



AIRPORT COMMISSION

MINUTES

**Wednesday, September 5, 2018 - 2:00 P.M.
Lindbergh Conference Room**

Members Present: Mr. Bales, Mr. Cantwell, Ms. Davis, Mr. Fitzgerald, Ms. Fowler,
Mr. Lipman, Dr. Nemanick, Ms. Osborn, Mr. Reed, and Chairperson
Hamm-Niebruegge

Members Absent: Mr. Gaal, Ms. Green, Mr. Jenkins, Mr. Kling, Mr. Sauget, Mr. Stelzer,
Ms. Teitelbaum

Airport Staff: Beckmann, Conner, Glasener, Gooding, Hollenberg, Klein, Kulinsky, Lea,
Ramos, Ruth, Ryan, Salarano, Spencer, Stella, Stoffel, Strong, Tiemann

Legal Department: Pandolfo, Diekhoff, Emmel

Guests: Maurice Falls, Board of Aldermen; Richard Gaines, RK Gaines &
Associates; Tom Malechek, St. Louis County; Linda Martinez, Mayor's
Office; Susie McFarland, White Coleman & Associates; Marnee Morgan,
Morgan Graves Consultants; Jack Thomas, St. Louis County; Scott
Wightman, Arthur J. Gallagher & Associates

Media: Elliot Davis, Fox 2 News/KTVI
Jordan Haar, First Rule

The Meeting was called to order at 2:02 P.M.

1. MINUTES

Approval is requested for the Minutes of the August 1, 2018 Airport Commission meeting.

A motion for approval was made by Ms. Fowler and seconded by Mr. Lipman.

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

2. ORDINANCE

- A. An Ordinance authorizing The City to enter into an Airport Aid Agreement with the Missouri Highways & Transportation Commission to reimburse the City up to \$350,000 for direct costs incurred by the City for the marketing and promotion of air service at the Airport.

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

Mr. Strong 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 Ordinance authorizes the City to enter into an Airport Aid Agreement with the Missouri Highways & Transportation Commission, wherein the City will be reimbursed for up to \$350,000 for costs incurred for the marketing and promotion of air service. A local match of \$38,889 is required.

This will bring the total amount received by the Airport to \$2,787,350. These grants are available to all commercial service airports in the State of Missouri and are funded through fuel sales taxes collected in excess of \$4.5 million per year.

There being further discussion, a vote was taken and the motion carried unanimously.

3. **OPERATIONS**

Approval of an Amendment to the Agreement with ServiceMaster Contract Services, Inc. to provide Carpet Cleaning Service for the Airport. The Agreement began on October 1, 2015 and will now end on October 31, 2019. The Not-To-Exceed Contract Amount will be increased by \$70,284 from \$300,000 to \$370,284. This First Amendment extends the term of the Agreement by 12 months and increases the Not-To-Exceed Contact Amount by \$70,284.

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

Mr. Stella 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.

This Amendment is for a one-year extension of the Agreement for cleaning of carpets in both terminals and the customs areas of the Airport.

In response to a question regarding extending the Agreement by one year as opposed to going out to bid, the Chairperson reminded Commissioners that, due to the uncertainty surrounding the privatization issue, the Airport will continue its attempt to negotiate extensions of current Agreements with no rate increases, where feasible.

The Commissioners requested a list of all Agreements that might be extended for one or two years due to privatization.

After further discussion, a vote was taken and the motion carried unanimously.

4. **PUBLIC RELATIONS**

Approval of an Agreement to Morgan Graves Consultants, LLC to provide the Airport with Customer Survey Services. The Agreement will begin on October 1, 2018 and will end on June 30, 2020. The Not-To-Exceed Contract Amount will be \$54,477.50.

A motion for approval was made by Mr. Lipman and seconded by Ms. Fowler.

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

Marnee Morgan, CEO of Morgan Graves, was present and introduced to the Commission.

This twenty-one month Agreement provides for the continued collection and analysis of data from surveys completed by passengers at the Airport. Previously, students attending the University of Missouri-St. Louis collected the data and then forwarded that data to Airports Council International World (“ACI”) for review. The funding for the collection of the survey data was provided by the Regional Business Council and Civic Progress. Recently, the Airport released a bid for the survey collection work and UMSL determined they would not bid on it.

The Request for Proposals (“RFP”) was released in April, 2018 and three bids were received. All bids were rejected. The RFP was revised and released again in June, 2018. Morgan Graves was determined the lowest and best bidder. The personnel collecting the data under this Agreement will do so in the same manner as the UMSL students, surveying 700 passengers per quarter and relaying the information to ACI.

Morgan Graves Consultants is certified as both a Minority Business Enterprise and a Women-Owned Business Enterprise and will account for 75.49% of the minority participation on this Agreement.

After further discussion, a vote was taken and the motion carried with Commissioner Nemanick abstaining.

5. **ENVIRONMENTAL AND SAFETY**

Approval of an MOU and a Reimbursement Agreement with the Missouri Department of Revenue for the provision of environmental services for the Airport. The MOU and Agreement will both commence October 1, 2018 and run through September 30, 2021. The Reimbursement Agreement Not-To-Exceed Contract Amount will be \$75,000.

A motion for approval was made by Mr. Fitzgerald and seconded by Ms. Fowler.

Mr. Beckmann provided the details of the Memorandum of Understanding and the Reimbursable Agreement as set out in the Executive Summary included with the agenda items and recommended approval of the motion.

This is a three-year extension of the MOU and the Reimbursement Agreement currently in place. The Airport reimburses the Missouri Department of Natural Resources (“MDNR”) for the assistance of its employees in reviewing environmental issues and in expediting Airport projects. During this three-year period there will be a great deal of work performed regarding the former Missouri Air National Guard facility. The MOU and the Reimbursement Agreement will help facilitate that work, if needed.

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

6. **PROPERTIES**

- A. Airlines Operating Agreement and Terminal Building Space Permit with MN Airlines, LLC d/b/a Sun Country Airlines, AL-086.

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

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

MN Airlines, d/b/a Sun Country Airlines, will begin scheduled service to Ft. Meyers and Tampa, Florida four times per week starting October 1, 2018. This is a month-to-month agreement for up to 36 months. MN Airlines will lease counter space in Terminal 1.

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

- B. Space Permit with G2 Secure Staff, LLC, AL-087.

A motion for approval was made by Ms. Fowler and seconded by Ms. Davis.

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 Space Permit covers 1,333 sq. ft. of space consisting of office space located near the baggage service offices in the baggage carousel area in Terminal 1. Revenue to the Airport is \$69,835.87. The Permit contains a 30 day cancellation clause.

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

C. Amendment to Right of Entry Permit for the United States of America Army Corps of Engineers.

A motion for approval was made by Mr. Fitzgerald and seconded by Dr. Nemanick.

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

This Amendment, which extends the Permit for one year, grants the United States Army Corps of Engineers access to the property for investigation and remediation of contaminated soil and ground water.

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

D. Right of Entry for Construction with the United States of America Army Corps of Engineers.

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

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

This Right of Entry for Construction provides the US Army Corps of Engineers the right to construct buildings on Airport property, subject to the review and approval of the Airport, for one year from the date of final execution of the Right of Entry.

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

E. Insurance at St. Louis Lambert International Airport Award and approval of Bid for the following Airport Insurance Policies:

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

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

Airport Liability - Insurance Company: Starr Aviation

All Risk Property - Insurance Company: Swiss Re

Business Auto - Insurance Company: Granite State Insurance Company

Inland Marine - Insurance Company: Lexington Insurance Company

Public Officials & Employment Practices Liability - Insurance Company: Ace/Chubb American Insurance Company

Mr. Scott Wightman of Arthur J. Gallagher Insurance Company, the Airport's insurance broker, along with Richard K. Gaines of RK Gaines & Associates and Susie McFarland of White Coleman & Associates, were present and introduced to the Commission.

The Airport's insurance policies for 2018/2019 are as follows:

Airport Liability - Starr Aviation: policy limit of \$350 million. Annual premium will be \$181,750; an increase of \$4,250. The deductible is \$50,000 per occurrence & \$500,000 aggregate. Catastrophic management coverage endorsement was added which will provide for additional coverage for expenses that may be incurred for certain catastrophic events.

All-Risk Property – Swiss Re: policy limit of \$750 million. Annual premium for the primary coverage, provided by Swiss Re, is \$950,000. The excess coverage (which will total \$250 million) will be provided by Scottsdale, RSUI and OneBeacon and the premium will be \$143,750. Policy limit is \$750,000,000.

