START OF TRANSCRIPT

[00:00:28] Let's go ahead and get started.
[00:00:32] Good morning. This is Commission President Stephanie Bowman calling to order the special
[00:00:35] meeting of October 8th.
[00:00:37] Twenty nineteen the time is 9:20 with me.
[00:00:40] We are meeting the commission chambers at Pier 69 present.
[00:00:44] With me today are commissioners Caulkins, Gregoire, Fellowmen and Steinbruck.
[00:00:49] This meeting is being digitally recorded and may be viewed or heard at any time on the
[00:00:53] port's Web site and may be rebroadcast by King County Television.
[00:00:57] Please join me in standing for the Pledge of Allegiance.
[00:01:07] To the republic for which it stands a nation under God, indivisible, with liberty and
[00:01:14] justice for all. All right, thank you, I'm in turnover's Steve.
[00:01:21] We'll do a focus on our budgets this morning.
[00:01:24] Morning, commissioners. Today we continue a series of presentations on a proposed 2020
[00:01:28] budget. At the last meeting, we presented the proposed Central Services Budget.
[00:01:33] And this morning we'll be presenting the aviation division operating and capital budgets,
[00:01:37] along with the Maritime and Economic Development Division's capital investment plan as
[00:01:41] well. After this presentation, during this afternoon's regular session, we will present
[00:01:46] the Maritime and Economic Development Division's operating budgets.
[00:01:50] As I mentioned during the last meeting, the proposed 2020 budget is aligned with the
[00:01:54] port's strategies, is fiscally responsible, and it is responsive to the region's needs.
[00:02:00] The OP operating but division budgets that you'll be reviewing today are driven by a
[00:02:03] focus on sustainability.
[00:02:05] Innovation. Customer service.
[00:02:07] Safety and security.
[00:02:09] Organizational effectiveness and equity.
[00:02:12] The capital investment plan with some which amounts to more than 3 billion dollars over
[00:02:16] the next five years, continues our commitment to investing in regional infrastructure, to
[00:02:20] grow our transportation gateways, create jobs and stimulate economic development.
[00:02:26] Finally, you'll see in this morning's CFP presentations implementation of our new
[00:02:30] financial policy on sea IP reserves, using a common terminology and elimination of the
[00:02:36] strategic reserve that has been in place for the past several years.
[00:02:39] And this is at the commission's request for asking us to review this.
[00:02:43] So you'll see the results of that in practice as we present the budget this morning.
[00:02:49] We will also be providing a briefing on our updated financial policies during this
[00:02:53] afternoon's regular session as well.
[00:02:55] And with that, I don't want to delay.
[00:02:56] I'm going to turn it over to the managing director of the airport, Lance Little, in
[00:03:01] Borgen Anderson. Thank you, Steve.
[00:03:05] Good morning, commissioners commissioners' this morning we'll be presenting the 2020
[00:03:09] preliminary budget.
[00:03:10] I see said we'll go both over the operation as well.
[00:03:13] As well as the capital budget this morning, we can go into a lot of details or we can
[00:03:18] keep it at high levels as you would like.
[00:03:22] One of the things you to except one things I've always said is that for us, the budget is
[00:03:27] a means to an end.
[00:03:28] It is not the end state.
[00:03:29] And so it's very important that we understand the context in which the budget has been
[00:03:33] done. You guys, I've seen this side before.
[00:03:36] Just spend one minute just going back through it.
[00:03:39] We have everything again emanates from the center agenda.
[00:03:43] We have gone through a vision in session.
[00:03:45] We we have depicted exactly what we want the airport to look like five, 10, 15 years down
[00:03:53] the road. We have established specific metrics, smart goals, long term goals.
[00:03:59] We also understand that we do not operate within a vacuum right there.
[00:04:03] There are forces out there that can prevent us from achieving our goals.
[00:04:07] And so that's why we go through a SWOT analysis.
[00:04:09] We look at our internal strengths and weaknesses.
[00:04:11] We look at our external operate opportunities and threats that exist.
[00:04:17] The goals that we have set are are really ambitious.
[00:04:20] So we do a gap analysis.
[00:04:21] We look at where we are now versus where we're trying to get to.

[00:04:27] What we come up with are the strategies that we need to eliminate those gaps.
[00:04:30] So those are the strategies that we that we have established.
[00:04:34] That is a strategic part of the process for us.
[00:04:36] Then we have the implementation part.
[00:04:38] That's where the rubber meets the road.
[00:04:40] That's where we actually do our budget.
[00:04:42] Sorry, our business plan.
[00:04:44] So the business plan is all the activities that we're going to get done in a aparticular
[00:04:47] year in order to realize our objectives, realize or goals, business plan activities have
[00:04:53] costs associated with it, has equipment that's required to to get the activities done.
[00:05:00] And we need people.
[00:05:01] Right. So those three components actually are what we use to develop our budget.
[00:05:05] So that's all we get to the budget process and we take it all the way down to our
[00:05:10] performance reviews.
[00:05:11] So the activities in our business plan are actually on our performance plans for all of
[00:05:16] four team members.
[00:05:17] And so that's all we get alignment where everybody in the organization, their performance
[00:05:21] plan is actually aligned with the business plan and the budget and aligned with the
[00:05:25] strategy and the mission and the vision of the organization.
[00:05:28] So that, in a nutshell, is the exhaustive budgeting process that we go through next night
[00:05:34] bargain. So these are some of the top priorities that we have in the organization.
[00:05:39] They're in no specific order.
[00:05:43] Of course, security is extremely important to us.
[00:05:46] The bad guys only need to get it right once we have to get it right all the time.
[00:05:51] And so zero discrepancy, zero breaches is extremely important to a safety is also
[00:05:56] important. We want to make sure 100 percent to our employees.
[00:05:59] And when we say our employees, we're not just talking about port employees, everybody who
[00:06:03] works at the airport. Hundred percent of our employees go home safely everyday.
[00:06:08] Innovation is the answer.
[00:06:10] Can I just interview you first? I'm just here.
[00:06:12] I know a few of us have hard copies of this to the other commissioners that don't have
[00:06:16] them need them.
[00:06:19] The screen is not displaying the full o levels.
[00:06:25] Ok. Just want to make sure that we're all focused on this.
[00:06:28] OK, great. OK.
[00:06:29] Terrific. Thank you. Sorry.
[00:06:31] Continue innovation. Innovation is extremely important to us.
[00:06:35] Commission is, I think with the goals that we have, with the continued growth, with a
[00:06:38] limitation and the restriction that we have, we have to basically innovate our way onto
[00:06:43] the infinite that we're trying to get to.
[00:06:45] And I see Dave Wilson here who leads our Innovations program, working very closely with
[00:06:49] the rest of the port. We have we've really come up with some great ideas to achieve, to
[00:06:54] achieve our goals and our customer service.
[00:06:57] What you'll see during in the presentation, we're going to probably hit the 4 percent
[00:07:02] growth target this year and next year we're going to see a 3 percent growth.
[00:07:05] So the airport continues to grow.
[00:07:07] And again, even with the with the the limited footprint that we have and on the
[00:07:12] restriction then challenges that we have, we are still trying to maintain a level of
[00:07:16] service, what we call optimal.
[00:07:17] And so the budget actually that bargain is going to be present in is geared towards
[00:07:21] keeping that level of service at the optimum level.
[00:07:25] Community engagement is extremely important to us.
[00:07:29] You will see. Excuse me.
[00:07:31] Yes. I mean, I understand optimal is sort of within the constraints of where we are.
[00:07:36] Right. So I think when you say maintain optimal, what you showed previously was that our
[00:07:42] goal was to get to something above where we are.
[00:07:45] So the term optimal is really relative to where we are in the situation.
[00:07:49] Yeah. Where we're well, optimize what was previously called level of service.
[00:07:52] See there? That level of service.
[00:07:53] ABC, D-N.D
[00:07:55] and CS, where we're trying to get to the level of service you see are optimal is where
[00:08:02] we're trying to get to the the there's some facilities in the airport that are actually
[00:08:08] functioning at that level.

[00:08:09] If you go to the north satellite as an example, that would be an example.
[00:08:13] The new section of the north satellite, that would be an example of a facility that that
[00:08:17] level of service. See if you go to most other places in the airport, we're not there yet.
[00:08:23] Term concourse A during maybe the non-peak period, it would be at level of services.
[00:08:27] So the overall objective is to get to a level of service see throughout the entire
[00:08:31] airport. So when the naht when they internation on arrival facility is completed, that
[00:08:35] will be at a level of service.
[00:08:37] And that's measured from like airport drive.
[00:08:40] Right. There are several metrics that's there at a space that you have between
[00:08:44] individual, the time that it takes to get through the security checkpoint, the time that
[00:08:47] it will take to get through the international arrivals process.
[00:08:51] There are various different metrics that you use to to determine what level of he is.
[00:08:55] But doesn't it start at airport drive?
[00:08:58] Yeah. So that the time that it takes to get up to the driver and get through the occur to
[00:09:01] check what would be a part of that metric as well.
[00:09:04] But it's not just on the line side is in the terminal and it's on the other side.
[00:09:08] I just want the public to understand that this is obviously where they feel the and it's
[00:09:12] gonna take us a while to get there.
[00:09:14] And as I said, we will have some facilities that are our right level of service see
[00:09:18] before others.
[00:09:19] Again, the Nahed satellite was probably at a E-R somewhere.
[00:09:24] A law? No, it's. Once we have done the construction is we consider that a level of
[00:09:28] services' or FISA is definitely nowhere near our level of service right now.
[00:09:33] But once we are completed that next year, then it will be at that level of service.
[00:09:37] You know, we should take this up on a level I know as it's my eighth or seventh, I don't
[00:09:42] know, budget cycle.
[00:09:44] One thing I think is missing when we do a presentation like this.
[00:09:47] I go back your slide and you talk about doing, as I'll call it, the strengths,
[00:09:50] weaknesses, opportunities, threats, the SWOT analysis every five to 10 years, given the
[00:09:55] growth that's going on at the airport.
[00:09:56] The reality is we're doing a SWOT analysis continuously.
[00:10:00] I do think having that as a conversation starter when we talk about the budget is the
[00:10:04] best way to frame not just for commissioners, but for the public.
[00:10:07] What we're talking about.
[00:10:09] I look at your strategic priorities and I like this sounds very positive.
[00:10:13] I'm looking at Mr. phelan's question, which is what's the problem we're trying to solve?
[00:10:18] What's the pressing threat in terms of whether it's congestion or throughput?
[00:10:23] I think we have to be honest when we think about the budget, that it's not just our
[00:10:27] vision board, which sounds very happy.
[00:10:30] It is how we're doing, a constant SWOT analysis.
[00:10:33] Given the way that we are fiscally responsible with the limited resources to manage a
[00:10:38] booming airport. So I looked at these materials.
[00:10:41] I admit that I think they were career to my house last night, looked at these materials
[00:10:46] in the middle of the night, but I said to myself, we got to be honest, as we have this
[00:10:49] budget conversation, I don't want to be unhappy talk.
[00:10:52] Economically, that's where we are as a region.
[00:10:55] But that's not where we are in terms of operating a booming airport.
[00:10:58] And so I want to make sure we would be candidates.
[00:11:01] We talked with schematics. Yeah. So just this one one correction, commissioner, we don't
[00:11:05] do the SWOT analysis every 5 to 10 years.
[00:11:08] The vision is for five to 10 years.
[00:11:10] We actually review or a SWOT analysis every year.
[00:11:12] In fact, when we presented the last time on the budget, we actually went through the
[00:11:16] strengths, weaknesses, opportunities and threats.
[00:11:19] If you'll recall, we went through all of them.
[00:11:21] So we actually review the SWOT every year.
[00:11:24] It was the June presentation.
[00:11:26] Yeah. So, yeah, if the arrow actually points to the vision goals, the five to 10 years,
[00:11:35] that's what five to ten year references is the vision.
[00:11:39] Yeah, well it's we are it's part of it's part of the whole strategic planning process.
[00:11:44] So we do a extensive SWOT analysis, but we've reviewed every year.
[00:11:50] Yeah. And I think that's a great view when we talk about.
[00:11:53] But then you continuously doing that's part of operations and continually doing a SWOT

