner Payne requested a "parking lot" item be listed for staff to provide the passenger totals for the previous 10-year forecast. Commissioner Miller voiced his concern in regard to what would happen if there were to be a recession, and he asked if staff was preparing for what could happen if some of the projects were to be put on hold. Mr. Barrett said that staff has taken a recession into consideration, he said that several of the short-term plans were operational plans that could be implemented at very little cost, and he said that staff was cognizant of the capital component and that the plans that exist today are meant to be backed out of if needed.

Commissioner Feltman requested that a "parking lot" item be added to see how the Commission could engage with the elected officials that are on the hook for advocating for the airport within the federal bureaucracy.

6.C Role of the Airport Commission

Interim City Manager Gallavan thanked the Commissioners for their service, and she encouraged the Commissioners to reach out to Airport Executive Director Barrett when they have questions about areas that are nuanced in the process. Ms. Gallavan

said that it is important for the Commission to follow the Brown Act, and she said that it is always better to consult with Mr. Barrett in advance if there are concerns about violating the Brown Act. Ms. Gallavan said that the long-term growth of the airport is very critical and that she appreciated all that the Commission was doing to provide their input, and she said that the City was trying very hard to try to align the City Council and Commission goals.

Commissioner Payne inquired about the Commission's oversight responsibility when it comes to the airport. Ms. Gallavan said that the Commission's oversight responsibility was to provide recommendations and feedback to the City Council to help guide the direction of the airport and the airport operations. Commissioner Payne inquired about what items should and shouldn't go through the Commission before it goes to the City Council. Ms. Gallavan said that typically the Commission would be looking at the strategic planning and capital type operations and that day-to-day operations and personnel do not go through an advisory group, and she said that staff should be making sure that the items that are going to the Commission are aligned with the City Council priorities.

Commissioner Payne said that he believed that there had been a liaison from the City Council, and he asked Ms. Gallavan if she supported having a City Council liaison for the Commission. Ms. Gallavan said that the question would need to be presented to the City Council. Chairman Dada said that he believed that Councilmember Kors was the Commission's liaison. Commissioner Payne asked if Chairman Dada recalled the last Commission meeting that Councilmember Kors attended. Chairman Dada said that he believed that Councilmember Kors had never attended a Commission meeting, and he said that former City Manager Ready had been the previous liaison and that he had tried to attend every Commission meeting. Commissioner Payne said that it would be beneficial to have a liaison that participated actively with the Commission.

Commissioner Feltman referred to the dynamics of the upcoming changes to the City Council, he said that he believed that the previous City Manager had no interest in seeing the Commission fully function, and as a result, there was a gap of attention and interest towards the Commission, and he said that he believed that things would change in some way with the changes to the City Council. Chairman Dada said that he was hopeful that a new active liaison would be assigned to the Commission. Ms. Gallavan said that the City was working to align each of the Commission's goals with the City Council's goals, she said that some of the changes that had been discussed may roll out in the year ahead, and she said that City staff would share the Commission's recommendations with the new City Council when they have their priority setting sessions.

Commissioner Miller referred to the City Council and Commission dinner, he said that the City Council had asked the Commissions to provide their feedback on a list of topics, and he asked how the Commission should provide their feedback to the City Council. Ms. Gallavan said that the feedback should come from the Commission as a whole and that the airport staff could help facilitate the process. Commissioner Miller

noted that he has had experience with other City Councils and Commissions that met annual which allowed there to be great communication between the two groups. Ms. Gallavan said that an annual meeting with the City Council and the Commissions has been discussed and that the City Council and Commission dinner was the first step.

Commissioner Payne voiced his concern in regard to issues being deferred down the road waiting for something to happen, and he encouraged Ms. Gallavan to ask the current City Councilmembers if they would be willing to volunteer as the Commission liaison. Commissioner Budilo inquired about the possibility of having the City Manager fill the role as liaison. Ms. Gallavan said that she believed that there could be an opportunity for the City Manager, the Airport Executive Director or staff to be the liaison to the Commission which would be an appropriate role.

