



**AIRPORT COMMISSION
BUDGET AND FINANCE COMMITTEE
Wednesday, March 19, 2025 - 2:30 P.M.**

ACTION SUMMARY MINUTES

1. CALL TO ORDER:

Committee Chairman Hedrick called the Budget and Finance Committee meeting to order at 2:30 P.M. The meeting was held in-person and via videoconference.

2. POSTING OF AGENDA: Agenda posted on March 17, 2025.

3. ROLL CALL:

Committee Members Present:

Corcoran, Ebensteiner, Hedrick, Kiehl, Martin, and Wise.

Committee Members Absent:

Banks and Young.

Staff Present:

Harry Barrett, Airport Executive Director of Aviation
Jeremy Keating, Assistant Airport Director
Heather Cain, Assistant Director of Finance
Victoria Carpenter, Airport Administration Manager
Harman Singh, Project Manager
Christina Brown, Executive Program Administrator
Tanya Perez, Interim Executive Administrative Assistant

Others Present:

Mark Waier, Daley Strategies, LLC
Debby Chen, Daley Strategies, LLC

4. ACCEPTANCE OF AGENDA:

MOTION BY COMMITTEE MEMBER WISE, SECOND BY COMMITTEE MEMBER KIEHL, CARRIED UNANIMOUSLY, to approve the agenda as presented.

5. PUBLIC COMMENTS: None.

6. APPROVAL OF MINUTES:

MOTION BY COMMITTEE MEMBER EBENSTEINER, SECOND BY COMMITTEE MEMBER WISE, CARRIED 4 – YES AND 2 – ABSTAIN, to approve the Budget and Finance Committee Meeting Minutes of February 20, 2024.

7. PRESENTATION:

7.A Appoint New Chairperson

Item 7.A had been discussed prior to Item 1. Chairman Corcoran stated that he had asked Commissioner Hedrick to assume the Chair of the Budget and Finance Committee and noted that Commissioner Martin had requested to step down as Chair. He stated that Commissioner Hedrick would lead the Budget and Finance Committee meeting going forward. Commissioner Martin acknowledged the update.

7.B FY25-26 and FY26-27 Draft Budget Review

Airport Administration Manager Carpenter provided a Fiscal Year (FY) 2026–2027 budget update, noting she had provided a PowerPoint presentation.

Ms. Carpenter provided a high-level overview of the budget process. She explained that the Airport had transitioned from a residual agreement to a hybrid rate-making methodology under the new Airport Use and Lease Agreement. Under this approach, airlines paid 100% of airfield costs, and non-airfield surplus was shared 50% with the airlines. She noted that the Airport operated on a two-year budget cycle and that Airport staff presented both the operating budget and the capital program to the airlines each year for review, a vote, and recommendations, since airlines received 50% of any year-end surplus.

She stated that she would review the timelines for budget submittals and the dates by which the budget had to be provided to the airlines for review, vote, and approval. She requested input from the Budget and Finance Committee on community-identified needs to help prioritize capital projects over the next two years, emphasizing that this was a preliminary review rather than the final budget. She reported that the Airport

Master Plan process remained underway, that California Environmental Quality Act (CEQA) review was expected to continue for approximately 18 months, and that

Airport staff was working to finalize the Airport Layout Plan for Federal Aviation Administration (FAA) submittal while developing funding approaches for the planned future projects.

She reiterated that a new two-year budget would commence following the end of FY2025 which was June 30, 2025. She stated that the capital projects would be presented by Project Manager Singh through a PowerPoint presentation. She identified the in-house baggage handling system as a major project and explained that any capital project exceeding \$1 million required a majority airline vote. She reported that grant funding had been earmarked for this project, including Transportation Security Administration (TSA) funding and Bipartisan Infrastructure Law (BIL)/ Airport Infrastructure Grants (AIG) with approximately \$25 million from the FAA intended for allocation. Given the current political climate, she emphasized securing airline approval, confirming the project need, and ensuring eligibility for grant utilization. She added that FAA discretionary funds would also be applied.

She stated that staff had met with the airlines and intended to continue discussions regarding capital projects. The feedback from the Budget and Finance Committee would be relayed to the airlines and asked Executive Director of Aviation Barrett and Assistant Airport Director Keating whether they had anything to add; both stated they did not.