The total premiums for Property Insurance will be \$1,093,750, which is an increase of \$227,888. This increase is primarily due to the increased total insured value of the Airport. The Airport is currently valued at \$999,311,111, an increase over last year of approximately \$47 million. Deductibles will be \$1 million for wind and hail, \$1 million for flood, \$1 million for earth movement and \$500,000 all other peril.

Commissioner Lipman stepped out of the meeting at this time.

Originally, AIG, the current property insurer, provided premiums and deductibles that were higher than those offered by Swiss Re. Prior to today's meeting, AIG submitted another offer which matched the deductible amounts. However, AIG's premiums were still \$78,312 higher than the total quoted by Swiss Re for both primary and excess coverage.

Business Auto: Granite State Insurance Company (AIG): Policy limit of \$1 million. Annual premium \$187,485; a savings of \$3,815. The deductible is \$5,000.

Inland Marine: Lexington Insurance Company: Policy limits: \$3,321,944 for mobile equipment; larger equipment is up to the value of the equipment. Annual premium will be \$52,751, which is a decrease of \$9,897. The deductible is \$5,000 for mobile equipment and \$50,000 for vehicles valued over \$250,000.

Public Officials and Employment Practices Liability: Ace/Chubb American Insurance Company: Policy limit is \$7 million. Annual premium is \$60,747 which is an increase of \$1,649.

The premiums for these five 2018/2019 insurance policies total \$1,576,483, an increase of \$219,895.

There being no discussion, a vote was taken and the motion carried with Commissioner Cantwell abstaining.

Commissioner Lipman rejoined the meeting at this time.

7. OTHER BUSINESS

Moody's Investors Service has upgraded the Airport's bond rating to A2 with an Outlook of Stable.

Beginning in March, 2019, Southwest Airlines will begin weekly Saturday service to Montego Bay, Jamaica & Punta Cana, Dominican Republic. Also in March, 2019, seasonal service will resume to West Palm Beach, Florida on Saturdays and Charleston, South Carolina on Sundays. This will bring Southwest's departures to 118 daily, 101 on Saturday and 120 on Sunday.

Overall enplanements rose 4.5% in July 2018 vs. July 2017. Local traffic increased 3.7% and connecting traffic increased 7.6% during that same period.

In honor of Teddy Bear Day, Build-A-Bear Workshop® partnered with Southwest Airlines and presented a teddy bear to every passenger on a selected flight from Dallas to St. Louis, regardless of the age of the passenger.

The City has entered into an emergency Service Agreement for Terminal 1 and Terminal 2 Cleaning Services with Regency Enterprises Services, LLC with a term of 18 months. Within 90 days of the execution of the Agreement, Regency must select a flooring subcontractor, which is acceptable to the Airport, to perform cleaning and maintenance of the floors throughout the terminals.

Business Diversity Program Update

Amber Gooding, Airport Assistant Director, delivered a PowerPoint presentation entitled *Business Diversity Programs Update*, a copy of which is kept with the official minutes of these proceedings.

The BDD Office handles the certification of minority firms for contracts dealing with the City of St. Louis and St. Louis Lambert Airport. The certifications are categorized as Disadvantaged Business Enterprises ("DBE") and Airport Concession

Disadvantaged Business Enterprises (“ACDBE”) (federal programs), as well as Minority Business Enterprises (“MBE”) and Women-Owned Business Enterprises (“WBE”) (City and Airport programs). Negotiations are currently underway to also handle the certification for St. Louis County.

The BDD Office received 176 applications for certification during the City’s fiscal year of July, 2017 through June, 2018, which is up 17% from the previous fiscal year. Of those 176 applications received, 122 were approved.

There are currently 884 firms certified as either DBE, MBE or WBE firms. The ethnicity of these firms is African-American, Caucasian, Hispanic, Asian, Native American and Other.

City MBE/WBE Goals:

General Service Contracts: the goal was 25% MBE and 5% WBE. The actual participation during the past year was 32% MBE and 5% WBE.

Construction & Professional Service Agreements: the goal was also 25% MBE and 5% WBE. The actual participation was 34% MBE and 12% WBE.

Federal DBE and ACDBE Goals:

Construction & Professional Service Agreements: the goal was 21%. The actual participation was 22%.

Concessions: the goal was 25.29%. The actual participation was 32.38%.

Ordinance 70767 was signed into law on June 4, 2018 which revises the current BDD program. The current program calls for 25% MBE, 5% WBE, which includes all ethnicities. The new program will break down the ethnicity percentages even further for construction and service contracts, i.e. African-American - 21%, Women-Owned - 11%; Hispanic - 2%, Asian - .5% and Native American - .5%. The BDD Office is meeting with City officials regarding the procedures and rules needed to implement the new MBE/WBE Program.

The BDD office works closely with a variety of community and agency partners to conduct workshops throughout the year. These workshops educate companies interested in becoming certified and are listed on the BDD. For further information, or to register for one of the workshops, see the following link:

<https://www.flystl.com/business/business-diversity-development-1/business-diversity-development>.

Fly 314 Coalition Update

Linda Martinez, Deputy Mayor for Development, addressed the Commission and gave an update on the Privatization process.

To determine whether privatization is advisable, an Advisory Group, which consists of seven employees of the City of St. Louis, meets bi-weekly to review various records from both the City and the Airport.

This Advisory Group is made up of six components:

Airport Diligence: collecting data for review.

Community Outreach & Communications – Consists of discussions with the citizens of the City of St. Louis, the flying public, the corporate community, airport service providers, airport employees, vendors, etc.

New Use Agreements and Lease with the Airport and Communications with the FAA – The existing Airport Use Agreement expires in 2021. A separate Use Agreement would be discussed with the airlines.

Existing Concession Agreements and Other Agreements – current Agreements are being extended by one or two years, as opposed to bidding new ones. Any new Agreements are being reviewed to determine compatibility with possible future privatization.

Market Exploration: The market will continue to be evaluated throughout the coming year to watch for market changes.

Existing Debt and Finance: the Airport will continue operating as it has been during the exploration process. There is a potential bond refunding in 2019 and that will still be considered.

Legal Compliance: The exploration process is being conducted with inclusion and diversity in mind and these goals will continue should privatization go forward.

The Advisory Group will be reviewing all data, which could take 12-18 months to determine: 1) The best options for the City; 2) Whether meaningful proceeds can be generated for the City; 3) Enhancement and improvements to the Airport; and 4) Whether regional economic development can be expanded.

Discussions took place regarding several topics:

Distribution of proceeds: The Commission was advised that a decision regarding the distribution of potential proceeds to various entities (i.e., Airport, City, surrounding Counties) would not be made by the Advisory Group, as the main function of this Group is to advise whether to release a bid for a Request for Proposals.

Amount Desired from Privatization: The Commission was advised that there is not currently a fixed amount that the City would hope to receive from Privatization, and no amount would be decided upon until such time as all of the data is reviewed.

Approval Process: Any long-term lease of City property requires approval by the Board of Aldermen, the Board of Estimate and Apportionment and the Mayor. Community engagement would also be important. Approval by the FAA and Department of Transportation would be required. Also, approval will be needed from 65% of the carriers operating at the Airport.

Timeline for Working Group: Meetings will take place bi-weekly until mid-2019, with any decision from the Advisory Group anticipated to be reached during the latter part of 2019 or early 2020. A Request for Qualifications, followed by a Request for Proposals, would then potentially be issued in early to mid-2020.

Airport Comparisons: A comparison analysis of the Airport against other airports will be part of the process. The Airport will be compared to all other airports, regardless of whether municipally-owned or governed by an Airport Authority.

Current Airport Debt: The Airport's current debt is \$595 million and there are approximately \$90 million in bonds that are eligible for refunding next year, which will potentially reduce the Airport's debt.

Upon conclusion of the presentation, Ms. Martinez assured the Commissioners that if, upon completion of the review and analysis of all data, it is determined that the Airport would not greatly benefit, Privatization would not be recommended.

8. **NEXT MEETING**

Wednesday, October 3, 2018 at 2:00 P.M.

9. **ADJOURNMENT**

The meeting adjourned at 3:40 P.M.

The foregoing were approved by the Airport Commission at the meeting held on Wednesday, October 3, 2018.


Chairperson

10/3/18
Date 10