Airport Administration Manager Carpenter reviewed the following four airport funds: 1) Customer Facility Charge (CFC), Fund 405; 2) Passenger Facility Charge (PFC), Fund 410; 3) Airport Operations & Maintenance, Fund 415 which includes aeronautical and non-aeronautical; and 4) Special Capital Projects, Fund 416 which includes airport projects, airport grant contributions, and Federal relief.

Ms. Carpenter also reviewed the following grant funds: 1) Airport Improvement Program (AIP) which includes entitlement funds of \$4.1 million, and a discretionary fund that is competitive; and 2) Bipartisan Infrastructure Law (BIL) which includes entitlement funds of \$5.1 million, discretionary funds that are competitive, and Airport Terminal Program (ATP) which is competitive bid only.

Commissioner Miller asked who sets the upper limit for the PFC, and how does it get changed. Ms. Carpenter said that the PFC rate is set by a California legislative statute. Commissioner Payne asked how much of the \$33 million operating budget for FY23 would be used to fund the five city services that were added to the current organizational chart. Ms. Carpenter said that she could provide the information after the Commission took their break. Commissioner Payne referred to the \$12 million budgeted for capital expenses, and he asked if the \$12 million would be depleted if the total number of projects were to be completed. Ms. Carpenter confirmed that the funds would be depleted if the total number of projects were completed.

Ms. Carpenter provided an overview of the 2021 actuals, 2022 unaudited actuals, FY22 budget, and the FY23 adopted budget. Commissioner Payne asked to add a "parking lot" item to discuss the historical growth of non-aeronautical revenue. Ms. Carpenter noted that aeronautical revenues were 20% of the budget and non-aeronautical revenues were 80% of the budget, and she said that she could provide more detail at a future Commission meeting. Airport Executive Director Barrett said that non-aeronautical revenue would be important for the airport moving forward, and he said that there could be opportunities for revenue to be created from the airport's undeveloped land.

Commissioner Miller noted that Mr. Barrett had referred to PSP as a small hub airport, and he inquired about the criteria that differentiates a small hub from a medium hub airport. Mr. Barrett said that each year the FAA compares the proportion of the annual enplanements for all airports across the nation to determine the size of the hub. Commissioner Miller inquired about the possibility of PSP receiving a medium hub designation. Mr. Barrett said that his best guess was that it would be another two and half to three years for PSP to possibly receive a medium hub designation. Commissioner Miller asked if staff had considered which use agreement option would best meet the needs of the airport in regard to revenue. Mr. Barrett confirmed that staff had considered the revenue aspect of each of the use agreement options. Commissioner Miller asked if this matter would be discussed with the Commission in this meeting. Mr. Barrett said that the use agreement options would not be discussed in this meeting because of the ongoing negotiations with the airlines, he said that it has always been the airports intent to move to a hybrid use agreement which would allow the airport to be more flexible with the capital program and the operating budget.

Commissioner Payne asked if the airport staff was choosing the hybrid use agreement over a straight compensatory use agreement because it was the middle ground use agreement for the airport and airlines. Mr. Barrett said that the hybrid use agreement allows for the best chance of a working partnership. Commissioner Miller inquired about the term of the use agreement. Mr. Barrett said that it wasn't uncommon for the use agreement term to be for 10 years, and he said that typically the airport staff tries to keep the term between five to seven years.

Ms. Carpenter reviewed the timeline for the budget process. Commissioner Payne inquired about the issues that the airlines typically have with the budget. Ms. Carpenter said that the airlines typically have issues with the capital projects budget. Commissioner Payne asked for an example of an issue that the airlines had with the budget. Ms. Carpenter said that the airlines hadn't had any issues with the budget since she has been with the airport and that the only issue that she was aware of was an issue that occurred before she joined the airport staff which involved a landscaping project that the airlines rejected. She said that the airlines want to have control over capital projects. Commissioner Payne asked if it was fair to say that the airlines have all of the leverage when it comes to the current use agreement. Mr. Barrett said that the airlines do have a significant amount of leverage.

Commissioner Miller referred to the challenges that were ongoing with the City's financial software, and he asked if the airport staff had considered taking on more of the financial roles that the city staff facilitates so that the airport could be more independent. Mr. Barrett referred to Interim City Manager Gallavan's comment that was in regard to there being efficiencies in sharing resources to the degree that the airport is backed up by the Finance Department and that it is helpful for the airport to have that support, he said that staff also recognized that there are things that the airport staff could internally process to facilitate the Finance Department's work, and he said that he was looking into adding staff to help Ms. Carpenter with the budgeting and accounting. Commissioner Miller encouraged the airport staff to work with the

Finance Department to take on as much as possible. Chairman Dada said that he would put in a request to have Finance Director Pauley attend the next Commission meeting. Commissioner Payne asked if the airport has the funds to hire a consultant. Mr. Barrett confirmed that the airport does have the funds to hire a consultant.

Chairman Dada noted that during the meeting break he had spoken to Ms. Pauley and that she had confirmed that she would be attending the next Commission meeting and that she would be working with Ms. Carpenter to assist and facilitate staff with providing the financial reports that the Commission has requested. Ms. Carpenter reviewed the results of the survey that had been sent to the Commissioners. Vice Chairman Corcoran asked Ms. Carpenter if there were any big surprises that were noted from the results of the survey. Ms. Carpenter said that there weren't any big surprises to report.

6.D 2022-2027 Investment Options

Commissioner Payne asked if the projects listed for 2022-2027 were already in progress. Airport Executive Barrett explained that each of the projects were in some phase of planning or work.

Interim Operations Manager Sanchez reviewed the 2022-2027 Airside Investment Options and the phases for each project. Commissioner Payne referred to runway overnight parking (RON), and he asked if the airport was losing revenue because there wasn't enough parking availability. Mr. Sanchez said that the airport was not losing revenue, and he said that as the airport gets close to saturation for RON, the airport staff is working to be prepared for when additional RON is needed because it is an inevitability.

Commissioner Payne asked for clarification on the Hot Spot Study. Mr. Sanchez said that a Hot Spot Study is done to identify any area of the airfield as it pertains to the ramps, taxiways, and runways that could mitigate any potential accidents from aircraft that are taxing, landing, or departing, and he said that staff was continuously looking to improve pilot confusion and to generally avoid any accidents. Mr. Barrett explained that a hotspot is where the geometry of the airfield in anyway does not conform to the safety standards that the FAA has prescribed.

Vice Chairman Corcoran asked if the whole airfield would be repaved in the next five years. Mr. Sanchez said that 50% of the airfield would be repaved in the next five years and that it would be the portion of the airfield that is primarily used by the commercial airlines. Commissioner Adams asked if there were any concepts, conceptualizations, or ideas to utilize additional space for both RON's and remote boarding for high demand times of the year. Mr. Barrett said that the airport has an AIP request for six zero emission buses which could be used for landside parking and shuttling passengers from the airfield. Commissioner Wiseman asked what the repercussions would be if PSP had to turn away an aircraft from overnight parking. Mr. Sanchez said that revenue loss would be a repercussion, he said that PSP is

required by the FAA to make provisions for RON, and staff is working to make sure that the airport has sufficient space available. Mr. Barrett explained that there are very few situations that the airport would be allowed to turn away an aircraft or airline from using the airport or facility, and those situations usually revolve around safety and not capacity.

Commissioner Feltman asked staff to elaborate on the airport's Hotspot issues. Mr. Sanchez said that staff annually evaluates the airfield with the FAA, and he said that there have been Hot Spots that have been identified based on the number of reported pilot deviations that occurred without incident. Commissioner Feltman requested that a semi-annual Hot Spot report be provided to the Commission. Commissioner Payne asked if the majority of the Hot Spot funding was used to hire consultants. Mr. Barrett confirmed that the majority of the Hot Spot funding was used to hire consultants. Commissioner Miller referred to the Hot Spot Studies that are mandated by the FAA, and he asked if the FAA provides funding for those studies. Mr. Barrett said that the airport plans in five-year cycles with the FAA which allows the airport staff the time that is needed to plan in advance, and he said that there are a number of ways that the airport can fund the studies which is to start with using the entitlement funds that can be rolled over. He said that the FAA does give a higher priority for discretionary and situations that are a safety issue and that need to be addressed immediately and that there is flexibility with the funding mechanism.

Mr. Sanchez reviewed the 2022-2027 Landside Investment Options and the phases for each project. Commissioner Payne inquired about the consolidated car rental facility (CONRAC), and how the CONRAC would be included in the Master Plan. Mr. Barrett explained that the concept design had been initiated prior to the pandemic, and the project was stalled because of the pandemic. He said that staff had made the strategic decision to continue to stall the project to make allowances for the other infrastructures that are competing with the CONRAC. Mr. Barrett said that the design of the CONRAC would be captured in the Master Plan process, and he noted that the CONRAC would be funded by the CFC funds. Commissioner Payne requested that a "parking lot" item be listed for staff to provide more detail on the projects that are being actively worked. Vice Chairman Corcoran referred to a needs assessment that had been developed pre-pandemic for the CONRAC, and he asked if a needs assessment would be a part of the CONRAC design process. Mr. Barrett confirmed that a needs assessment would be a part of the CONRAC design process.

Commissioner Burke inquired about the cost of the EV chargers, and he asked if the EV chargers would generate revenue for the airport. Mr. Sanchez said that the EV chargers would be added to the landside and airside areas, and he said that some of the EV chargers would generate revenue, and some would be used for charging airport equipment. Commissioner Burke inquired about the number of EV charging stations. Mr. Barrett said that staff was forecasting 40 dual EV charging stations which would total 80 EV charging spots. Chairman Dada asked if there would be high powered charging stations. Ms. Carpenter said that there would be level two and level three charging stations.

Commissioner Feltman referred to the cost of the CONRAC design being listed at \$250 million, and he asked for clarification on the cost and the funding. Mr. Barrett said that \$250 million would be the total cost for the CONRAC, as originally envisioned, he said that there would be multiple funding sources, and the design cost would be 10% off the total cost. Commissioner Miller asked for clarification on how the funds would be raised to construct the CONRAC, and he voiced his concern in regard to the cost of the CONRAC being 25 to 30% higher because of inflation. Commissioner Hedrick noted that the car rental companies would be on the hook for the CONRAC and that the CFC would need to be substantially increased, and he said that \$250 million for a CONRAC was on the low side. Ms. Carpenter reminded the Commission that the CFC was recently increased to increase the available funds for the CONRAC, and she said that an analysis had been done to determine the amount of funds that would need to be collected to secure a bond for the CONRAC.

Commissioner Miller asked if staff had considered constructing a multi-story parking structure. Mr. Barrett said that there had been discussions about combining the CONRAC with a parking facility. Commissioner Miller suggested that staff should consider constructing a parking facility before spending millions of dollars to improve and expand the existing parking lots. Mr. Barrett said that he believed that the Master Plan process would assist staff with the decision-making process.

Mr. Sanchez reviewed the 2022-2027 Terminal Investment Options and the phases for each investment. Commissioner Payne suggested that it would be helpful to see the improvements mapped out with the growth chart that Commissioner Hedrick created, and he said that he would like to see the window of when the projects need to be started and completed based on the anticipated growth, and if the investment is driving revenue, reducing costs, maintaining compliance, or improving the customer experience. Mr. Barrett explained that staff does have a matrix that provides the strategy and funding for the projects, and he said that the availability of funding plays a big part in the matrix that staff has developed.

Vice Chairman Corcoran inquired about the \$6 million for concessions space. Ms. Carpenter said that the original intent for the \$6 million was to provide improvements to the former Celebrity Bistro site to make it operational again. Vice Chairman Corcoran inquired about the flooring in the main terminal. Mr. Barrett said that he didn't have a definitive answer in regard to the existing flooring in the main terminal, and he said that staff believes that there could be terrazzo under the carpet. Vice Chairman Corcoran asked if there was any merit in looking at bringing that type of flooring back. Mr. Barrett said that there have been discussions about bringing back the terrazzo flooring. Vice Chairman Corcoran referred to the 5-year investment options spreadsheets, and he asked the Commissioners to circle four of the line items that they felt were the most important.

6.E 2028-2032 Investment Options

Vice Chairman Corcoran asked if the investments listed were wish list investments or were they mandatory investments, and he asked for staff to explain which investments would be hardwired in and which ones had more flexibility or options. Mr. Barrett said that the 5 to 10-year investments were a mix of mandatory and wish list investments, and the 20-year investments would be mostly wish list investments.

Airport Administration Manager Carpenter reviewed the 2028-2032 investment options, and she asked Airport Executive Director Barrett to provide a description for the Inter-Modal Transportation Facility. Mr. Barrett said that a significant number of airports have an Inter-Modal Transportation Facility and adding the facility to the airport would be consistent with the City's broader goal which is to have regional transportation that could supply bus, rail or streetcar services, and other means of transportation to the airport. Commissioner Hedrick noted that he believed that an Inter-Modal Transportation Facility combined with the CONRAC was on the Commission's wish list.

Commissioner Feltman said that he felt that the Inter-Modal Transportation Facility was an unfunded mandate, and he requested that staff conduct an analysis on the benefits and costs for the airport. Commissioner Miller noted that there are State and Federal grants available and that it is important for passengers to be able to get to the airport without a car. Mr. Barrett said that the opportunity to provide additional transportation capacity for the region and reduce carbon emissions is a component at the City level, and he said there is a significant amount of grants that are coming out from the Infrastructure Bill that also increases an airport's ranking when the grant funds are utilized. Commissioner Wiseman said that unless there is access to train or light rail services, it may not make sense to have an Inter-Modal Transportation Facility that only has buses. Mr. Barrett said that at least three of the PSP airlines have indicated that as a part of their airline connection, they will be bussing their passengers to other airports that PSP wouldn't typically offer air service to and that it would be a scenario where the airport would need a facility to accommodate that service.

Commissioner Breslin referred to the solar public parking investment option, and she asked if there would be any grant incentives for investing in solar. Mr. Barrett said that there wouldn't be any grant incentives for investing in solar. Commissioner Payne asked if there had been any studies done that would lead the airport staff to believe that with the right solar service, the airport could provide free EV charging, or it could reduce the airports electricity costs. Mr. Barrett said that studies have not been done in the past, and he said that staff would be working on getting the necessary studies done. Commissioner Payne asked if power storage would be included. Mr. Barrett said that the airport staff would be planning for anything that could help the airport become more sustainable. Commissioner Payne referred to the heat, he noted that it was only going to get hotter, and he asked if there would be an added expense to maintain the taxiways and runways because of climate change. Interim Operations Manager Sanchez said that the airport's pavement has held up well, and he said that

staff does take into consideration the heat when rehabilitating or increasing the ramp space.

6.F 2033-2042 Investment Options

Airport Executive Director Barrett reviewed the 2033-2042 investment options. Commissioner Wiseman asked for Mr. Barrett to provide more detail on the Vertiport. Mr. Barrett said that a vertiport is also known as Urban Air Mobility and that it is another way to extend the transportation network by facilitating aircraft that are similar to drones that carry passengers. Commissioner Payne noted that a Vertiport is for electric aircraft, it's known as Advance Air Mobility (AAM), the aircraft are battery powered, they hold five to six people, and they are air taxi's that go up to about 150 miles. He noted that the challenge would be to make it financially viable. Mr. Barrett said that the FAA had recently released the standards for a Vertiport, and he said that there are several airports in the United States that are working on adding a Vertiport.

Vice Chairman Corcoran referred to the 10 and 20-year investment options spreadsheets, and he asked the Commissioners to circle four of the line items that they felt were the most important. Vice Chairman Corcoran asked the Commissioners to take 10 minutes to write down their feedback for the long-term investment options which would be shared with the Commission during the summary discussion.

6.G Final Thoughts and Summary

Vice Chairman Corcoran said that it was obvious how much control the airlines have over what happens with the capital budget, and he said that he believed that moving to a hybrid use agreement should be a priority to allow for more flexibility which is needed to accomplish what needs to be done for the airport. Vice Chairman Corcoran said that he wasn't sure that the airport was being creative enough in terms of the future of customer experience, and how the airport could provide a state-of-the-art customer experience moving forward. He said that he recognizes the importance of the airport building out the staff infrastructure.

Commissioner Feltman referred to the negotiations with the airlines for a hybrid use agreement, and the timeline for the negotiations. Mr. Barrett said that if all goes well, it could be possible for the negotiations to be completed by the end of the calendar year with implementation on July 1, 2023. Commissioner Feltman said that he agreed with prioritizing the customer experience, and he agreed with Commissioner Payne's suggestion to create a matrix to track the investments. Commissioner Payne said that the matrix would track if the investments were driving or increasing revenue, reducing costs, improving the customer experience, maintaining compliance, or initiating compliance, and if there is available funding.

Commissioner Burke said that he found that the airport staff and the Commission were not that far off from each other in terms of priorities, he said that he agreed that the hybrid use agreement is important to focus on, and he stressed the importance of

having a liaison from the City to facilitate an open line of communication between the Commission and the City. Commissioner Burke said that the airport staff is dedicated and smart, and he said that he really appreciated all the work that went into today's meeting.

Commissioner Hedrick said that he agreed with the previous Commissioner's comments, he thanked the staff for the phenomenal presentation, he said that he agreed that the Commission was more in line with the airport staff than what he originally thought they were, and he said that he thought the meeting was great.

Commissioner Breslin said that she had come into the strategic planning session knowing that it would be a good experience, and she said that she never imagined how much would be covered and how well it would be explained to the Commission. She said that the meeting did make her think differently about the priorities for the airport, she thanked the airport staff, and she said that she believed that safety should always be a priority.

Commissioner Miller said that he agreed that the airport should go to a hybrid use agreement which should be a priority, he said that safety should be the number one priority for the Commission and airport staff which he believes that it is. He said that the airport needs to move into the future by looking at innovation, technology, and automation, he said that he believed that the airport also needs to become more involved in different aspects of community involvement which could include transportation, a community room, and school tours. Commissioner Miller said that he would like to see the airport integrated with the community so that the airport reflects the community. He said that he believed that the Commission needed to be realistic in the sense that the Commission is an advisory body and that the Commission would always have to follow the goals, priorities and needs of the City Council, and he said that he would like for there to be a formal way for the Commission to communicate with the City Council. Commissioner Miller thanked Vice Chairman Corcoran and the airport staff for putting on the strategic planning session, he said that this was the type of training and learning that the Commission needs to help better advise the staff and City Council, and he suggested that the Commission hold mini sessions each year.

Commissioner Adams said that he was made aware of the emphasis to have a master plan so that the airport doesn't have a hodgepodge approach, and he said that even when there is a turnover of staff it is important to have a cohesive master plan to help put everyone on the same path.

Commissioner Pye said that she agreed with Commissioner Adams, she said that the Commission should hold a yearly strategic planning session that is scheduled around the budget period so that the Commission can review the 5-year plan to see what was completed or not completed. Commissioner Pye said that in regard to customer experience, she has learned that it is important to listen to the ideas of the younger generations, and she encouraged Deputy Director of Aviation, Marketing and Air

Service Meier to continue working with Visit Greater Palm Springs President and CEO Scott White on ways to improve the customer experience.

Commissioner Wiseman said that he felt that each of the Commissioner's comments were spot-on, and he said that he was struggling with having a clear vision on what the airport was going to look like in 2042, he said that he felt that there was a clear idea on what would be happening for the next five to ten years, and he said that the meeting was extraordinarily helpful to understand where the airport is, where it is going in the short-term, and how that informs the plan for the future.

Commissioner Budilo thanked the airport staff for doing a tremendous job, and he said that he looks at the airport as the economic engine for the Coachella Valley which truly drives tourism. He said that he represents the City of Indian Wells and that the City of Indian Wells receives approximately 70% of its revenue from hotel transient occupancy taxes, and he said that the airport plays a vital role for each of the cities. Commissioner Budilo said that he believed that the airport was going to get the growth that is anticipated much sooner than the Commission thinks, and that the airport needs to be prepared for that growth. He said that the Commission should really start to think more strategically about what has to be done, and to also start examining what other opportunities there are for acquiring land. Commissioner Budilo said that he was surprised by the pushback that the Commission was receiving from the City Council with regard to having a liaison on the Airport Commission, he said that the airport is a huge asset for the City, and he said that there needed to be changes made at the City Council level.

Commissioner Payne said that he agreed with the Commissioner's comments, and he said that his observations were that the airport staff should revisit the airport's consultants, the airport should revisit going to a full compensatory use agreement so that the airport can have full control to build what is needed, and he asked for a second consideration around the landlord versus operator orientation. Commissioner Payne said that the meeting had been a really good session, and he thanked Vice Chairman Corcoran, Commissioner Hedrick, and the airport staff. Commissioner Payne referred to building the airport staff, and he suggested that the thought process be about what the airport wants to bring in, who are the best people that the airport can bring in, and what skills are needed. Commissioner Payne said that he was in favor of having monthly or quarterly in-person meetings.

Commissioner Feltman referred to the transition period between City Manager Ready and City Manager Clifton, and he said that it was his understanding that there had been an issue with other Commissions making policy and releasing information to the press without the City Council's permission and that there was a dissonance at that time. Commissioner Feltman said that he believed that the City Council intended on having City Manager Clifton work on fixing the issues with the Commissions, and he said that he also believed that City Manager Clifton was not interested in receiving input from the Commissions or the community. Commissioner Feltman said that he believed that the Commission now has the opportunity to do the kinds of great work


that had been done today and moving forward. He said that the Commission values the staff and that there has been productive and collaborative conversations, and he encouraged the Commission to communicate to the new City Council the type of engagement that the Commission needs to have with the staff and the City Council moving forward.

Vice Chairman Corcoran noted that the concept of design and art were a low priority in all of the different options that the Commission reviewed, he said that he believed that the Commission needs to pay attention to design and art and how the airport looks. He said that the community has a passion and respect for architecture, and he noted that the ticketing area was boring and that there was no color on the walls. Vice Chairman Corcoran said that he didn't see the City Council going in a different direction from what was discussed by the Commission, and he said that he believed that if the Commission were to take the discussion that they had today, they build an effective long-term plan that's bold, assertive, and aggressive and that is built around a vision that includes great customer experiences, the City Council will be excited to follow the Commission's lead.

7. ADJOURNMENT:

ACTION: Adjourn the meeting. **Moved by Commissioner Burke, seconded by Commissioner Hedrick and unanimously approved noting the absence of Commissioner Martin.**

The Airport Commission adjourned at 5:21 P.M. to a Special Meeting on September 28, 2022, at 11:00 A.M.



Christina Brown
Executive Administrative Assistant

APPROVED BY AIRPORT COMMISSION: 11/22/2022