Ms. Carpenter added that, in addition to the master plan update, Airport staff were coordinating a series of operational moves needed to stage major projects, including the consolidated rental car center, a temporary Federal Inspection Services (FIS) site, and the terminal expansion. She stated that Airport staff were preparing a clear, sequenced visual showing the order of relocations. She noted that rental car operations now located at baggage claim would shift to a temporary site to create room for expansion, and that discussions were underway to relocate Signature Flight Support, LLC to the east side of the airfield to accommodate the rental car center. She further reported that concessions and parking work continued, with four concessions remaining too fully open. She asked Mr. Keating when TRIO was expected to open. Mr. Keating advised that TRIO was expected to open on April 1st or 2nd, 2025. Ms. Carpenter added that TRIO was one of the airport's prime locations, where many Sonny Bono Concourse passengers chose to sit down and eat.

Ms. Carpenter stated that Vino Volo was another prime location situated just beyond TSA. She noted that duty-free service was new to the airport, had not been available previously, and primarily catered to Canadian travelers. She added that the final addition, developed in coordination with the Ad Hoc Design Review Committee, was The Movie Colony Canteen, which offered fresh salads and sandwiches. She emphasized that with this addition all concessions would be fully operational, and passengers had already provided positive feedback about the expanded, largely local offerings that supported the passenger experience.

Ms. Carpenter reported that public parking had recently added tap-to-pay and that Airport staff planned additional options, QR-code payment, ticketless scanning, license-plate recognition for better tracking, and dynamic pricing to adjust rates based on demand. She stated that Airport staff also pursued non-aeronautical revenue opportunities, noting the airport controlled roughly 20 acres of vacant or undeveloped land and that CBRE, Inc. (CBRE) had been retained as broker to market those sites. She asked Mr. Keating to discuss operational issues.

Mr. Keating discussed operational issues, noting that the baggage handling system had required intensive manual intervention since commissioning three to four years prior, with growing bag volumes. He reported staffing up to 20 Sierra Aviation personnel daily to keep pace and stated that hands-on adjustments were needed each day to keep the system running. He also reported gate saturation and gate holds, compounded by some airlines being short-staffed, which led to aircraft stacking and required daily coordination calls with the Airport Control Center to juggle gates. He noted that operations had grown increasingly for March 2025 and April 2025 which had made it challenging.

Ms. Carpenter advised that Airport staff had targeted completing the two-year budget by the end of April 2025 and that it had to be presented to the City Manager before going to the Airport Commission. She explained that Airport staff would prepare the budget, obtain airline feedback and Airport Commission input on capital projects, then present it to the City Manager for any needed modifications. She stated that the City Manager intended to brief the City Council two or three times in May 2025 and June 2025, with the goal of City Council adopting the budget at its June 25, 2025 City Council meeting.

Ms. Carpenter advised that Airport staff had flagged a future outlook in the capital budget with significant contractual services for specialties not provided in-house. She stated that TSA had announced aviation worker screening and that the Airport had

hired a third-party company to screen employees. She noted an expected increase in airfield and facilities maintenance contracts for rubber removal, painting, and crack sealing, requiring annual consulting services. She stated that the Airport conducted a 50% revenue share with the airlines each year and had been working with Assistant Director of Finance Cain on the FY2024 rates and charges settlement and credit distribution, with Frasca & Associates, LLC (Frasca) serving as the Airports Financial Consultant. She added that Airport staff would present the capital budget, gather Budget and Finance Committee feedback, and provide it to the City Manager for review and final determinations.

Mr. Singh stated that the next steps would move beyond the prior high-level projects movement briefing and provide a deeper, project-by-project update. He said the program is grouped into three divisions noting, terminal improvements, airside, and landside and provide updates on active projects. For each project, Airport staff would present visuals plus a brief status, next steps, the assigned project manager, and the budget. He added that an integrated timeline would depict design, environmental, and phasing milestones by quarter across multiple years to show how the workstreams align and demonstrate progress.

He advised that the slide presented summarizes terminal improvement projects across FY2025–FY2027, illustrating the multi-year scope, sequencing, and phasing of the work. He reviewed terminal improvements by project type, customer experience, aging infrastructure, arrivals. He reported the Agua Caliente Concourse activation was completed and showed images of the finished work. He noted a Measure J project to install mid-century-style outdoor concrete furniture outside the Terminal, an upgrade of the Conference Room to address aging infrastructure, and the start of restroom design. Looking ahead to FY26, he outlined elevator pre-construction work, continued restroom design, escalator replacement, and terminal flooring upgrades. He displayed a visual map indicating where these improvements occur throughout the terminal.