[00:11:57] analysis based on information that comes in in situations that develop.
[00:12:00] So it's nonstop. And as Morgan said, we've presented on it in June, we can present it
[00:12:04] again. So you can see the specifics there.
[00:12:09] Yeah. You have very good point.
[00:12:12] Very good point. So I guess in terms of the prioritization, I mean, I know we're trying
[00:12:18] to lift the whole boat, so to speak, but it seems a prioritization for budget like there
[00:12:24] are known choke points that will significantly improve like that component to customer
[00:12:30] service. And I just wondering, I understand our obligation as to the overall airport, but
[00:12:35] if you could help us identify those things, that would be significant alleviation for
[00:12:42] congestion with priority that would help in terms of understanding your broad perspective
[00:12:49] on the airport's challenges for the public.
[00:12:52] Yeah. And if I guess it's probably you'll see in the appendix or we can go through it in
[00:12:57] detail when we go through the budget.
[00:12:58] They are what we call you call them choke points.
[00:13:00] We call them hotspots throughout the airport, for example, that if I was during peak is a
[00:13:05] major hotspot. The curb during certain times of the day, that's a major hotspot.
[00:13:09] The security checkpoint always is a major hotspot where the chances are right there.
[00:13:16] The Oberoi left wings during certain time hotspot gone transition.
[00:13:19] So I've identified all of those hotspots.
[00:13:21] That's one of the reason last year on year before last, we asked for and got commission
[00:13:26] approval to have on call contractors that could actually help us to manage those
[00:13:31] hotspots. There are some longer term projects such as the roadway realignment exit exit.
[00:13:37] That will resolve some of those issues.
[00:13:39] But in the meantime, we have to use operational means and we have to use people to
[00:13:43] actually alleviate some of those problems.
[00:13:45] So that's in the budget and you'll see some other requests.
[00:13:47] I just ask that you highlight those.
[00:13:49] Okay. And I'll do that as we go through it.
[00:13:50] Yeah, we'll do that. Thank you, sir.
[00:13:52] Lindesay, just one thing and then I know we need to move on because we have a lot of
[00:13:55] slides to get through. But I'd appreciate.
[00:13:58] I didn't see in the presentation or even in the appendix where we are with getting to
[00:14:03] these goals. And so, for example, where are we with a askew score?
[00:14:08] The part 1 50, those sorts of things kind of a scorecard.
[00:14:12] And I appreciate the goal.
[00:14:13] But where are we year to year in trying to reach those measurements?
[00:14:17] That would be really helpful information.
[00:14:18] Yeah. And we actually have that.
[00:14:19] We do our quarterly review at the airport so we can provide that information are we can
[00:14:23] do a special presentation.
[00:14:24] This was really focused on the 2020 developing the 2020 budget.
[00:14:28] But we can provide that as we're allocating resources to what?
[00:14:31] And does that keep us closer to the goals that you've established?
[00:14:34] Okay. We can do that.
[00:14:35] These are the things we're trying. I guess I'm going to.
[00:14:37] Steve, we can't separate these.
[00:14:39] I'm sorry if you think we've got the airport scorecard somewhere tucked into this brain.
[00:14:43] I don't have it to look at and compare it to the budgets or the SWOT analysis.
[00:14:48] We've got to think about it when we're doing the budgets with those strategic elements in
[00:14:52] mind. Yeah, good idea is that there in the budget cycle we process for our presentation,
[00:14:58] we actually do our presentation and update on where we are with the goals.
[00:15:01] That would be a good touch and we can do that.
[00:15:06] All right, slide five just before slide five is a dead horse, I guess.
[00:15:14] Yes, I'm sorry. Sorry.
[00:15:16] Just a few things I wanted to highlight that you're going to see in the presentation that
[00:15:21] bargain you're going to see that we have a significant increase in our operating
[00:15:25] revenues, which is very important.
[00:15:27] But also even more important, you're just going to see a moderate increase in our
[00:15:30] operating expenses, which is very good.
[00:15:32] The team read it at a great job in trying to keep this budget as lean as possible with
[00:15:36] that little fluff as possible.
[00:15:38] You're going to see request for FTD.
[00:15:41] The number may seem significant, but you'll see that it's in line with what we requested.

[00:15:45] What we say we would request over the last three years as well.
[00:15:49] You're going to see some innovation and some risk taken as part of this budget with
[00:15:54] vacants. In fact, Rick Santorum.
[00:15:55] Bachmann is going to talk about that.
[00:15:57] And on the capital budget side, the CHP, currently there are some major projects that's
[00:16:03] under review, that's in preliminary phases.
[00:16:07] That's not in the CHP as well.
[00:16:10] And these are going to be some significant project where they're not in the CHP
[00:16:14] currently. So with that, how they handle it.
[00:16:16] I think one of the large areas of savings seems to be in the environmental remediation
[00:16:21] liability expense at the minus 81 percent situation.
[00:16:25] And I just see in the list here that the work we do on habitat and storm water are not
[00:16:31] listed amongst those things.
[00:16:32] So I'm just wondering.
[00:16:34] That's a great savings.
[00:16:35] I'm just looking at what expense we're going to want to touch on that.
[00:16:39] Sure. OK. Why don't I turn to the overall summary and I'll address that question as I
[00:16:43] move down through the slide.
[00:16:45] I'll just say that, as Lance indicated, I'm very pleased to present this 2020 budget.
[00:16:49] And I would say that we are really planning for some favorable results and I'll try to
[00:16:54] articulate them here on the first slide and then subsequent slides will go into the
[00:16:58] details. So starting with revenues, we are planning for revenues to be up almost 10
[00:17:03] percent next year and costs growing at only 3.3
[00:17:07] percent. The revenue side just to show more detail on this, but normally we try not to
[00:17:13] grow the aeronautical revenue.
[00:17:14] That means our line costs are going up 9.9
[00:17:17] percent. Is there any of that?
[00:17:20] Only 4.7
[00:17:21] percent is actually rate base revenues.
[00:17:24] The other half is the reduction in revenue sharing and also the increase in the
[00:17:29] commercial area, which is a separate cost center.
[00:17:32] So the the airline revenue is forgive me.
[00:17:34] Let's just pretend for a second that we don't all know what revenue sharing is because
[00:17:38] that helps explain. All right.
[00:17:40] Revenue sharing is something in our airline lease agreement whereby we would credit the
[00:17:46] airlines with 50 percent excuse me, 50 percent in twenty nineteen or twenty nineteen.
[00:17:52] It was 20 percent of the debt service coverage above one hundred and twenty five percent.
[00:17:58] So that in this agreement it was 40 percent in twenty eighteen.
[00:18:03] Twenty percent in nineteen.
[00:18:05] And it's zero percent in 2020 and 21 in 2022.
[00:18:10] That was being phased out in this agreement.
[00:18:12] We'll see the implications of that.
[00:18:14] Is it would you call it like a rebate.
[00:18:17] Because I mean their their businesses are generating the revenues, of course, at least
[00:18:24] part of them. They're not on the aviation side and we're giving some of it back.
[00:18:31] I've always had a heart. It includes ADR parking.
[00:18:34] Oh, yeah. Most of their revenue is all the non aeronautical side.
[00:18:38] It's based on all of the revenue.
[00:18:40] It's all revenue. But most of what just generated is an honor.
[00:18:45] Could you just for the benefit of the public that may be watching, why we why we have
[00:18:53] this revenue sharing when we have billions of dollars of potential added costs of
[00:19:00] construction, capital, etc..
[00:19:02] I'll say in the previous agreement, which ran from 2013 to 2017, the revenue share was 50
[00:19:09] percent and it was that every year and that was just a negotiated agreement.
[00:19:15] The at the time it seemed like the prudent thing to do because we were attempting to
[00:19:20] manage down the cost per employment and that was one of the tools we had at our disposal
[00:19:25] to do that, as at least some of you will remember when we got into the more recent lease
[00:19:30] agreement negotiations.
[00:19:32] One of the things we wanted to do was position ourselves to be able to afford the capital
[00:19:38] program that we knew was coming.
[00:19:40] And so that's why in this agreement it was being phased out for the very reasons you
[00:19:44] cite. We want to retain that cash to help us fund the future capital program.
[00:19:49] And we'll we'll see how big that capital program is getting here in this subsequent

[00:19:53] slides. And if I want to, though.
[00:19:56] So it's that's entirely understandable.
[00:19:59] But why did we have it in the first place as what I don't understand.
[00:20:02] I think you have to do the calculation as CPE to.
[00:20:06] Yeah, it's. Yeah.
[00:20:08] I mean, if I wasn't here at the time, but at other airports, because of the recession and
[00:20:14] the downturn and the struggles that the airlines were going through, there were several
[00:20:18] airports that actually negotiated revenue sharing agreements with the airlines.
[00:20:22] The airlines are booming now.
[00:20:24] So we don't think we need a matric.
[00:20:26] That's the reason why.
[00:20:27] But I know there that's what happened at other airports and maybe they did.
[00:20:31] My liberal arts version, if that's for one second, is, you know, the cost per employment
[00:20:37] is the right way to think about the cost it takes to a traveler to travel.
[00:20:41] Right. I mean, there is a correlation, if not causation.
[00:20:44] I'm going to go with that. But that's the control that we have.
[00:20:47] So if you wanna make sure you have service during an economic recession at an airport so
[00:20:51] that our community can go visit family or travel for business, you need to think that was
[00:20:55] one of the levers. But then also the cost per employment.
[00:20:58] Without that, the cost to fly might be prohibitive for those middle class or lower
[00:21:05] economic scale. So those are both the levers.
[00:21:08] But I think it was appropriate and really sound.
[00:21:10] And the team gets your credit to say, OK, in an economic boom, let's be thinking about
[00:21:15] where that where those dollars are and that we're thinking about the overall cost of of
[00:21:19] operating the airport. But I think that's the tradeoff.
[00:21:22] If that's that we need to be thinking about it.
[00:21:24] As you manage that at this point, we're at the right policy in terms of zero percent
[00:21:29] revenue sharing. I just think if future slides, you could show that it's a dynamic thing
[00:21:35] depending on where the airport is in its growth and relative to other airports.
[00:21:39] Right. It's when the revenues needs change over time.
[00:21:43] And so I think your future slides help explain the dynamic, why during those cycles it
[00:21:49] changes. I think Mr.
[00:21:50] Caulkins is trying to jump in here.
[00:21:52] Did you know? Ok, onto the second line item non aired, non aeronautical revenues up 9.1
[00:22:01] percent. I'll talk about this a little more, but this is really important because this is
[00:22:04] the cash that's going to pay for much of our improvements going forward on the operating
[00:22:09] cost side. We look at the airport direct cost, the environmental remediation liability
[00:22:14] expense and charges from other divisions.
[00:22:17] On a net basis, we're growing at 3.3
[00:22:19] percent. And as you pointed out, the environmental remediation liability expense is going
[00:22:23] down. Let me so let me tell you what that is.
[00:22:25] That is primarily the costs associated with asbestos and dirty dirt that we have at the
[00:22:31] north satellite in the south satellite projects.
[00:22:33] And 20 19 was a peak peak year for the encumbrance of those costs.
[00:22:38] And so as we go into 2020 and every year we look at what projects are out there, what
[00:22:44] costs are likely to be triggered that we have to recognize.
[00:22:48] And so it is really something we end up having to do because of the projects we're doing.
[00:22:53] And so this is really a reflection of the fact that we're getting back to a a down year.
[00:22:57] You can look at that line item.
[00:22:59] Since 2017, it was eight point eight.
[00:23:01] It was four. It was six spiked up and now it's dropping back down.
[00:23:05] It all has to do with the nature of the projects we're doing at a given point in time.
[00:23:10] North satellite and s satellite, both very old facilities.
[00:23:13] You get into them, you have asbestos.
[00:23:15] It's very expensive to remediate.
[00:23:17] And that's where we have to recognize that liability.
[00:23:20] I'm just concerned with the with the if we finally get to the fire station that there
[00:23:24] were areas in there where we are practicing foam throwing, I believe that there may be
[00:23:30] some maybe less than unexpected challenges about that.
[00:23:34] There may be. Keep going.
[00:23:43] All right, so dropping down with revenues are growing almost 10 percent in costs at 3.3
[00:23:48] percent. The net result is a 19 percent growth in net operating income.
[00:23:54] When we look at some of the key measures down below cost print placement growing to $13

[00:23:58] dollars, 93 cents up from our forecast for this year of 13 07.
[00:24:04] You know, this is pretty much in line with our expectations.
[00:24:06] When we did the bond issue, we said we'd have S.P.
[00:24:08] of thirteen ninety four for 2020.
[00:24:11] So we're very much in line with the forecast.
[00:24:13] And and when we look at non aeronautical net operating income, this is a subset of our
[00:24:19] overall net operating income.
[00:24:21] But again, it shows that where we're growing revenues faster than the expenses on the non
[00:24:25] aeronautical side, passenger growth or what's listed here is in plain passenger growth,
[00:24:30] which is of course half of our total passengers.
[00:24:33] It shows 5 percent.
[00:24:34] This is a budget to budget comparison.
[00:24:35] We're actually planning to grow 3 percent next year over our forecast this year, which is
[00:24:40] slightly higher than the budget from a capital budget standpoint.
[00:24:44] We're proposing to spend five hundred and seventy million.
[00:24:47] This is down a little bit from this year, but still represents a very robust level of
[00:24:51] spending and reflects the fact that we will be completing the international arrivals
[00:24:56] facility moving full into Phase 2 of the north north satellite and a number of other
[00:25:02] projects which we'll see.
[00:25:04] So overall, yeah.
[00:25:05] Yeah. On the capital side, that that five hundred and seventy million reflects mostly
[00:25:12] projects that are already underway or so they include new projects yet to be built.
[00:25:18] It includes some new projects that have not yet been authorized.
[00:25:22] Most of the new projects won't cede much in the way of spending in 2020, but we will
[00:25:27] highlight those in a later slide.
[00:25:29] So my my question regarding the not yet authorized capital projects, if you are including
[00:25:38] a place holder for a commission proposed restoration of the percent for art to 1 percent.
[00:25:46] In your future capital projects, I would say each project that comes forward will have
[00:25:51] that included in its budget.
[00:25:54] New each new project, correct.
[00:25:56] OK, that's all I have.
[00:25:57] Thank you. Quick question for you about that yet, but that's obviously in the works and
[00:26:03] they're under review.
[00:26:04] So. Right. I think the difference between a half a percent and a 1 percent when we're
[00:26:09] looking at this rough level of early cost estimates, that's that's doable if you choose
[00:26:14] to approve that. So a couple of weeks ago, we had the news that Thomas Cook was closing
[00:26:21] precipitously, which includes their seasonal flights, and here at Sea-Tac, we're also
[00:26:28] seeing reports now that there's a couple of other airlines that are on the cusp and that
[00:26:33] in the event of a recession, which I think is becoming increasingly likely, those
[00:26:37] airlines are probably going to tip into bankruptcy or closure.
[00:26:41] Have we anticipate in our aeronautical revenues any.
[00:26:46] Concerns around certain rounds going away and then secondarily in conversation before
[00:26:52] this meeting, we talked about the non-canonical revenue side and why you're so bullish.
[00:26:57] We're coming out of a year in which we're at about 3 percent growth, we're forecasting 9
[00:27:01] percent growth. If you could explain a bit why we're bullish on that number.
[00:27:06] Well, let me start and then work on this.
[00:27:08] I've spoken to Cosway from our air service development team on it.
[00:27:11] We're still doing the analysis.
[00:27:13] The preliminary feedback that we have right now is that with Thomas Cook, it's not him.
[00:27:19] There were seasonal condor is still here.
[00:27:22] They're gonna still continue service.
[00:27:24] The other airlines that you mentioned that are in jeopardy, they're all in Europe.
[00:27:27] We don't see any of the mainline airlines here in the in the USA being threatened right
[00:27:33] now. So right now, we don't see a significant impact.
[00:27:37] Now, if there is a recession, you know, we don't know everything is at play.
[00:27:40] But for now, with Thomas Cook out, we don't see it as a as a major impact on our
[00:27:45] revenues, primarily, again, because there were seasonal.
[00:27:47] And the fact that Condor got a bailout from the German government, they're still going to
[00:27:52] be flying as well.
[00:27:54] I'm sure, you know, I'll give a quick summary then of the non aeronautical revenues and
[00:27:59] we'll we'll see we'll see some of the details later.
[00:28:01] But primarily our largest revenue source is public parking and we implemented a parking
[00:28:06] rate increase in July of this year.

[00:28:09] So we're going to see the full effect of that next year.
[00:28:11] And our experience has been that that does result in a significant increase of revenue.
[00:28:16] There may be some fall off in demand, but we expect a lot of that to drop to the bottom
[00:28:20] line. The other thing that's going on is we are we're starting to see the very solid
[00:28:26] results from the new airport dining and retail outlets that have an opening before we are
[00:28:30] kind of looking at forecasts in their original performance.
[00:28:33] Now we're starting to see some of the results.
[00:28:35] And we we still we will.
[00:28:37] We do anticipate seeing some some strong revenue growth there.
[00:28:41] And the third area is we continue to see growth in the transportation network companies
[00:28:45] offsetting some reductions in taxi revenue.
[00:28:49] So that's that's been a growth area for us as well.
[00:28:51] The port lounges has been very strong up into this point.
[00:28:54] We see that flattening out a little bit next year.
[00:28:56] But, you know, overall, it's we expect to see some some good solid growth next year.
[00:29:03] And so we're not forecasting a recession next year.
[00:29:07] If if something like that happens, I would expect to see a reduction in summer in certain
[00:29:12] areas and we would probably reduce all of our expenditures as well.
[00:29:15] And we try to manage to that bottom line.
[00:29:19] All right. Are the AVR revenues, assuming that we're going to be doing this opportunity
[00:29:27] to dine at the airport, even though you're not flying?
[00:29:31] Getting through security?
[00:29:33] I guess I'm just I've always wondered about this proposed idea.
[00:29:37] Given the challenges we have of getting flyers through security.
[00:29:40] And so I'm just wanting whether this new source of revenue is baked into this, the
[00:29:46] numbers. And so we did the pilot and then the pilot.
[00:29:49] We allowed 50 people per day to go through, I think after that way to increase it to.
[00:29:54] I think a hundred. The plan is to to relook at starting that.
[00:29:58] I think in November.
[00:29:59] We're not sure exactly how many people we're going to allow, but the numbers are really
[00:30:04] small at this point.
[00:30:06] The purpose was of doing this was not driven by revenues.
[00:30:12] It was more driven by getting the community actually involved in the airport and trying
[00:30:18] to get back to pre 9/11 mode of operation where people could actually come to the airport
[00:30:24] with their loved one, go through and say hi and buy our greet them at the gate.
[00:30:28] That's what drives it.
[00:30:29] If we make revenues from it, that's kind of gravy.
[00:30:33] But it wasn't a revenue driven initiative.
[00:30:36] It was more a community getting the community to be a part of the airport initiative.
[00:30:43] Ok. This slide is what we call the the waterfall, if you will.
[00:30:50] It really is a visual representation of the of the process we go through in developing
[00:30:55] the budget. And it really reflects how we've attempted to implement Steve's guidance to
[00:31:01] really have a zero base budget mentality as we go through our budget process.
[00:31:05] So this this page here focuses on just the the airport costs are our total costs
[00:31:11] obviously include costs that come in from other divisions.
[00:31:14] But this reflects what we were looking at as we went through our budget process.
[00:31:17] So the top half really represents how we look at our existing budget and our existing
[00:31:23] expenditures and how we manage that.
[00:31:26] And so the first item we read we do is we remove everything that is a non-recurring
[00:31:32] recurring item from the twenty nineteen budget and that totaled $22 million.
[00:31:37] Then the environmental remediation liability costs.
[00:31:40] They get pulled out because that would get starting from ground zero.
[00:31:43] The following year we had a transfer mid-year.
[00:31:47] The aviation project management crew has joined the airport from a division roll up.
[00:31:52] So that's now included.
[00:31:54] And then we had $9.3
[00:31:56] million of cost reductions and savings.
[00:31:59] And I'll show in a subsequent slide how we've actually eliminated some FTE this year and
[00:32:03] that that produce savings of 1.8
[00:32:05] million. Then, as Lance had indicated, and as Dan Thomas it indicated a couple weeks ago,
[00:32:11] we have also implemented a payroll vacancy factor and that is 3 percent and that amounts
[00:32:17] to 4.3 million dollars for the aviation budget.
[00:32:21] So those are some of the major cost reductions and savings.

[00:32:24] Plus, we've gone through every department budget.
[00:32:27] Look for areas where we haven't been spending the money and we pulled that out.
[00:32:32] Then we have some charges to capital and then we have some cost increases in most of
[00:32:37] this, 20 million in cost increases in payroll cost increases, the total over $12 million
[00:32:43] bringing in the project management group and their and their costs was another $3 million
[00:32:48] or so. So, you know, before we even started to make decisions on new items, that's where
[00:32:54] we were at the middle there, 235 million at, which is down significantly from the twenty
[00:33:00] nineteen budget of 259.
[00:33:03] So then we go into our budget again.
[00:33:04] Do you mind just helping me intellectually rationalize?
[00:33:07] I think a lot of these reflect the change in capital management.
[00:33:10] That makes sense that I was on your previous slide.
[00:33:13] I was looking at total charges from other divisions growing by 9.3
[00:33:16] percent, which I would have expected to go down given the change in structure around
[00:33:21] capital. Maybe I'm sort of like apples and oranges.
[00:33:24] Good point. Slide five.
[00:33:26] We have restated his aviation project management group was in the airport historically.
[00:33:33] This slide shows it as a sort of a process where it gets added.
[00:33:36] And so that's why the numbers don't quite match up.
[00:33:40] Exactly. That's helpful to you.
[00:33:42] Yep. Yep.
[00:33:44] Yep. OK. All right.
[00:33:47] So then when we get into our budget process.
[00:33:49] I'm sorry. Can you just tell me what the acronym or the abbreviation M-80 Pastor vls is
[00:33:56] that materials?
[00:33:57] Sorry. Where are we?
[00:33:59] Regulated mediation liability?
[00:34:02] No. E r l environmental environmental remediation liability.
[00:34:06] So that's that's regulated materials primarily.
[00:34:10] Yeah. Just.
[00:34:13] If there are acronyms and if I can't understand them, I imagine the public can't, so
[00:34:17] that's what I was assuming. But OK.
[00:34:19] Sorry, it's just an abbreviation.
[00:34:23] Ok, so down below reflects the decision making process.
[00:34:26] Towards the end of the budget process, we were evaluating new items.
[00:34:30] And we've we've segregated those again between the non-recurring and the recurring.
[00:34:34] And as I'll show on a subsequent slide, we've got proposed additions to baseline of seven
[00:34:38] point nine million and proposed non-recurring editions of 23 million.
[00:34:42] It's really breaking things out that way.
[00:34:45] You know, my my approach to managing the long term growth in costs is to really focus on
[00:34:50] the baseline costs of the non-recurring items or things we put in the budget.
[00:34:54] One year we do them, we pull them out.
[00:34:58] So that's that's how we've gone through this process.
[00:35:00] And now show you that the summary of Mr.
[00:35:03] Samak's get a question or answer.
[00:35:05] And this is this is related to your summary.
[00:35:07] So you're okay. I don't expect an immediate answer, but.
[00:35:15] I think everybody's aware of the kind of exponential growth at the airport, and it
[00:35:19] doesn't necessarily reassure travelers that, you know, that this growth, even though it
[00:35:25] has all of its benefits for the economy and jobs and people continue to frequently
[00:35:30] express their frustrations anecdotally with their travel experience at Sea-Tac.
[00:35:37] And so from that standpoint, it would be good to know more precisely what we are doing
[00:35:45] both operationally and with capital projects in the near term.
[00:35:50] Not the same projects in the future, but in this five year CE IP and currently, how much
[00:35:56] are we actually out spending in projects and operational improvements that improve
[00:36:06] level of service, traveler comfort and safety?
[00:36:10] And that could be anything from the baggage optimization to improvements in the central
[00:36:15] terminal to new furniture, to wayfinding accessibility improvements, those kinds of
[00:36:22] things. I think it would be really good to have some clarity around that so that where we
[00:36:28] can tell the story a little better as to how we're responding, acknowledging the
[00:36:34] challenges of airport facility was built for almost half of what we currently are are
[00:36:41] managing in terms of passenger throughput.
[00:36:45] And I would just say I know that many of those items are covered in the appendix is where

[00:36:51] you and I. This is the first time that I saw it broken out that way where that said,
[00:36:57] there's still several policy issues that I hope as we continue on that we can address.
[00:37:01] One thing is obviously that I think Commissioner Steinbruck might be your friend as well
[00:37:05] as hard standing and the issue that we're having around that.
[00:37:08] And so as we go through the budget, we get a little bit deeper.
[00:37:10] Love to understand some really specific challenges and how this budget would address
[00:37:15] those. I know you've have quite a bit in the appendix and it's it's not always entirely
[00:37:21] clear or self-evident what what projects and operational improvements actually are
[00:37:26] serving those goals to to somebody who might be interested or and for us to be able to
[00:37:33] communicate more effectively.
[00:37:35] So what I'm looking for is a list and maybe you can say everything we're doing is working
[00:37:41] toward those goals, obviously in total, but specific projects that we can refer to and
[00:37:47] particularly the central terminal, because there's I think, a misperception out there
[00:37:53] that we're not doing anything to improve our existing facilities, and that's just flat
[00:37:56] out wrong. You're right.
[00:37:58] There's a whole lot we're doing and we can we can hover.
[00:38:02] Commission wants to do it.
[00:38:03] We can actually provide that information.
[00:38:05] Well, that's part of the budget.
[00:38:06] Our special session.
[00:38:07] And we we can do that. But that was my point up front about chokepoints.
[00:38:11] I want actually more than just the laundry list, but the prioritization that you see as
[00:38:16] being the most important for the investment to overcome, what you see are the primary
[00:38:22] spots to make those in the context of all the other things that you're doing.
[00:38:28] Ok. Well, when we get to the capital budget slides, we'll try to come back to that and
[00:38:33] see if we don't address at least part of your question.
[00:38:36] OK. So where are we here?
[00:38:39] So this slide really represents our overall budget requests.
[00:38:44] You can see at the very bottom we started last summer with one hundred and nineteen
[00:38:49] budget requests totaling almost $48 million.
[00:38:53] Where we at what we're included in that would have been a one hundred and nineteen FTD.
[00:38:58] What we're actually proposing now is one hundred and sixty four items.
[00:39:02] Fifty six point five FTD and a total of $31 million.
[00:39:06] So one way of looking at that is we're proposing to approve sixty five percent of what
[00:39:11] was originally approved and 40 percent 47 percent of the FTE that were originally
[00:39:16] approved. Just a quick question, Varga, and thank you again.
[00:39:22] We're called upon to defend these increases in F-D and how they're contributing to
[00:39:28] improvements in service and experience.
[00:39:31] I. It's my understanding from what you said that we've gone through a fairly stringent
[00:39:37] scrubbing and lean process in identifying efficiencies in our our labor at the airport.
[00:39:48] Could you elaborate on that a little bit as to how you have how this number has been
[00:39:52] determined in terms of the increase in FTE?
[00:39:56] I said what I'd like to do is pick that up on the next slide when we talk about FTD, if I
[00:40:01] could. I'll just I'll try to be really brief here.
[00:40:04] But what I wanted to do with this slide is just show all of our budget requests were
[00:40:09] organized by the strategic priorities that Lance laid out at the outset.
[00:40:13] And you can see both in the number of the requests, the number of FTD associated with
[00:40:18] those and whether they've broken up between baseline and non-recurring.
[00:40:21] You see the dollar. So the big items where we're focusing a lot of efforts are in the
[00:40:25] facility planning and and asset management in capital projects.
[00:40:30] That's the biggest area.
[00:40:32] Secondary would be customer service and then third would be environment and
[00:40:37] sustainability. So those are the areas where we're putting the most resources or most new
[00:40:42] resources for for 2020.
[00:40:47] You know, one of the things that we have done on purpose this year is that we have forced
[00:40:54] ourselves to be very transparent about the we've achieved some savings and now we want to
[00:41:00] add something back in.
[00:41:01] Well, in prior years, some of this reallocation sort of happened and you wouldn't
[00:41:05] necessarily see it. We purposely brought those out.
[00:41:08] So you can see all the decisions we're making where we stop spending money over here and
[00:41:12] now we're proposing to spend it here.
[00:41:14] So that's why there's a lot more budget requests this year.
[00:41:16] And again, that reflects our efforts to to deliver on what Steve Metric had guided us to

[00:41:22] do. All right, so now we're going to take a look at FTD.
[00:41:28] And I'd like to start on the box on the right side, which is the changes in FTD in twenty
[00:41:33] nineteen. And again, we took the same kind of zero based budget approach to FTD as well
[00:41:39] and end in 2019 before we added any new FTD.
[00:41:44] We eliminated a number of positions and the the primary areas where we cut some of them
[00:41:50] were just sort of business decisions running their course like we had the lost and found.
[00:41:55] We had some FTD associated with that.
[00:41:57] We set up a new service that is being handled elsewhere.
[00:42:00] So it was after use were reduced.
[00:42:02] Last year we we cut the budget, but retained the headcount for 16 FTE years in the
[00:42:08] employee screening area.
[00:42:09] That would've been the Phase 2 screening.
[00:42:11] And then this year we identified an additional six after years and the phase one employee
[00:42:16] screening that were just not needed.
[00:42:18] So there's a total of 22 that were reduced for from security.
[00:42:23] We also had some FTE emergency higher positions and maintenance that we identified that
[00:42:29] were not needed.
[00:42:30] And we had eight emergency hire Pathfinder's that we're now replacing with with full time
[00:42:36] FTD. So in total, we reduced our FTE count by almost 43 then during the year.
[00:42:43] We had some additions that just reflected some some business decisions that were already
[00:42:47] happening. For example, we have an increase of 10 in the construction support
[00:42:52] specialists. And this reflected the fact that in our in our budget these were 0.5f
[00:42:57] to use, but we're actually working almost 40 hours a week.
[00:43:00] So this reflects sort of right sizing them to for the amount of hours they're actually
[00:43:05] working. We had some senior access controllers that we needed to add to the man, the exit
[00:43:10] exit lanes at the security checkpoints.
[00:43:14] This is something that the actually the construction support specialists had been doing
[00:43:18] and it was a function that we had to find a proper permanent home for.
[00:43:22] So we did that. There was a reorganization that Lance announced a few weeks ago that
[00:43:27] added some 550 E's.
[00:43:30] We added a couple EF2 used to help us manage the taxi contract.
[00:43:33] And then we added at enviromental position for the transportation management position.
[00:43:38] So these are things that were added during twenty nineteen.
[00:43:42] But as you can see in the box on the right, the minuses and the pluses still resulted in
[00:43:46] a net reduction of fifteen point five before we got into the new budget request for 2015
[00:43:53] to 2020. Corey, I think Graham, a couple of questions here.
[00:43:56] I'm going to start and this is more for Lance.
[00:43:57] So Lance, could you help me understand on the first one, a new FTE to increase the
[00:44:02] capacity, implement the part 1/50 noise, insulation programs?
[00:44:06] What would be the outcome of that?
[00:44:08] What would the public see for that one employee being added for the Poland?
[00:44:13] So, one, they they part 150 implementation has not moved as fast as we would like.
[00:44:21] This has been going on for multiple years.
[00:44:23] So what I think that we want to do is actually accelerate that program.
[00:44:27] So we wanted acceleration look like how many projects would we get done?
[00:44:30] Well, I'm not sure about the number of project, but I would actually like to get, for
[00:44:33] example, more houses insulated in a faster, faster not number of colleges that would be
[00:44:40] insulated per year than we have done in the past.
[00:44:43] Are the number of condos insulated than we have done in the past?
[00:44:47] So this is I think we're both Commissioner Greg Warren in Steinbruck and I are all kind
[00:44:50] of going. Is that. Help us understand what the outcome is.
[00:44:54] We can describe it to the public.
[00:44:56] So not just we're going to insulate some more houses.
[00:44:58] How many houses?
[00:45:00] Because that gives us the opportunity.
[00:45:02] If you say this will result in 10 more houses and we want to do 50 more houses than let's
[00:45:07] figure out how we allocate budget resources to accomplish that outcome.
[00:45:12] So without having these real outcomes.
[00:45:14] Excuse me just one more second.
[00:45:17] It's difficult to see what we're what the public is getting for this is that.
[00:45:22] If you'll forgive me, I'm making sure that commission staff is doing kind of a Q&A that I
[00:45:28] think would be, yeah. There we are.
[00:45:29] We're making sure that we can think about this from a policy level feedback loop as we go

[00:45:33] through the budget. I do think policy assistance there is critical to our budget team to
[00:45:37] do that. So to answer your question specifically, this noise position would be primarily
[00:45:46] to implement the to handle increased workload on staff for our current sound insulation
[00:45:55] programs. So a specific outcome of that in terms of numbers would be that we are planning
[00:46:02] to do that actual installation of the first condo complex next year and start on the
[00:46:09] second condo complex.
[00:46:10] So having the two going on at the same time requires additional work.
[00:46:16] We also have that increased involvement in the start work with ground noise study that we
[00:46:24] are just starting this fall.
[00:46:26] That's going to be a substantial effort for next year and this person would help with
[00:46:30] that. In addition, the number of noise complaints has increased quite dramatically and
[00:46:37] our staff does a really good job at talking to people directly on the phone about that.
[00:46:42] But that does take a lot of time and effort to do so.
[00:46:45] This person would help with that.
[00:46:47] So does that. And just to add to that, we are intending to come back to commission with a
[00:46:53] proposal to accelerate the sound insulation program.
[00:46:56] And that deserves a full public discussion and is a pretty big request.
[00:47:03] That's not part of what we're talking about here.
[00:47:05] Right. And we've been waiting for that.
[00:47:07] So I appreciate you calling that out.
[00:47:09] But I mean, I think even just a highlight, we we'd have to do it today, but a highlight
[00:47:12] of what that increase would look like so that we can consider whether we want to do it in
[00:47:16] the 2020 budget and not then wait another year.
[00:47:19] You know, I think we all understand there's enormous concerns.
[00:47:23] As you as you just mentioned, the public is calling daily about noise at the airport.
[00:47:29] So I think there's big interest amongst the commission to accelerate this program.
[00:47:33] But give us the opportunity to know what that looks like.
[00:47:36] So I appreciate thank you for a little more.
[00:47:37] Explanation is one position.
[00:47:39] It sounds like that person would be doing quite a bit.
[00:47:41] And I guess that's a little bit of my concern as well.
[00:47:44] And Borgen, very much appreciate you started it.
[00:47:46] I can't hear what the number was.
[00:47:48] One was at 111 and you're down to 56 FTE.
[00:47:52] But if we again, we're driving towards specific outcomes, I'd rather see us get things
[00:47:58] done as opposed to just trying to cut costs.
[00:48:01] Just to cut costs. So.
[00:48:04] Status to you guys. OK.
[00:48:06] Commissioner, if I can. Yes, just to add to that, just add to the conversation here.
[00:48:11] But I appreciate that.
[00:48:13] But it's always a balance of both, right.
[00:48:15] To try to find that that's what we're doing is balancing the unconstrained versus the
[00:48:20] constraint. We have a we both.
[00:48:23] And that's what we do in the process to look at that.
[00:48:25] And one thing, too, is.
[00:48:27] On a specific FTE, I am fully on board with having a measurable outcomes to do that
[00:48:32] within programs.
[00:48:33] But I think it is very difficult on specific FTE to say if we added one more FTE here,
[00:48:38] this could produce. So I know we're not going to talk about the insulation once, but a
[00:48:42] specific outcome related to a measureable outcome.
[00:48:46] I would prefer to look at the measurement or the program with a strategic goal versus
[00:48:49] the. Yeah. So the measurement there, I just don't want us to say that we could be that
[00:48:56] that specific to say if we add this we're gonna get this much of a measurable outcome
[00:49:00] from one more position.
[00:49:02] So I think you know, I appreciate that.
[00:49:03] But, but this actually says increased capacity to implement part 150 and that would mean
[00:49:08] we're behind as Lance.
[00:49:09] Yeah. Called out. So maybe Africa figure and maybe if it could go back to the question
[00:49:13] that Commissioner Sandbrook attacks on the first and the slide previous to this and to
[00:49:19] add to what CBO said in terms of the the the process that we actually go through when
[00:49:24] we're when we're developing and trying to prove the FTD as an example, working with
[00:49:29] Stewart Group, for example, we actually start with the outcome.
[00:49:32] We say here is the outcome that we're trying to accomplish.

[00:49:35] Then we look at how many man hours do we actually need to accomplish this particular
[00:49:40] output. Then we translate that Manoa into FTE.
[00:49:45] It might be ten point five fifteen.
[00:49:47] Then we're factoring technology, we factor in process improvement, exit extra to actually
[00:49:53] come up with a final FTE.
[00:49:55] So we've got a very extensive process now.
[00:49:57] It's easier to do it that way with X Duritz group like with Jefferies Group.
[00:50:01] Not as easy because you're talking about planning and design and it's not as easy to do
[00:50:05] that way. So you have to use, you know, to to make some guesses.
[00:50:10] Right. It's more art and science in that word.
[00:50:13] With Sirat Group, it can be a lot of science more than anything.
[00:50:16] But we go through an extensive process to actually come up with the FTT numbers.
[00:50:21] And we actually start with the outcome.
[00:50:23] Then the man hours, then the number of 50s.
[00:50:25] And then we factor in technology and efficiency and everything else to get to the
[00:50:29] numbers. Well, as the only commissioner that's co-chair the highlight forum for the past
[00:50:35] four years, we certainly have heard extensively about this need for the part 150
[00:50:41] installation and I weave.
[00:50:43] I was under the impression throughout that time that it was a matter of the FAA being
[00:50:47] slow to implement that which they've already approved.
[00:50:51] But what I now understand is that it takes the port to actually apply for this money and
[00:50:55] that something like an 80/20 match.
[00:50:58] And that's a we had to allocate.
[00:51:00] So in addition to the FTC, we have to have like the 20 percent part of the budget
[00:51:05] allocated to actually accomplish that, which the additional FTE has to accomplish that.
[00:51:12] That's correct. And and I don't want to get too much into the weeds here, but I think in
[00:51:18] our presentation we in December, we will be talking about the additional risk that we
[00:51:25] might be asking the commission to take on by accelerating the program, because we would
[00:51:29] be advancing projects ahead of approval of funding by FAA.
[00:51:35] And so that money would be spent at risk.
[00:51:38] Well, that was my point, is that my understanding that we have a backlog of approved
[00:51:42] projects that we haven't sought to accomplish.
[00:51:45] So I'm not sure how we get a front of a curve that we haven't fulfilled.
[00:51:50] Well, as Eileen said, we're looking at several options, including maybe the salt can
[00:51:54] come. We're going to do a all right.
[00:51:56] Yeah. Whole session on that.
[00:51:57] There's gonna be some of our December.
[00:51:59] So let's keep going on the budget, though.
[00:52:01] Ok. Ok.
[00:52:03] So some of these are fairly straightforward.
[00:52:07] I'm just going to touch on a few of them.
[00:52:08] So the first line item in the facility planning and capital projects is to increase
[00:52:13] capacity to plan, manage and implement capital projects.
[00:52:16] There's a lot bundled in here.
[00:52:18] This would include one FTE for planning, one for capital management development or
[00:52:23] capital program development, one architecture FTE, one fire department after each review
[00:52:28] plans, three to use and PMG and also one in maintenance.
[00:52:32] So putting together the resources to plan and manage our capital program involves
[00:52:37] resources throughout the organization.
[00:52:40] When you when you mentioned the reduction in security, I thought it was like employee
[00:52:45] clearance, security, employee screening.
[00:52:48] A screening. Yeah. So I met with a constituent who works like the graveyard shift on the
[00:52:56] inside the secure area.
[00:52:58] And she was saying that it's difficult at the wee hours to get through security, I think,
[00:53:05] when having to bring halal foods through that were not available on the inside.
[00:53:11] And I don't know whether this, you know, during the very dark hours of the night, whether
[00:53:17] whether this reduction will make that any more difficult.
[00:53:20] Now, I don't think it will end as as I think I'd pointed out, the the bringing the food
[00:53:26] through the security. They the employees are actually supposed to go through the employee
[00:53:30] screening process and they will be allowed to take the food through.
[00:53:34] If they continue to try to go through the TSA checkpoints, then they might have an issue,
[00:53:39] but they're actually supposed be going to the employee screening process downstairs.
[00:53:44] And but this doesn't reduce that capability.

[00:53:48] No, it should not. There is.
[00:53:49] You have. We we reduce the number of checkpoints that we have, that access points that we
[00:53:54] open at certain points in the night.
[00:53:56] It doesn't make sense. I mean, to when there's hardly anybody going through.
[00:53:59] But we it but it doesn't prevent anyone from going through the checkpoint and it doesn't
[00:54:03] prevent them from taking their lunch through as well.
[00:54:10] Ok, so moving down the enhanced baggage system, oversight and maintenance.
[00:54:14] This is F.T. used to address some specific concerns of airlines to just help that process
[00:54:20] move better. The next line item?
[00:54:24] Maintain new facilities and equipment.
[00:54:25] One of the areas where where we have acquired new facilities is in the commercial area of
[00:54:31] the airfield, the cargo buildings.
[00:54:33] I think there's at least five new build or five old buildings that we have effectively
[00:54:37] acquired through lease terminations and they revert to us.
[00:54:41] So the good news is we get to fully lease out these buildings.
[00:54:45] The bad news, if you will, is that we have to maintain them.
[00:54:47] And so we have to invest some money upfront and then on an ongoing basis to keep them in
[00:54:53] good working order. And that requires resources.
[00:54:56] The other thing is that we are opening up the international rivals facility and that will
[00:55:00] just additional square footage.
[00:55:01] We've got to maintain those facilities.
[00:55:04] So there that that's certainly a driver.
[00:55:09] The next big item, adequately maintain civil infrastructure, utilities, stormwater system
[00:55:13] and solid waste utilities.
[00:55:15] I mean, this is our our field crew and they they they get called on to do many, many
[00:55:19] things. But I think we've recognized that there are key areas where we haven't been doing
[00:55:22] enough. This is aimed at addressing that as we go down the list.
[00:55:27] There's a number of individual items here.
[00:55:31] I think the what I would next want to call out is the implementation of random employee
[00:55:35] screening for six FTD.
[00:55:38] And again, this is something that will be new and will allow us to more fully address
[00:55:45] some of the security issues as employees go through different doors.
[00:55:50] They can have random screening at those doors.
[00:55:52] And it's part of our part of our plan for for full employee screening.
[00:55:58] So what I'd like to do now is move on to the highlights of the other budget request, the
[00:56:06] non FTE items.
[00:56:08] And again, there are many, many more items that are back in the appendix.
[00:56:12] But I've just called out some of the highlights and the big dollar items.
[00:56:16] The first item is the new item for art conservation.
[00:56:21] We've added three hundred and five thousand dollars for ongoing conservation of the art
[00:56:26] at the airport. The next item is for window cleaning for the all the terminal buildings.
[00:56:32] This is something we've done on an ad hoc basis in the past, but this would do it on an
[00:56:35] annual basis. Lance indicated earlier the need for customer service at the international
[00:56:42] arrivals area, and that's what this next line item is.
[00:56:44] It's bringing the budget up to the level of spending we are currently at right now.
[00:56:51] And then the next item, this passenger wait time queuing queue management.
[00:56:56] This is a two and a half million dollars for outside services to help with queue
[00:57:00] management and potentially other hot spots as well.
[00:57:04] This reflects actually the same level of budgeting as we have this year.
[00:57:07] We've treated as a non-recurring item because we want to look at it each year and try to
[00:57:11] decide is this the right amount to spend?
[00:57:13] But this represents the same amount that we had in the budget for 2019.
[00:57:19] The next item I'd like to call out is the incremental costs associated question here.
[00:57:24] Short film. So with regards to queue management.
[00:57:28] While I understand that clear provide additional staff to do their clearance, it is in
[00:57:35] the most central location for folks.
[00:57:37] So even with TSA pre you have to go down the road apiece to get through that clearance.
[00:57:44] So you go down to gates to go back if you want to go I.F..
[00:57:48] And so it just strikes me that the that the ability to benefit from pre-clear pre-check
[00:57:58] is reduced at the primary central terminal gate rate.
[00:58:03] And I'm not sure if anything the question we have pre-check, a checkpoint 1 and
[00:58:06] Checkpoint 4. So there's pre-check at the north and the south end of the airport.
[00:58:12] When you come straight into the terminal, that's one checkpoint where pre-check at

[00:58:18] Checkpoint 1 and we have pre-check, a checkpoint for.
[00:58:21] So depending on where you're going in within the airport, you either go to Checkpoint 1,
[00:58:24] our checkpoint for a pre-check as a pre-clear pre-check comps our passenger.
[00:58:31] My not trying to suggest was that when you go through the central terminal, the most
[00:58:35] central checkpoint, which I'm fortunate I don't know the number, Checkpoint 3, checkpoint
[00:58:40] 3 this way. 3 is the one that the first one you come to.
[00:58:43] Right. And you don't have pre-check clear has the access.
[00:58:47] And so you have to go. So the people with TSA pre are put at a disadvantage.
[00:58:52] Over the folks that clear now, it seems to me that check out line four is right beside
[00:58:56] Checkpoint 3.
[00:58:57] Like right there, it's like like 15 seconds.
[00:59:02] You're a checkpoint for which the pre-check line.
[00:59:06] Right. I guess the that wasn't my experience.
[00:59:10] Just just recently.
[00:59:11] But the perception perhaps is the.
[00:59:14] Because I'm getting that feedback as well, that the primary spot is not for the basic
[00:59:21] passenger. But let me say that maybe that's something that these folks, these managers
[00:59:29] can help guide people.
[00:59:31] Ok, well, checkpoint four is right beside Checkpoint 3 and Checkpoint 4 as the preaches a
[00:59:36] pre-check checkpoint.
[00:59:39] I mean, literally lining right there.
[00:59:41] Yeah, right. OK. Mr.
[00:59:42] Caulkins. OK.
[00:59:44] Keep going. All right.
[00:59:45] I did want to highlight the renewable natural gas item here.
[00:59:51] This will allow us to pay for 100 percent of the natural gas for the buses and 70 percent
[00:59:59] in the terminal is the assumption in this budget line item here.
[01:00:04] Other items that are in here said also being utilized for the A-check system or systems
[01:00:11] renewable. 70 percent is for the terminal heating collection system.
[01:00:16] And the other part portion is buses.
[01:00:19] Yes. Yeah. OK. Thanks.
[01:00:22] And other items on here are are listed as new requests, in many cases they're actually
[01:00:27] recurring items.
[01:00:29] But we treat them as non-recurring and that would be the sustainable airport master plan.
[01:00:33] We've got some work on here for both the planning and from the environmental work.
[01:00:37] There is also ongoing planning work for both existing facilities and anticipating new.
[01:00:44] We've got work for the utilities master plan, which is really sort of the same kind of
[01:00:48] thing. But for the utility systems that are necessary to support the growth of the
[01:00:52] airport and then we've got the completion of the Asset Management Program, which will
[01:00:57] help us really understand our future asset renewal and replacement plans.
[01:01:03] Another item would be the new janitorial costs for the international arrivals facility.
[01:01:06] Big new space. Got to got to maintain it and clean it.
[01:01:11] And and I guess there's the other items are probably pretty straightforward.
[01:01:17] So what we've done on the last page in this page is to highlight basically 74 percent of
[01:01:23] the total budget requests.
[01:01:25] All the other details of 164 items are in the appendix.
[01:01:30] Mr. Samak's get just on the last item there under financial performance, attract and
[01:01:37] retain new air service incentive payments.
[01:01:41] I'd like a little more detail on what that refers to.
[01:01:44] Sure. We we have an incentive program for four new entrants.
[01:01:48] New new service.
[01:01:50] New service. So, for example, the new services that have started up this year, there are
[01:01:56] contractual payments that are made to to support the joint marketing programs and things
[01:02:03] that are part of each new service.
[01:02:05] So what this reflects is, are our existing commitments and our sort of no new commitments
[01:02:11] that will be coming on next year.
[01:02:15] Bad you service, it could be a new role that that wasn't being done in the beginning.
[01:02:21] And if you do away of a run, for example, the landing fees, etc.,
[01:02:24] I'm over one or a two year period to kind of get the the new rought are the new air
[01:02:30] service provider off the ground to reduce the risk of startup their startup rates.
[01:02:35] Who do we target?
[01:02:37] Service is not already provided amongst existing carriers.
[01:02:43] It concerns me that we're actually incentivizing new service in a broad way when we're

[01:02:49] struggling with our capacity issues and we're spending money or in-kind incentives.
[01:02:57] I would hope that that those incentives would be directed, particularly in areas where we
[01:03:03] feel that we are our region would benefit from additional service.
[01:03:10] It seems like we hardly need to promote the general growth at the air.
[01:03:16] You're exactly right. So we use we typically target underserved market.
[01:03:20] Okay. That's what I'm hoping to we're looked at.
[01:03:22] Look at, you know, dependent on the demographics, population.
[01:03:25] Here we are.
[01:03:26] Where do we have a lot of people going to indirectly?
[01:03:29] And we usually maybe focus on those unserved markets.
[01:03:32] All right. Thank you. So is it possible, then, is it not possible to incentivize folks to
[01:03:41] change their hours of flight?
[01:03:45] That hasn't been all that we can't do this.
[01:03:49] That that's that's actually been a discussion at multiple airports.
[01:03:54] I'm not sure if anyone has successfully done that.
[01:03:57] The airlines usually fly at the time where they are most profitable and at the time where
[01:04:03] people actually want to fly.
[01:04:05] That's something we can look at. But I'm much I've not seen an airport that has
[01:04:08] successfully done it so far and I'm seeing a lot of heads saying they haven't seen it.
[01:04:12] I mean, obviously, air cargo is where, you know, evening flights or where are the most
[01:04:17] antagonistic for the number of planes and that we through your efforts, are trying to
[01:04:22] incentivize through a rating system to to disband or to ship those hours.
[01:04:30] And so seems to me when you get your dirty dozen.
[01:04:36] Would that not be an opportunity to then suggest that we could?
[01:04:40] There's a limitation in terms of what we can do, in terms of how we incentivize different
[01:04:45] airlines. Also, both cargo and passenger.
[01:04:50] There's a network in there flying from one airport to another airport.
[01:04:53] There are banks on the other side of wherever they're going that it makes sense if they
[01:04:58] can't catch with banks for that flight or that road.
[01:05:01] I would say that I would like to know that we're offering it.
[01:05:04] I think to know that that that's an opportunity.
[01:05:06] If we can if we can promote, we should be able to discourage that in terms of the
[01:05:11] legality. And I'd like to know that those offers are actually on the table.
[01:05:16] And with regards to jumping subjects, the oranges project.
[01:05:20] Well, I'm very excited about this opportunity.
[01:05:23] I'll accept that. My understanding is that we do not have the final result of the
[01:05:28] contract and that there is this.
[01:05:31] So this has not received commission final approval in the quiet period still over and
[01:05:36] that this is a budget item to reflect the point.
[01:05:39] The point is, is that there is options before the commission to go beyond 70 percent of
[01:05:46] the airport natural gas demand and we could do 100 percent of each at a different time at
[01:05:53] a different price point, which has not been decided.
[01:05:58] Ok. I guess.
[01:06:00] Yes. We are still in the quiet period, so I can't say anything specifically.
[01:06:05] My anticipation is that when we come to commission, there will be a full explanation of
[01:06:11] the proposal that we're making and options that were considered along the way.
[01:06:16] I don't know at this point whether the proposal itself will include options.
[01:06:21] So I can't really speak to that and I probably shouldn't even if I did know.
[01:06:25] So. Well, that was the understand we had in briefing that options would be presented to
[01:06:31] us. And this is exactly the kind of thing that the Energy and Sustainability Committee
[01:06:35] was hoping for no return on the dollar.
[01:06:37] We may choose to spend more based on the assessment at the end of the year.
[01:06:41] How close are we to meeting our greenhouse gas goal?
[01:06:43] Sure. So just for purposes of the budget, we had to give a number based on our best
[01:06:49] assessment of what it might be.
[01:06:51] Obviously the commission decision is independent of that.
[01:06:55] And so whatever the commission decides would be reflected in the in the final budget.
[01:07:00] I just point out that because we're in the quiet period, to see a number on the table
[01:07:04] seems to be directly contrary to being told we're in a quiet period.
[01:07:09] Sure. Okay.
[01:07:11] They're not they're not related.
[01:07:13] Yeah. You're not related.
[01:07:15] We have to make up budgeting.

[01:07:16] Yeah. Okay.
[01:07:18] Okay. I just wanted to be a lock.
[01:07:22] So with that, I've covered Bishop Hawkins as a question.
[01:07:24] And I just want to point out, we're an hour and a half into a two hour session.
[01:07:28] And I want to allow the presenters a chance to get through the material that they deem
[01:07:32] critically important. Okay.
[01:07:33] I would agree. But I think it's budget.
[01:07:36] So this is what we do for us artists.
[01:07:39] And I think they're they're accustomed to it.
[01:07:41] It is a limited time period.
[01:07:42] We all need to exercise restraint so that we can get through the really important topics.
[01:07:47] If it is not budget related, if its operations, please hold your questions or email them
[01:07:51] to staff at an appropriate time.
[01:07:53] Keep going, folks.
[01:07:54] All right. So the next few slides, I'm just going to show the the impact of our budget
[01:08:00] decisions on honor roll up at the airport.
[01:08:02] So we're kind of through the nitty gritty details.
[01:08:05] So I think these next few slides will actually go fairly quickly.
[01:08:08] This first slide is a summary of our non aeronautical net operating income and you can
[01:08:14] see the primary revenue sources listed on the left.
[01:08:17] So public parking, airport dining and read retail rental car, ground transportation, et
[01:08:22] cetera. The strongest growth areas, as I indicated earlier, public parking in airport
[01:08:26] dining and retail and bottom line, net operating income up twelve point nine percent.
[01:08:34] On the aeronautical side, again, primarily cost recovery up above this rate, base revenue
[01:08:40] using the sea airfield movement area.
[01:08:42] This is where we recover landing fees.
[01:08:44] The airfield, Aprin area.
[01:08:45] There's a separate paren fee for that and terminal Rentz includes a lot of different
[01:08:49] things. It's the gates, it's the baggage system, it's the ticket counters, it's the
[01:08:53] space, the people that the airlines lease and then the separate collection and or for you
[01:08:58] go off. Can you just give a quick explanation for the 2018 budget versus actual on the
[01:09:03] air? Airfield movement.
[01:09:06] One twenty five, an actualise 116 and then we're budgeting in 18.
[01:09:12] Ok. Sure. It's cost recovery.
[01:09:15] So when we when we go back to 2018, what that reflects is that our costs came in less
[01:09:21] than anticipated.
[01:09:22] And, you know, one of the things when whenever we look at 2018 actuals, we have to
[01:09:26] remember that there was a roughly 14 million dollar pension credit at the end of the year
[01:09:34] that reduced our costs down.
[01:09:36] And you know it. We don't actually remember that.
[01:09:38] OK. All right. Right. Well, I'm remembering.
[01:09:40] OK. And about ago, I asked the question, I think over 12 million of that was allocated to
[01:09:46] the airport and then it gets spread across cost centers.
[01:09:49] So that would be one of many areas where we came in under budget.
[01:09:52] That happened to be one of the biggest drivers thing.
[01:09:55] And so that brings the costs down, which brings the revenue down in a cost recovery rate
[01:10:01] base. What I really wanted to highlight here is the biggest growth for 2020.
[01:10:06] And that's what the federal inspection services area.
[01:10:08] This is for the international rivals.
[01:10:11] And it reflects the opening of the international rivals facility.
[01:10:14] We will have increased costs associated with that new facility.
[01:10:17] So we expect to see our f.b.i.'s
[01:10:19] rate going up and the costs we recover going up.
[01:10:23] This also reflects the elimination of revenue sharing, as we discussed earlier.
[01:10:27] So that line item is also highlighted in yellow.
[01:10:30] And the net result on the very bottom line shows the effect of the reduction and then
[01:10:35] elimination of revenue sharing back in 2017.
[01:10:39] We were effectively running a deficit where we were subsidizing the aeronautical side of
[01:10:43] the business through revenue sharing.
[01:10:46] And now with the elimination of it, we are generating revenue.
[01:10:50] And so that's what's going to help us pay for the capital program going forward.
[01:10:55] I now have a number of slides that just show our trends and this is our passenger level
[01:11:01] and the the growth rates in the the blue bar.

[01:11:04] You can see while it's dropping 2 to 3 percent, we're still seeing almost anticipating to
[01:11:10] see about a million and a half new passengers coming through the airport next year.
[01:11:15] Total operating costs.
[01:11:17] You can see how our costs have been growing over the last few years.
[01:11:21] And just as a take you back a little bit in 2017.
[01:11:26] We implemented the full employee screening.
[01:11:28] So there's a big jump in costs that year, 2018, again, was slightly lower than expected
[01:11:34] due to that pension credit.
[01:11:36] Twenty nineteen had the big increase in the environmental remediation liability costs, so
[01:11:42] that bumped that up.
[01:11:43] And so overall, 2020 is a fairly modest growth compared to to 2019.
[01:11:49] And that's really the point here.
[01:11:51] There is some comparisons of our own M costs per in plane passenger compared to peer
[01:11:55] airports on slide 55 and it'll show we actually compare very favorably.
[01:12:04] All right, our FTE growth over the last few years and we've added a a box on the top for
[01:12:09] the perception of this graphic, which is the on twelve, it's somewhat misleading.
[01:12:15] The the rate of growth is the line.
[01:12:20] But the actual if you were to fit a line to the absolute growth instead of the rate of
[01:12:26] growth, as you pointed out, it's a 1.5
[01:12:29] million increase.
[01:12:30] While the number is you know, while it's flattening out, it's still pointing down.
[01:12:35] Right. So, yeah, the rate of growth is going down.
[01:12:38] The number of passengers.
[01:12:39] I know. So in terms of what the traveling public experiences, what they're receiving,
[01:12:43] public experiences is not Raiders.
[01:12:46] Yeah, no question. Ok.
[01:12:50] So looking at slide my here, slide 14 FTE growth here, we've added in the project
[01:12:57] management group into our totals.
[01:13:00] And you can see over the last four years, this is really the point that our FTE growth
[01:13:04] has been consistent with our passenger growth.
[01:13:07] And you can see that the F-D per million in payments is been relatively flat since twenty
[01:13:13] seventeen. And if we went back before 2015, we'd see we're actually lower than where we
[01:13:18] were back in 2013 and 14.
[01:13:22] Non aeronautical performance here with the big bar showed non aeronautical net operating
[01:13:28] income and the blue line shows they non-zero revenue per and plainchant.
[01:13:33] And so that's where we're starting to really see some of the benefits of our ADR program.
[01:13:38] And as I indicated earlier, the increase in the parking revenue and the primary drivers
[01:13:42] there. Looking at CPE, we had been relatively flat for it for a number of years and
[01:13:50] beginning in twenty nineteen we saw a big jump and that really reflects the new
[01:13:54] facilities that were coming online.
[01:13:56] We had the Concourse D and X terminal.
[01:13:58] We had North satellite phase one.
[01:14:00] We also had the same environmental remediation liability costs that were hitting the rate
[01:14:04] base and the reduced revenue sharing.
[01:14:07] And so that's those have been the big drivers in the number we've seen already.
[01:14:12] Slide 78, we'll show our our CPE compared to all pure airports as of 2018.
[01:14:19] And we actually you are right in the middle.
[01:14:23] Finally, some of the key risks or issues attached with our operating budget, as I
[01:14:29] indicated earlier, we have really taken some measures to try to try and try to generate a
[01:14:36] more accurate budget.
[01:14:37] And that includes implementing the payroll vacancy of 3 percent.
[01:14:42] All of the new FTE that we are proposing assume a July 1 start date for budget purposes,
[01:14:48] even though many of them will likely be hired earlier than that.
[01:14:53] And then a number of areas we just reduced the spending from what was originally request
[01:14:58] and whether it was planning or whether it was the utility master plan or sometimes in the
[01:15:03] aviation project management group some of the expense projects.
[01:15:06] We just reduced the requests down to a level that we thought was more likely.
[01:15:10] It's very difficult to know exactly what what project or what planning study is going to
[01:15:15] get delayed, but something tends to get delayed.
[01:15:17] And so we have taken some risks in those areas.
[01:15:20] I think Mr. Sempra, second question.
[01:15:22] We owe it to get through the bullet.
[01:15:24] OK. Ok.

[01:15:25] You know, airline realignment is something that we know is out there.
[01:15:29] This budget, both the operating in the capital budget does not assume anything for it for
[01:15:33] 2020. If it were to happen, that would be an unbudgeted item.
[01:15:38] It's magnitude Borgen.
[01:15:40] That was going to be my question.
[01:15:41] So rough airline realignment, it it all depends.
[01:15:45] I mean, it could cost as much as one hundred million dollars.
[01:15:49] This is the cost of building out new lounges and moving carriers.
[01:15:54] It's it can be extremely expensive.
[01:15:56] And that's why we're spending a lot of time to try to get it right and fully understand
[01:16:00] the airline needs.
[01:16:02] And I think J.J. in the background probably screaming that there.
[01:16:05] But it all depends on which option we actually end up going forward.
[01:16:08] We have looked at option that we thought were the way to go.
[01:16:12] We have found fatal flaws and we're kind of starting over again, looking at different
[01:16:16] options. So it could go to that range at Bargain said.
[01:16:19] But it really depends on which option we ended we end up with.
[01:16:22] You anticipate coming before the commission with a range of.
[01:16:27] Just so that we have an idea in terms of the budget of when we might expect.
[01:16:32] Absolutely. So I would say we as Lind's indicated, we've kind of rebooted.
[01:16:37] We found a fatal flaw with the alternative that we were primarily focused on a little
[01:16:42] more than a month ago.
[01:16:43] So we've re-engaged the airlines.
[01:16:45] We've identified several alternatives to continue to meet the objectives.
[01:16:50] Right now we're focused on one alternative and we're in the process of evaluating to see
[01:16:56] if there's fatal flaws in that scenario.
[01:16:58] Plan to go to the directors on the 17th of October.
[01:17:04] So I'm hoping before the end of this month, we're actually going to settle in on an
[01:17:07] alternative when we get a commission.
[01:17:10] I think at that point we'll need to make sure that we have good schedule and good cost
[01:17:14] information. So I would hope before the end of the year we'll be in front of commission.
[01:17:19] Great. Is that an internal workgroup or do we involve airlines in that?
[01:17:22] The airlines are very much actively involved.
[01:17:25] Absolutely. We're soliciting feedback.
[01:17:27] We're meeting with them biweekly.
[01:17:29] And as you can imagine, airlines have differing perspectives.
[01:17:31] So the likelihood of us to be able to meet everybody's interests is very low.
[01:17:36] So we're making the tough decisions.
[01:17:38] But making sure that every airline has adequate opportunity for feedback.
[01:17:44] Thank you. Ok.
[01:17:47] So I think the other area that we've had some conversation with the airlines on is for
[01:17:53] the airline consortium to take over certain functions, and they have expressed an
[01:17:57] interest in taking over the busing of the non-court employee busing function.
[01:18:03] And we're still having those conversation.
[01:18:05] This budget does not assume any change is fully in our budget at this point in time.
[01:18:10] They've also indicated an interest in expanding the scope of the airline technical
[01:18:15] representative function.
[01:18:17] They actually want us to put that in their budget.
[01:18:19] We're pushing back a little bit.
[01:18:20] Our current budget is just a continuation of our existing situation.
[01:18:25] We think that will probably change for 2020.
[01:18:28] One, what's the role and scope of the technical representative?
[01:18:31] It's a it's a consultant that the port hires.
[01:18:34] The the individual effectively works for the airlines, helping them to understand and
[01:18:41] coordinating their response on a lot of our capital projects.
[01:18:44] So we actually benefit from it.
[01:18:45] In this sense, it's not technical in the form of app facial recognition, data sharing.
[01:18:51] We are at new capital and no project.
[01:18:53] Thank you. Ok.
[01:18:56] And the last item, there's been some discussion internally about the need for a port
[01:19:00] accessibility coordinator.
[01:19:02] I think there is 100 percent agreement that the port needed this function.
[01:19:06] There was not 100 percent agreement as to where it should reside.

[01:19:09] That has now been determined.
[01:19:10] And we will be proposing one additional FTE at the airport that will serve in that
[01:19:16] capacity. That individual will also provide services to other divisions as well.
[01:19:22] So it will be a port wide function housed at the airport and we'll bring that forward in
[01:19:27] our budget at first reading.
[01:19:28] It strikes me, though, that when you say not yet budget, and so it's assumed to start at
[01:19:34] the beginning of the year. Yes.
[01:19:35] Well, it basically didn't make it into our budget for this round for this presentation.
[01:19:40] We are proposing it and we will be in the budget that we bring forward to you at first
[01:19:45] reading. Is this part of that wheelchair accessible issue that really one of the
[01:19:50] questions was, ah, you know, with the signage.
[01:19:54] And the other questions about is, is the level of service currently reflective of.
[01:20:02] Opportunities provided or awareness of opportunities, and I don't know what the
[01:20:06] accessibility coordinators role is, but part of the part of the situation like where you
[01:20:11] get your access to your wheelchairs, those sort of things are.
[01:20:15] I don't know whether that's part of the job application or what.
[01:20:21] Because the pilot project is to evaluate, you know, the scaling and the service levels,
[01:20:28] the quality of service.
[01:20:31] That sort of thing. Yes.
[01:20:32] Jeffrey Brown, director of couple of programs and facilities at the airport.
[01:20:36] So to answer your question, yes, it is to accelerate the some of the recommendations from
[01:20:41] the ODIO report, but also to address and the title to complaints and to add some more
[01:20:48] specificity to Barling audio report.
[01:20:50] Audio is Open Doors organization does report that was presented to you and they had some
[01:20:55] recommendations. So it's extra some of those programs.
[01:20:57] Yes, it includes wayfinding includes accessible to rooms on the upper and lower levels.
[01:21:03] And as well as tackling two issues, complaints we may receive through the federal civil
[01:21:09] rights office, but also as to what Morgan said.
[01:21:12] We may also look the other prominent address to six issues as well.
[01:21:16] So that's the undefined portion of the scope for that position.
[01:21:22] Ok. Now I'd like to turn to the capital budget.
[01:21:27] What I'm presenting here is a budget that shows that we anticipate spending approximately
[01:21:32] two point nine billion dollars over the next five years.
[01:21:36] The top half of the slide shows the spending on our three big projects, the IMF, the
[01:21:41] North satellite and baggage optimization.
[01:21:44] And then we have other projects have called out the line item for preliminary planning
[01:21:50] and design for samp related work.
[01:21:53] And after that, we have proposed new projects.
[01:21:55] There are a total of 34 projects that total 233 million in spending in this five year
[01:22:01] period. Two two items that are.
[01:22:05] I'd like to also call out that the last line item in the middle box is IP reserves.
[01:22:11] This is consistent with the policy that Dan Thomas is communicated to you about.
[01:22:17] This reflects our anticipation of future spending that has not yet defined it is we kind
[01:22:26] of use it as a as a revolving fund in the sense that if we approve a new project, we we
[01:22:31] deduct from the reserve.
[01:22:32] If we achieve some savings, we add it back.
[01:22:36] It's basically back end loaded because we feel like most of the uncertainty in our
[01:22:40] capital program is probably going to be in the second half of this five year period.
[01:22:46] The second item that is very new this year is the last line item there see IPI Cash Flow
[01:22:52] Adjustment Reserve.
[01:22:54] And this was another attempt at making our budget a little more realistic.
[01:23:00] In other words, with over 100 projects, we have a very difficult time of identifying
[01:23:06] exactly which project is going to get delayed.
[01:23:08] But we know there's going to be something that's going to come up.
[01:23:10] So rather than having one hundred plus project managers individually go in and adjust
[01:23:15] their cash flows, we've taken approach religious look at the division wide and let's
[01:23:20] assume that we're not going to spend everything that we say we are.
[01:23:24] And so we developed a formula that says that for those projects under construction, we'll
[01:23:29] assume about 90 percent of the spending in 2020.
[01:23:33] For those that are in to have had design authorization but not destruction authorization,
[01:23:40] we're assuming 75 percent of the spending would occur.
[01:23:42] And then for those that are have not yet been authorized, we assume 60 percent.
[01:23:47] So that's how we've developed this adjustment and then we've just spread it out over the

[01:23:52] following two years. So it's really just a it's a a zero sum game.
[01:23:57] We're just spreading spreading the dollars out, trying to make our 2020 budget a little
[01:24:01] more realistic.
[01:24:02] Thank you, Mr. Caulkins. His question is that exercise principally a budget exercise or
[01:24:09] will it actually result in us borrowing less during this time period and therefore saving
[01:24:15] on some debt service? Potentially, it's it's probably more of a budget exercise.
[01:24:20] In other words, when it comes time to do a bond issue, we are really focused on the
[01:24:25] projects that are authorized that are moving forward where we're pretty certain about the
[01:24:30] spending needs. So this is really aimed at the fact that we've got a lot of projects that
[01:24:37] are in that earlier phase or they're in design.
[01:24:40] Something could come back with a big bust and then we can delay the project or the scope
[01:24:44] has to change and we have to think about it for a few months.
[01:24:48] Those are situations that do come up that that that delay our spending and it happens
[01:24:53] every year. We just don't know which project is going to get delayed.
[01:24:56] Mr. Steinbruck? Yeah.
[01:24:58] I want to ask about airline realignment and why that would be why there would not be a
[01:25:02] placeholder there within the five year.
[01:25:05] I would think within five years time we're going to work out some of the issues and
[01:25:09] challenges amongst worst case.
[01:25:11] So as all of indicated in a subsequent slide, that's one of the items that an effect
[01:25:15] would be competing for those reserves.
[01:25:17] We haven't put in a budget item because we just we don't have a basis for that right now.
[01:25:21] Is James Jennings discussed?
[01:25:24] There are a number of alternatives that are being looked at.
[01:25:26] And each of those has very different costs.
[01:25:28] So for us to pick a number at this point, it was just a little premature.
[01:25:33] Well, to be fair, we've done that in other projects.
[01:25:35] But be that as it may take.
[01:25:37] Yeah. Be that as it may.
[01:25:40] Could you briefly describe the 16, the money for the samp preliminary planning design,
[01:25:47] which went to the money?
[01:25:48] There is the there was $300 million that was approved as a part of the most recent lease
[01:25:54] agreement that said, okay, we could spend up to with airline approval, we could spend up
[01:25:58] to three hundred million dollars on sampa related planning and early early design.
[01:26:06] What has come before you as a request for $10 million dollars to start that process?
[01:26:11] And you know, any future spending is gonna come back to you for authorization before we
[01:26:16] go forward. But that's what that line item is sort of based on.
[01:26:20] If we start moving through the the environmental review process, get it completed and can
[01:26:25] actually get going on on additional planning and design work.
[01:26:30] Ok. That's. I'll leave it at that.
[01:26:32] But just plugging a number based on.
[01:26:37] Ok. And then we as I indicated, we have 34 new projects here is sort of a summary view of
[01:26:42] them with the biggest items listed down below the baggage claim device renewal and
[01:26:48] replacement over multi multi-year program totaling 71 million, addressing some security
[01:26:54] issues on the mezzanine level, industrial waste treatment plant improvements and creating
[01:27:00] new lease wall space in the terminal.
[01:27:02] And the next phase of restroom renewal and replacement.
[01:27:05] And that would be for the main terminal mezzanine and bag claim areas.
[01:27:09] So those are some of the new projects.
[01:27:11] The details are in the appendix.
[01:27:13] Obviously, before we spend money on those or anything other than early, early money, they
[01:27:17] would come to you for authorization.
[01:27:19] And this is a way of summarizing our sea IP in a high level, showing what is under
[01:27:27] construction in the first section up above.
[01:27:31] Then what is has design authorization and then what is pending authorization.
[01:27:36] So helping you see the big, big buckets, if you will, of our capital program, recognizing
[01:27:41] that there are many projects in them.
[01:27:45] And then you can see that I guess what I would say is the reserve amount that I showed in
[01:27:48] the previous slide, that would be all the way down at the bottom.
[01:27:52] And the other pending capital projects, that totals 1.2
[01:27:55] billion. That would have that 680 million of reserves in there as well.
[01:28:01] So this is just a view of it, and it shows you some of the big projects that will be
[01:28:04] coming forward next year, the main terminal fire, sprinkler and smoke control system

[01:28:11] would obviously be seeking authorization, as would these upgrades to a satellite transit
[01:28:16] system. Train controls.
[01:28:19] If I can just point out on your on your on your chart, Borgen, is that those statuses
[01:28:25] you'll see those reflected in the non non aviation as well.
[01:28:28] And I talked about those before.
[01:28:29] You get more certainty as you move up into the construction phase, obviously, and you can
[01:28:33] see that up at the top, the five six and then you have other design for than.
[01:28:38] The pre-authorization is a 1 through 3 there.
[01:28:42] So we'll see that that's recurring and certainly increasing on Scott on schedule in costs
[01:28:47] as you move upward. All right.
[01:28:50] So here are the items that aren't in the capital budget that are looming out there.
[01:28:55] And, you know, we recognize that there will be a need to address seismic issues at the
[01:29:01] south satellite. We know that after the IAF opens to me, the international arrivals
[01:29:06] facility opens. We'll have significant vacant space in the basement of the south
[01:29:10] satellite that we want to be able to repurpose and or renovate.
[01:29:14] That is not yet in the budget.
[01:29:16] The C1 building is an area where we anticipate being able to expand airport dining and
[01:29:21] retail office space and create space for more lounges.
[01:29:25] We have a place holder in our budget now that is grossly insufficient.
[01:29:29] So we know there's going to be an increase coming indicated airline realignment.
[01:29:34] Completion of the part 150 noise remediation plan.
[01:29:37] We have elements that are in our budget right now, the pilot programs.
[01:29:40] But obviously there will be follow on projects to those.
[01:29:45] And then when we complete the asset management program, we expect to have a clearer
[01:29:50] picture of some of the future retail on replacement needs.
[01:29:53] We will have. And obviously there could be more sand projects in this five year period.
[01:29:59] So are our challenge, as you can see from this list, is to make sure that we are
[01:30:04] addressing sufficient resources on solving problems in our existing terminal.
[01:30:09] And if I were to go back to this slide and try to address your earlier question, you
[01:30:15] know, I would say that just about not every project, but almost every project impacts the
[01:30:22] travelers. I mean, we are making improvements, whether it's building out a new north
[01:30:27] satellite or whether it's even the ultimately the baggage system will it will it will
[01:30:31] help the traveling public.
[01:30:33] So almost all these projects are things that will will impact our our customers.
[01:30:41] I think the experience really is getting into the.
[01:30:45] Getting into the airport initially, I think the security checkpoints are perhaps the
[01:30:50] place where people are feeling the most constraint.
[01:30:53] And I know we've gone back to D.C.
[01:30:55] and we've asked for more TSA and the use of dogs and things like this.
[01:31:01] And I guess once you're on your way to your gate and things like that, I think I think
[01:31:05] that's maybe some relief.
[01:31:08] But, um, is is there specifically what what's being done to the way I get through the
[01:31:12] gates? Probably the checkpoint.
[01:31:14] One relocation is really I think we've talked about this a few months ago, the plan being
[01:31:19] to relocate checkpoint one, which is at the south and down to the bag claim level.
[01:31:24] It will create additional space to expand that checkpoint and provide overall capacity
[01:31:31] for four checkpoints.
[01:31:32] There'll be some refinements to the the capacity, I think, at checkpoints 3 as well and
[01:31:37] 4. But that would be the probably the biggest thing that would change our capacity.
[01:31:42] Can I can I suggest we actually there is national security implications about how we're
[01:31:46] talking about screening. We've talked about this previously appropriately in executive
[01:31:49] session. We are owed an update based on a spring conversation that were supposed to
[01:31:53] happen in August. As a follow up with Wendy Writer about the some of the changes here.
[01:31:58] I'd like to move that to executive session because I have questions here, but I know
[01:32:00] there are national secured applications about it.
[01:32:05] In general, you're talking about having to go below downstairs to check in.
[01:32:09] So whatever the implications are, that would take some additional signage.
[01:32:14] Right. Yes.
[01:32:18] Yes, I do. To answer your question, in the next five years, you'll see project coming
[01:32:23] forward to address security where there's checkpoint one that Brogan spoke about,
[01:32:28] checkpoint to propose improvements there and checkpoint three.
[01:32:32] In terms of wayfinding, we're 80 percent complete.
[01:32:36] I don't know where we're finding massive plan.

[01:32:37] We're going through the review right now.
[01:32:40] So by next year, we'll see the completed.
[01:32:42] We're finding massive planting through the terminal on the roadways and then you will,
[01:32:46] and then projects followed of that.
[01:32:48] Additionally, we are working and other stuff to do, like landscaping, massive planning
[01:32:52] stuff. So we're working on projects that would improve the customers experience in the
[01:32:57] existing facility within next five years.
[01:33:00] If we talk about a sales that we're going to be doing at Checkpoint 3 as well.
[01:33:04] So In-to was a part of the security checkpoint.
[01:33:07] