

## **ST. LOUIS AIRPORT COMMISSION**

**Wednesday, October 7, 2009 - 2:00 P.M.**

**JoAnne Wayne Conference Room**

Members Present: Mr. Bales, Mr. Esterline, Ms. Green, Mr. McNutt, Ms. Morrell-Charles, Mr. Nash, Ms. Osborn, Mr. Reed, Mr. Sauget, Mr. Sonderegger, Mr. Stelzer, Chairman Hrabko

Members Absent: Mr. Clark, Mr. Kennedy, Mr. Lipman, Mr. McKinney, Ms. Teitelbaum

Airport Staff: Beckman, Brown, Kinsey, Kopinski, Korte, Lea, Mason, Mays, Pudlowski, Robertson, Ryan, Salarano, Slay, Spencer, Taylor, Waddle, Ware and Zell

Legal Department: Niemann & Pandolfo

Guests: Bob Alexander, U.S.D.A.; Marvin Anderson, Stern Brothers; Lorenzo Boyd, Stifel Nicolaus; Ollie Dowell, Ollie Dowell & Assoc.; Tim Embree, Mayor's Office; Mike Muller, U.S. Bank; Ivy Neyland-Pinkston, Comptroller's Office; Richard Ryffel, Edward Jones; and Jeff Wise, Bookmark-InMotion

News Media: Ken Leiser, St. Louis Post Dispatch; Kevin Killeen, KMOX; Erica Byfield and Mike Alexander, KMOV-TV, Elliott Davis, KTVI-TV

The Meeting was called to order at 2:02 p.m.

1. Approval is requested for the Minutes of the Wednesday, September 2, 2009 Airport Commission Meeting.

A motion for approval was made by Mr. Esterline and seconded by Mr. Nash.

There being no discussion, a vote was taken and the motion carried unanimously.

### 2. **ORDINANCES**

- A. An Ordinance ratifying and accepting FAA Grant Agreement No. 3-29-0085-122-2009 whereby FAA is obligated to reimburse the City up to \$1,125,000.00 for direct costs associated with the Environmental Management System.

A motion for approval was made by Mr. Nash and seconded by Mr. McNutt.

Ms. Kopinski provided the details of the Ordinance as set out in Executive Summary included with the agenda items and recommended approval of the motion.

This Grant Agreement requires a 25% local match which will be funded from the Airport's Development Fund. The Environmental Management System will set up procedures for environmental training programs and corrective action baselines and monitoring services.

There being no discussion, a vote was taken and the motion passed carried unanimously.

- B. An Ordinance ratifying and accepting FAA Grant Agreement No. 3-29-0085-123-2009 whereby FAA is obligated to reimburse the City up to \$4,905,820.00 for direct costs associated with the rehabilitation of Taxiway S (Runway 6 to Taxiway D) (Phase 2 – Part B).

A motion for approval was made by Mr. Bales and seconded by Ms. Green.

Ms. Kopinski provided the details of the Ordinance as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

This Grant Agreement requires a 25% local match, which will be funded from approved passenger facility charges.

There being no discussion, a vote was taken and the motion carried unanimously.

### 3. **OPERATIONS & MAINTENANCE**

- A. Approval of a Cooperative Service Agreement with the United States Department of Agriculture, Animal and Plant Health Inspection Services Agency – Wildlife Services to provide Animal & Plant Health Inspection Services for the Airport. The Agreement will commence on January 1, 2010 and will end December 31, 2012. The total Not-To-Exceed Contract Amount of the Agreement is \$555,500.00.

A motion for approval was made by Mr. Sauget and seconded by Mr. Stelzer.

Mr. Slay provided the details of the Cooperative Service Agreement as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

The Agreement provides for the USDA to contain wildlife which might potentially interfere with air flight operations.

Mr. Slay advised the Commissioners that the Airport met again with the USDA and the amount of the Agreement had been amended to \$519,975.00.

Chairman Hrabko asked if Mr. Sauget would amend his motion to support the revised amount in the Agreement. Mr. Sauget stated that he would amend his motion. Mr. Stelzer seconded the amended motion.

There being no further discussion, a vote was taken and the motion, as amended, carried unanimously.

- B. Approval of a Second Amendment to the Service Agreement with Nextel West Corporation to provide Frequency Reconfiguration Services for the Airport. The Agreement commenced July 23, 2009 and will still end when the work is completed. The maximum reimbursement amount from Nextel West Corporation is unchanged at \$389,144.09. This Second Amendment updates the Replacement Frequencies.

A motion for approval was made by Mr. Nash and seconded by Mr. Stelzer.

Mr. Slay provided the details of the Second Amendment to the Service Agreement as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

The frequencies on the Airport's radios have changed. This Second Amendment to the Service Agreement sets out those changed frequencies but does not otherwise change the terms of the Agreement.

There being no discussion, a vote was taken and the motion carried unanimously.

- C. Award and approval of a Service Agreement to Machine Maintenance, Incorporated, d/b/a Luby Equipment Services to provide Emergency Generator Maintenance Services for the Airport. The Agreement will commence on January 1, 2010 and will end December 31, 2012. The total Not-To-Exceed Contract Amount of the Agreement is \$525,000.00.

A motion for approval was made by Mr. Esterline and seconded by Mr. Bales.

Mr. Slay provided the details of the Service Agreement as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

Ms. Osborn inquired whether this was the same company that handled the previous issues with the Airport's generators and whether the Airport has been satisfied with its performance up to this point. Mr. Slay responded this company has been maintaining the Airport's generators for the past three years; the cost will be approximately \$3,000 less than in the current contract; and he recommends that the Agreement with this company be renewed.

Mr. Nash asked whether new generators have been purchased to which Mr. Slay responded that while there have not been any new generators purchased, part of the Airport's capital improvement plan calls for new generators. All current generators are being reviewed to determine whether they need replacement.

There being no further discussion, a vote was taken and the motion carried unanimously.

4. **PROPERTIES**

- A. Award and approval of the On-Airport Passenger Vehicle Rental Concession Agreements with The Hertz Corporation (AL-067); Avis Rent-A-Car System, LLC (AL-068); Vanguard Car Rental USA d/b/a National Rent-A-Car (AL-069); Enterprise Leasing Co. of St. Louis, LLC d/b/a Enterprise Rent-A-Car (AL-070); Budget Rent-A-Car System, Inc. (AL-073); Vanguard Car Rental USA, LLC d/b/a Alamo (AL-071) and C & J Rental, Inc., d/b/a Thrifty Car Rental (AL-072).

A motion for approval was made by Mr. Esterline and seconded by Mr. McNutt.

Mr. Salarano provided the details of the Concession Agreements as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

Approval is being requested for seven separate Rental Car Agreements. The only difference in the Agreements is the size of the rental space and the dollar amounts. These Agreements are five-year Agreements covering the rental counters in the Main Terminal and the shuttle bus spots on the driveways of the Main and East Terminals. Revenue to the Airport is the greater of either a minimal annual guarantee or 10% of the gross receipts, plus rental on the counters in the terminals.

In response to questions from Mr. Nash, Mr. Salarano stated that the minimal guarantee amounts are approximately 20% above those in the previous rental car agreements. These bids were submitted before American Airlines announced its reductions. However, in the past, actual receipts have typically significantly exceeded the amounts of the minimal annual guarantees.

Mr. Reed entered the proceedings at this time.

There being no further discussion, a vote was taken and the motion carried unanimously.

- B. Space Permit with Huntleigh Corporation, AL-110

A motion for approval was made by Mr. Bales and seconded by Mr. Stelzer.

Mr. Salarano provided the details of the Space Permit as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

This three-year permit covers office space on Concourse A used by Huntleigh Corporation, which provides baggage running, ground handling and wheelchairs for airlines.

There being no discussion, a vote was taken and the motion carried unanimously.

- C. Right of Entry with the US Department of the Army.

A motion for approval was made by Mr. Nash and seconded by Mr. Reed.

Mr. Salarano provided the details of the Right of Entry as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

The Department of the Army uses the space at McDonnell Blvd. and Banshee Road for remedial activities. This permit runs for three years and there is no monetary consideration.

There being no discussion, a vote was taken and the motion carried unanimously.

- D. First Amendment to Space Permit with PASSUR Aerospace, Inc.  
(formerly known as Megadata Corporation) AL-425

A motion for approval was made by Mr. Reed and seconded by Mr. Bales.

Mr. Salarano provided the details of the Space Permit as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

Ms. Morrell-Charles entered the proceedings at this time.

This Permit covers the installation of a radar system on the roof of the Airport Office Building. There is no monetary consideration to this permit. However, PASSUR will provide the Airport with reports concerning noise and flight activities.

There being no discussion, a vote was taken and the motion carried unanimously.

- E. Tenth Amendment to Indenture of Lease with Lambert Field Fueling  
Facilities Corporation AL-60

A motion for approval was made by Mr. Reed and seconded by Mr. Nash.

Mr. Salarano provided the details of the Tenth Amendment as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

This Amendment covers the fuel farm and hydrant system used by air carriers. It is a one-year extension of the current lease as negotiations are currently underway on a new lease.

Ms. Osborn questioned the security measures for fuel farms at the Airport. Mr. Salarano responded that part of the fuel hydrants are located on the airfield and covered by Airport security. Chief Mason responded further that this fuel farm provides its own security. However, all fueling facilities are included in the annual threat assessments performed at the Airport.

There being no further discussion, a vote was taken and the motion carried unanimously.

- F. Award and approval of the Banking Concession Agreement with U.S. Bank.

A motion for approval was made by Mr. Esterline and seconded by Mr. Reed.

Mr. Salarano provided the details of the Concession Agreement as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

This five-year Agreement covers operation of the U.S. Bank branch and numerous ATM machines located throughout the Airport.

There being no discussion, a vote was taken and the motion carried unanimously.

## 5. **MARKETING AND BUSINESS DEVELOPMENT**

- A. Adoption of an Air Service Incentive Program

A motion recommending and approving adoption of an Air Service Incentive Program (the “Incentive Program”) and draft ordinance as submitted was made by Mr. Nash and seconded by Mr. McNutt.

Mr. Kinsey provided the details of the Incentive Program as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

This Incentive Program reactivates the previous air service incentive program. It provides incentives for new airlines to come to the Airport or for current airlines to expand their passenger and/or cargo service. Various Airport fees will be waived for a limited period of time to ease the initial financial impact to airlines for new service. The funding for the Incentive Program comes from the Airport Contingency Fund.

The Airport administration sought input on the previous program from the airlines and some of their suggestions were incorporated into the current Incentive Program. As a result, the previous incentive program, which was a two-part program consisting of new entrant and expanded service by incumbent airlines, has been expanded in the new Incentive Program to a six-part program, structured to appeal to a wider variety of air carriers. Each of the six parts of the program is to help defray the start-up costs of airlines for new or additional flights.

In response to a question from Ms. Osborn regarding how much of the money in the Incentive Program will benefit new entrant airlines and current airlines expanding service, Mr. Kinsey explained that under the previous program, incentives were chiefly used by two carriers. AirTran, a new entrant received approximately \$1 million. Southwest Airlines, an incumbent carrier, received approximately \$800,000 for adding new destinations. Incumbent airlines can easily match the amount received by new entrant airlines under this Incentive Program.

Mr. Sonderegger inquired as to the typical start-up costs for airlines and the funding that will be required for the Incentive Program. Mr. Kinsey advised that incentives for new service four times a day could amount to as much as \$1 million. He noted that funding presently requested is only for the current fiscal year and that amount would be sufficient to cover any costs based on previous airlines' start-up costs for the remainder of this fiscal year. It is anticipated that additional funding will be requested as needed on an annual basis.

Ms. Green asked for a list of the service added since the air service program was instituted in 2007. Mr. Kinsey listed the following destinations: AirTran entered the market with service to Atlanta and Orlando and subsequently added service to Milwaukee. Southwest Airlines added Philadelphia, Denver, and Fort Myers. CommAir entered as a Delta connection flight with service to JFK in New York. Great Lakes entered the market as an essential air provider with air service to a number of smaller locations including Fort Leonard Wood, Missouri, Burlington, Iowa, Decatur, Marion, and Quincy, Illinois.

Chairman Hrabko clarified that the airlines are committed to 24 months of service upon receipt of the incentive monies. If the airlines do not continue for the 24 month period, the money is to be returned by the airlines.

Mr. Nash questioned how this would work with seasonal flights. Mr. Kinsey stated these types of flights are covered by a month-to-month agreement and these airlines would receive a waiver of 1/3 of their intended service for the first year. In subsequent years, they will be treated as are others.

There was a short discussion about programs of this type being relatively standard at airports around the country, that airlines have come to expect them and that they convey commitment on the part of the Airport to attract and keep the service.

There being no further discussion, a vote was taken and the motion carried unanimously.

## 6. **OTHER BUSINESS**

Chairman Hrabko advised the Commission that while American Airlines has recently announced that it will begin to downsize its operations in St. Louis to 36 flights a day as a part of American realigning its business model, there are other airlines interested in picking up a number of those flights. Many of the airlines, including Southwest, U.S. Airways and Frontier, have added flights to their current schedule and have indicated interest in adding additional flights. Midwest will be a new airline beginning operation in 2010. Aero Mexico will begin travel to Cancun in November, 2009, adding daily flights into 2010.

The Airport has taken immediate actions in an attempt to cut operating costs, such as a hiring freeze, no overtime unless an emergency, only necessary business travel will be approved, and all invoices over \$1,000 are to be reviewed before payment. Managers are reviewing ways to consolidate duties within their respective departments. The Airport's capital improvement

program, including the Airport Experience, is being reviewed, with the concourse roofs and the new signage being a priority.

The Airport is also working on a number of projects to enhance revenue to the Airport.

7. **NEXT MEETING**

Wednesday, November 4, 2009 at 2:00 P.M.

8 **ADJOURNMENT**

There being no further business, the meeting adjourned at 2:53 p.m.