Mr. Singh moved to airside improvements, noting three multi-year efforts due to their scale: (1) runway enhancements on the primary runway, (2) assessment and design for a new FIS facility to support international arrivals, and (3) the in-house baggage handling system. He said each would run across the next three FY's in phases, needs analysis, design, environmental review, procurement, and construction, and he showed a visual map of the airside work. He advised that this was where the runway alternatives addressed design, construction, and recommendations from the alternative analysis would take place,

and showed the area where the baggage handling system was going to be implemented. He also advised where the temporary FIS area was planned for international arrivals.

He added that the last area was the landside program, where major projects and the total planned projects resided, organized into categories of capacity, customer experience, and sustainability. He advised that Airport staff were working on a Project Definition Report (PDR) for the rental property location, which was expected to move through design, environmental review, and then construction. Also, he stated that the procurement of pickup trucks, including zero-emission units, and noted that Airport staff were also working on the parking and revenue control system.

The next effort, already progressing through contract programming and design, represented a big impression undertaking for the airport and that updates would be provided as it advanced. Reference was made to items shared the prior month, such as the Transportation Network Companies (TNC) and Taxicabs shade structure. He noted that this remained a preliminary, conceptual project advancing through basic design, along with the acquisition of buses.

He also stated that Airport staff were working on a sustainability project referred to as the landside landscape, intended to create drought-resistant landscaping, and that the slide served as another visual of the projects underway on that side. He shared that they would not show the vehicle procurement projects yet, while other projects would be covered. He explained that the Airport staff would finalize the area shown, which represented the overall area rather than a pinpointed location, and that the temporary rental area would proceed with an initial study followed by design and environmental processes. He also stated that the parking and revenue control system would be modernized to be more technology-savvy. He added that this was the ConRec and explained that during design the team needed to coordinate with planning and the relocation of Signature Aviation because Signature Aviation was currently located in that area.

In addition, he stated that projects could not advance in isolation and that a balance was required due to interdependences across the program. He continued that Airport staff needed to remain mindful as progress was made since many other projects depended on the results or movement of these efforts. The upcoming project would include electric chargers with a solar component, with 80 chargers planned for the site. He shared that Airport staff was working diligently with Southern California Edison

(SCE) on this effort, and that the shade structure for both TNC's and Taxicab operations would also be located there. Once the temporary rental car PDR was completed, planning would begin for additional passenger parking. He emphasized that these projects had dependencies, involved multiple years, and that initial studies and analyses had already started on public parking. He added that if space was taken from public parking, equivalent space would have to be provided elsewhere on airport property. Landscaping design was also discussed, with multiple drought-resistant projects planned along surrounding roads, and designs and pre-design efforts were underway for environmentally sound options.

He provided a summary of the projects. He stated that the goal was to show the Budget and Finance Committee current progress and next steps. For the conference room, finalization of construction trials was in progress, with construction planned to start in April 2025 and completion targeted for late July 2025 or early August 2025, providing a state-of-the-art facility. He advised that a \$95,000 proposal for the temporary FIS facility was under review, with a task order to start the initial study. The rental car project activation report was under review, with a purchase order being issued, and that concrete features were expected to be delivered by July 2025 or August 2025 due to custom lead times for planters. As for the restroom design, they were under review, with independent fee estimates being conducted as part of FAA due diligence requirements.

He explained that on-call engineering providers were used to ensure proposals were reasonable, generally falling within a five to ten percent variance, and that this process ensured proper due diligence for potential FAA-funded projects. He emphasized that projects marked with an asterisk on the presentation were multi-year projects, and the phases of these projects were reviewed. The temporary rental car project was used as an example, with the explanation that design and environmental processes required an initial study as a starting point.

Mr. Singh explained that for important projects Airport staff coordinated with an on-call team to define scope, minimum square building footage, and options, a process that typically took three to four months including an initial analysis alongside Airport staff. He stated that subsequent delivery would proceed as either design-bid-build, requiring an architect, or design-build, followed by environmental review, bidding, contractor selection, and then construction. He emphasized that extensive design and preparatory work occurred before any ground activity.

Mr. Singh outlined selected projects for Fiscal Year 2026. He reported that elevators were expected to be replaced by summer 2025. He added that zero-emission pickup trucks were being pursued under FAA guidelines, with a verified technical scope; public advertising was targeted by April 2025 in coordination with the City's fleet team, although bids received in March 2025 yielded no responses. He noted that the team planned to brief the airlines in May 2025 due to an anticipated cost near \$4 million. He stated that baggage handling system bids were due, with City Council action targeted for April 2025 or May 2025 pending favorable evaluations. He described the baggage handling program as a multi-year effort with an estimated cost of approximately \$75 million. He also explained that the ConRec effort advanced with an on-call engineering proposal and an independent fee estimate, aiming to start by mid-May 2025. He further reported that parking and revenue control system modernization with vendor ABM targeted completion in Q4 2025. He noted that Signature Aviation relocation remained linked to ConRec phasing, and coordination had begun with Signature to align schedules.

Mr. Singh noted that phasing across interdependent projects required careful timing to avoid advancing one effort ahead of another. For FY27, he flagged the escalator program again and described due diligence under way with the engineering firm to refine scope, timeline, and probable cost, including potential footing work. He stated that the team sought greater certainty to enable programming decisions and noted the possibility of advancing some scope earlier. He added that multi-year efforts would progress in phases through environmental, design, and construction starts as feasible.

Mr. Singh presented a high-level timeline for major projects. For restroom upgrades, he described the design phase as four to five months spanning conceptual development to 90% design, followed by City plan check, bid advertisement, and award. He explained that plan check and bidding were estimated at about four months due to review cycles and public bidding requirements, with construction extending through 2026. He characterized the schedule as a baseline intended to visualize how design phases drove work into out-years.

Mr. Singh stated that the next item was the baggage handling system and that bids were due that day March 19, 2025.

Commissioner Ebensteiner inquired whether the design cost for the restrooms was \$2.3 million. Mr. Singh confirmed it was. Commissioner Ebensteiner asked whether that amount seemed high for the design of the restrooms. Chairman Corcoran asked Commissioner Ebensteiner to repeat his question. Mr. Ebensteiner repeated it.

Commissioner Martin asked whether the total budget was \$10 million. Mr. Keating responded that it was a little higher and would likely be approximately \$15 million. Commissioner Martin clarified whether that equated to \$3 to \$4 million per restroom. Mr. Barrett commented that design work required extensive investigation across three buildings and configurations, including structural, electrical, and mechanical disciplines. Commissioner Martin asked if the purpose of allocating \$10 million for restroom improvements was aesthetic. Mr. Barrett stated it was due to capacity. He added that there were problems with seven- to ten-minute waits for the women's restroom in certain parts of the Airport. Commissioner Hedrick asked if the restrooms were going to be expanded. Mr. Barrett confirmed that was correct. Commissioner Ebensteiner commented that the cost seemed excessive.

Mr. Singh explained that the team aimed to deliver a full 100% design so that, during construction procurement, the lowest responsive bidder could be selected. The project would be set up for bids. Mr. Keating added that an independent fee estimate had been completed to confirm cost reasonableness. An independent consultant reviewed the entire scope and fee and advised whether the proposal aligned with expectations. If the estimate was not in line, Airport staff directed the contractor or consultant to revise accordingly.

Chairman Corcoran asked whether the Airport staff was using Gensler & Associates, Inc. (Gensler) through the Airport on-call contract for approximately \$2.4 million and whether the design could have been bid to a local firm. Mr. Keating stated that the work had been bid previously before the on-call selections and that three or four firms submitted, with the selection made through a qualifications-based process. Chairman Corcoran summarized that the design phase was competitively bid based on qualifications rather than price. Chairman Corcoran asked whether the timeline could be accelerated since design was projected to take eight months. Mr. Keating stated that acceleration was being explored and explained that Airport staff would meet with Gensler the next day to discuss phasing, potentially focusing on one restroom area at a time, such as the Sonny Bono Concourse location, to reduce cost and expedite progress.

Commissioner Martin asked whether, instead of spending \$20 million to increase the capacity of existing restrooms, the Airport had considered building additional facilities to distribute demand and reduce cost. Mr. Keating advised that the plan included construction of a brand-new restroom. Commissioner Martin asked where the new restroom would be. Mr. Barrett advised it would be located down towards the Agua Caliente Concourse. Chairman Corcoran repeated the location. Commissioner Martin

asked if there was a restroom in that location already. Mr. Barrett stated there would be a second restroom. Mr. Keating added that there would be a second location near the mural. Mr. Barrett added there was built-in space behind the wall to convert to a public restroom. Commissioner Martin then asked how many remodels and how many new facilities were planned. Ms. Carpenter asked Mr. Singh to show on the screen where the restroom locations would be situated. Commissioner Hedrick future planned revisions were difficult to read at the provided scale and stated that hard copies should be provided so attendees could follow along. Chairman Corcoran requested hard copies be provided in the future. Commissioner Hedrick requested materials delivered a day or two in advance to allow time to prepare questions for these critical meetings.

Ms. Carpenter acknowledged the feedback. Chairman Corcoran proposed holding these discussions on a quarterly basis unless urgency required otherwise, with documents provided ahead of time for preparation. Chairman Corcoran stated that names and due dates were not visible and asked whether they appeared on the charts. Mr. Singh presented the information on the screen.

Commissioner Martin stated that four restrooms were being remodeled and one new restroom was being built and asked if that was correct. Mr. Keating stated approximately four restrooms were being remodeled and one new restroom. Ms. Carpenter repeated four restrooms being remodeled and one new restroom. Mr. Keating stated that the remodel set included the men's and women's facilities in the Sonny Bono Concourse, the Courtyard restrooms, ACC improvements, with the new restroom as an additional facility. Commissioner Martin stated that \$20 million for four remodels and one new restroom appeared expensive and asked whether capacity would be expanded. Mr. Keating explained that walls in the Sonny Bono Concourse would be pushed out to enlarge the footprint, the Courtyard restrooms would also be expanded, and the ACC improvements would not expand the footprint. He noted the two remodeled locations and the brand-new facility were all planned as expanded facilities and that the total program netted additional capacity. Mr. Barrett added 20-30 toilets had been added. Mr. Singh stated that gender-neutral accommodations were included. Mr. Keating noted that Gensler completed an analysis previously presented to the Airport Commission. He acknowledged that current capacity remained well short of demand and stated that the planned improvements would bring the program closer to required levels.

Chairman Corcoran stated that the idea mentioned earlier, rather than doing four remodels plus one new build, was to spread the construction to achieve earlier wins. Mr. Keating advised that was the plan.

Commissioner Hedrick stated that it seemed the project was well in excess of \$2,000 per square foot. Mr. Keating advised that the cost estimates he reviewed from Gensler averaged approximately \$2 million per restroom. He stated that costs were approximately \$2 million per restroom on average, with variation depending on size. Chairman Corcoran commented so that's what they were approximately \$2 million. Mr. Keating replied give or take.

Commissioner Martin stated that there appeared to be a 50% factor at play. Mr. Keating confirmed that construction management costs were included and explained that contingencies were added due to bidding uncertainty. He stated that while the program had been discussed at \$20 million, the total would likely land closer to \$10–\$15 million.

Chairman Corcoran replied that he did not know regarding the cost at \$2,000 per square foot and stated that this really raised his eyebrow. Mr. Barrett advised that prior concessions renovations required significant redesign and replacement of aging infrastructure, and that these factors were included in the price. Mr. Keating added that at his previous airport a pair of restrooms cost approximately \$1.5 million five years earlier, which illustrated how expensive such work had become. He explained that selections and standards influenced cost, including fixture types and finishes, and that these choices would determine the final price of the restroom program.

Chairman Corcoran commented that it was good the team was gaining flexibility. Mr. Keating stated that he remembered this being discussed at City Council. Chairman Corcoran explained that the intent was to split the work to achieve earlier wins rather than completing all four several years from now. Mr. Keating reported that the Project Definition Report had been completed and previously shared with the Airport Commission, showing planned expansions and layout concepts, and that the effort was moving into full design development.

Mr. Singh then aligned the restroom discussion with the baggage handling system timeline, stating that if bids were favorable and a vendor was selected by May 2025, construction would not begin until 2026 due to approximately one year of lead times and site preparation. Commissioner Hedrick requested that Mr. Singh slow down and repeat. Mr. Singh stated that if bids came in favorably and a contract were awarded by May 2025 of this year with a notice to proceed, construction would not start until May 2026 due to approximately one year of lead time for major electrical equipment and required site work. He explained that initial construction was expected to begin in 2026, a second phase was projected for 2027, and the overall program was forecast

to extend through 2028, which was why the Airport staff reviewed the schedule carefully to set expectations that on-site construction would not occur for about a year after award. Chairman Corcoran asked if this was for the outbound baggage handling system. Mr. Singh stated that was correct. Chairman Corcoran remarked to Mr. Barrett that there was an entire year of electrical lead time and referenced a Plaza Theatre effort where electrical equipment expected for installation was manufactured in Mexico, noting potential tariff-related cost and schedule risks. He inquired whether or not some of the electrical could be reused. Mr. Barrett noted that only about 15% of the prior system infrastructure could be reused, mainly portions of electrical work and conveyor equipment, with the remainder requiring replacement. Chairman Corcoran asked whether litigation had ever been pursued to recover costs from the earlier \$15 million investment. Mr. Barrett explained that attorneys reviewed the matter could not find sufficient documentation to substantiate a case, and no funds were recovered.

Commissioner Hedrick asked about funding for the new baggage handling system, with the question of whether federal money had been designated. Mr. Barrett clarified that no such funding had yet been secured. Mr. Barrett advised he had this topic in discussion later in the presentation. Commissioner Hedrick advised he would wait on that information to be provided.

Mr. Singh explained that the temporary rental car relocation process had started with a PDR lasting about four months, followed by design and environmental work, then permitting, bidding, and construction. The entire timeline extended to 2027.

On a positive note, he reported that activation space had been installed in the Agua Caliente Concourse the previous day and that passenger feedback had been favorable. Chairman Corcoran suggested visiting the site to view the improvements after the Budget and Finance Committee concluded.

Chairman Corcoran acknowledged that car rental leadership remained concerned about the temporary relocation and asked if any progress had been made. Mr. Barrett advised primary objective was to avoid being placed in a temporary location permanently, referencing a past instance where a promised short-term solution lasted 28 years. Chairman Corcoran asked about whether the relocation timeline aligned with demolition and construction of the north side. Mr. Barrett stated that was the goal, although numerous factors, such as negotiations with Signature Aviation, environmental clearance, utility relocation, and design work, would influence the schedule.

Chairman Corcoran inquired if those were items Airport staff should be doing to move this along quickly. Mr. Barrett advised that would start with the PDR and concurrently Airport staff is brining on a team to work those issues.

Commissioner Hedrick asked whether lack of funding was slowing progress. Mr. Barrett stated that while current funds were sufficient, uncertainty remained about sustaining them due to the political environment and the Airport's reliance on federal subsidies. FAA entitlement funds and bipartisan infrastructure law entitlements were considered stable, while discretionary funds for the baggage handling system and TSA's share of approximately \$24 million remained uncertain.

Commissioner Hedrick asked whether funding was related to political considerations in Palm Springs. Mr. Barrett stated that this was factored into the analysis. Commissioner Hedrick referenced Diversity, Equity, and Inclusion (DEI), and Mr. Barrett added inclusion and diversity. Commissioner Hedrick specifically referred to Diversity, Equity, Inclusion, and Accessibility (DEIA) and posed a hypothetical about the Airport separating from the City of Palm Springs and how that separation might affect federal funding opportunities. Mr. Barrett advised that such a separation could of had an effect, although he did not anticipate it occurring.

Chairman Corcoran asked whether the City's DEI policies were affecting the Airport's ability to secure funding during upcoming meetings in Washington and how that should be addressed, including whether to raise the issue or avoid it. Mr. Barrett stated that the staff aimed to keep the focus on common goals between the City and federal stakeholders, citing infrastructure as a shared priority rather than topics such as restroom conversions. He explained that successful advocacy depended on framing and grant-writing strategy, while acknowledging that Palm Springs' approach to inclusion remained highly visible and required careful monitoring of public statements and policies.

Chairman Corcoran requested a commitment to quarterly reviews of capital projects, with accountability for names and due dates. Mr. Barrett agreed that quarterly updates could be provided, with funding and project status reported each quarter, though specific project leaders could be approximately two to three people that might change.

Chairman Corcoran stated that reactions to Measure J projects included frustration. He recalled that a commissioner had recommended benches and identified vendors approximately two and a half years earlier, and that implementation now appeared two years away. He noted that shade structures had been approved two years prior,

fountains had been completed, and work on terrazzo floors had deviated from plan after a public announcement and City Council action. He acknowledged Ms. Carpenters coaching that circumstances could shift and change, and he concluded that such dramatic changes created significant frustration. He stated that when the Airport staff went to City Hall and reported that items had been approved two years earlier and remained incomplete, it created dissonance that the Airport wanted to avoid. He added that the presentation provided more clarity than the prior meeting and asked how the team would ensure continued progress so that milestones were achieved on time.

Mr. Barrett stated that most approved items were progressing and explained that challenges arose from specific circumstances involving federal funding, airport factors, or unforeseen City-side issues. He referenced the benches project as an example where; despite identifying vendors, competitive procurement policy required advertising, potential selection of a different vendor, and subsequent design work, which extended the timeline. He added that similar complexities often emerge during execution, and staff would keep the Airport Commission informed on project status while operating within public-agency rules and regulations. He further explained that many efforts depended on federal subsidies; for example, restroom work had been planned with certain funding assumptions that later changed, which shifted priorities.

Chairman Corcoran stated that a council member had suggested using City funds and borrowing from available sources to accelerate projects such as bathrooms or escalators, noting that a path to funding appeared to exist and asking whether that would help move projects faster. Mr. Barrett responded that while the Airport welcomed external funding, there remained a required process. He explained that for any project over \$1 million, whether financed through the general fund or another source, formal approvals were necessary and a repayment plan had to be determined.

Ms. Carpenter stated that coordination with the Finance Department was required, since the department might determine that funds were unavailable or already earmarked, for example for the Convention Center. She added that any approach would be reported to City Manager Scott Stiles, who made the final decision on next steps. Chairman Corcoran summarized the reporting chain from the City Council to Director of Finance & Treasurer Mooney to City Manager Stiles to Airport staff and noted the suggestion that timing-related funding issues could be addressed through City financing department with the Airport repaying the City.

Mr. Barrett stated that the approach could be done, although it would affect several other factors, including airline rate cases, since it would effectively create a debt owed to the City. He added that such financing could potentially impact ongoing projects depending on current workloads. He clarified that he was not ruling it out and that it was not ideal, and he noted that if the City Council and City Manager made that decision, Airport staff would proceed accordingly.

Commissioner Hedrick stated that he had mentioned in a previous Airport Commission meeting the idea of implementing a commercial paper (CP) program. He noted that the City occasionally had budget availability, which sometimes didn't due to changing circumstances and inquired if any thought had been given to a CP program. Ms. Carpenter inquired if the CP program meant a partnership. Commissioner Hedrick clarified a commercial paper (CP) program. Mr. Barrett noted this was the program that we took to Frasca. Ms. Carpenter stated that Airport staff were still working with Frasca on financing options and other funding opportunities they were helping to refine, and that nothing had concluded while the item remained on the Airport staff's radar. Commissioner Hedrick offered to join the discussion if desired and noted he had experience running similar CP programs.

Mr. Barrett stated he wanted to provide the Airport Commission with additional context and to clarify why Ms. Carpenter had begun her remarks with operational updates. He explained that, first and foremost, the Airport's budget context carried a strong political element since operations were heavily subsidized by the federal government. He noted that changing regulations and executive orders had already significantly impacted the Airport's ability to operate, comparing it to a game of whack-a-mole in trying to determine which funding streams were secure and which were at risk.

As an example, he cited Congress's recent passage of a continuing resolution that failed to include reimbursement for TSA police officers, requiring the Airport to now determine how to make up that shortfall. He added that the team was also concerned about the cost of capital due to tariffs and trade wars, which were affecting project funding, material cost increases, and lead times. These impacts had even reached airline demand, as evidenced by Flair Airlines ending service early, with other Canadian carriers reporting pullbacks in bookings.

Mr. Barrett further explained that these dynamics were also affecting aircraft manufacturers, with both Boeing and Airbus facing delays in delivering aircraft to airlines. On the operational side, he noted that the Airport had experienced a 50% increase in its operating budget over the past two years due to staffing expansions.

As Airport staff was added, it created additional costs for furniture, uniforms, and training programs.

He emphasized that while these investments raised costs for airlines, the Airport had to view its planning through that lens. At the same time, he noted the Airport had an aggressive capital development program it hoped to execute in the coming years. Mr. Barrett stressed the importance of being cautious and conservative when planning for the next two, five, and ten years, in order to avoid overextending the Airport financially. He advised that this was the mandate Airport staff had been given as they began preparing for the FY 2026 and FY 2027 budgets: to move projects forward and build the organization, with measured discipline to maintain long-term stability.

Chairman Corcoran asked if Airport staff had been able to embrace the direction of designing the budget cautiously, as discussed.

Ms. Carpenter responded that it had been a challenge. She explained that staff had initially asked all departments to submit a wish list identifying what was needed to operate at both a minimum and optimal level. The first draft of the budget was received, she noted it would need to be significantly reduced and revisited further.

She added that one of the difficulties was that, in prior years, the Airport had been able to apply COVID relief funds to airline rates, which kept the airline costs low. With those funds no longer available, the airlines were now responsible for covering a portion of the budget through fees such as baggage handling charges, boarding bridge fees, terminal rents, and three other assessed fees.

Ms. Carpenter stated that Airport staff had already advised the airline's that their cost per enplaned passenger would be increasing over the next couple of fiscal years. She explained that preliminary comparisons showed that in 2024, Airports Passenger Facility Charges was \$6.69, which was lower than Ontario's \$7-plus. While the Airport remained competitive, she projected that the rate could rise into the \$10–\$15 range in the coming years.

She emphasized that this had been communicated to the airlines as a heads-up, and that Airport staff still had to finalize the proposed budget and present it for airline approval, noting there was still considerable work to complete.

Commissioner Ebensteiner commented that perhaps he had misunderstood, however, it sounded as though Airport staff were striving to break even with the FY 2026 budget and show only a slight increase in FY 2027. Ms. Carpenter responded that Airport staff were trying to be lower than 2025 year's budget, though they were still evaluating how that would play out. Commissioner Ebensteiner asked if that was still the direction Airport staff were aiming for, noting that it sounded like they were asking for the Airport Commission's input. Mr. Barrett stated that Airport staff needed to assess the current political and economic environment and see where conditions stood. He explained that volatility related to tariffs, trade wars, and the stock market could lead to additional airline pullbacks. He noted that several major carriers had already announced domestic capacity reductions without naming specific cities, and that Palm Springs could be affected. He added that the team adopted a wait-and-see approach for 2026 and targeted approximately a 0.5% to 1% increase for FY26 and about 1.5% for FY27.

Ms. Carpenter stated that Airport staff were creating internal policies to ensure financial spending received double and triple checks, asking whether each expense was truly needed, could be done in-house, or could be supported through collaboration with City divisions such as Streets and Maintenance. She explained that the team pursued creative partnerships with other departments and emphasized shadowing, training, and clear policies to guide future spending.

Commissioner Ebensteiner asked for clarification, noting that when there was a surplus it was shared with the carriers, and inquired whether the reverse applied in the case of a loss or if reserve funds were used to cover it. Commissioner Ebensteiner asked how that process worked. Mr. Barrett advised that airlines shared in outcomes on the airfield cost center, confirming that when spending occurred in the airfield cost center the carriers shared the burden.

Ms. Carpenter added that airlines shared losses in the airfield cost center and, on the terminal side, cost sharing followed a different calculation with set percentages by division. She stated that Airport staff monitored spending monthly and typically operated with an approximate \$3 million surplus, aiming to remain at break-even or surplus through expense controls. Mr. Barrett added the answer would be yes if the Airport doesn't make money, then the airlines don't.

Ms. Carpenter noted that surpluses were directed towards capital projects. She added that while cash was available, Passenger Facility Charge bond requirements obligated the Airport to maintain either 365 days cash on hand or a 1.75 coverage ratio to

preserve PFC back bonding capacity for future projects. She concluded financial planning incorporated guidance from consultants to balance near-term needs with long-term capital objectives.

Commissioner Kiehl stated that Airport staff had done a great job amid extraordinary uncertainty and that progress was evident across multiple fronts. He remarked that the broader political environment felt high risk for the City, noted prior City staffing actions and pauses on cost-of-living adjustments elsewhere, and supported a go-slow approach focused on conserving cash through potential financial headwinds at the federal level. He emphasized prioritizing projects that addressed liability and core operations with airline coordination and stated that signals in the system pointed toward caution. He suggested pausing to see how conditions evolved over the next year or two and expressed skepticism about relying on substantial federal support. He cited the escalator as an example, observing that while failure would create a problem, recent management had stabilized operations, and allocating several million dollars for replacement in the next few years did not feel right amid funding uncertainty. He added that his experience as a City finance director indicated there were not large pools of City money, that the Airport had been the healthiest enterprise, and that regional priorities did not appear likely to shift resources toward the Airport. He questioned whether today's City leadership would be interested in advancing Airport projects with only an expectation or hope of future funding. He then raised specific concern about the security re-store project, describing it as a significant liability if unaddressed, and referenced a report stating Airport staff would reach out to vendors that had bid. He asked whether additional efforts had been made to consult other airports with similar setups to broaden the pool of potential vendors, noting the system had performed poorly since inception and that in a significant incident safe egress would be essential, which posed material risk in the current environment.

Commissioner Martin asked whether operating budgets would be presented to the Commission. Ms. Carpenter stated that Airport staff had spoken with City Manager Stiles, who wanted to review the budget first. She stated that Airport staff intended to have the budget prepared or completed by the end of April 2025. She added that they were determining how this aligned with City Council scheduling, noting that the City Manager planned to present to City Council on dates in May 2025, so an April or May 2025 Airport Commission presentation was possible pending that review.

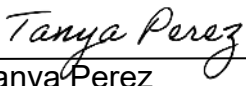
Commissioner Wise stated that Mr. Barrett had met with Congressman Calvert. He added that the Mayor of Indio had informed him, through the Mayor's chief of staff,

that their office was available to assist the Airport as needed. Commissioner Hedrick commented that helps the City of Indio.

COMMITTEE MEMBERS REPORTS AND REQUESTS: None.

8. ADJOURNMENT:

The Airport Budget and Finance Committee Meeting adjourned at 3:50 P.M.



Tanya Perez
Administrative Specialist

APPROVED BY BUDGET AND FINANCE COMMITTEE: 10/01/2025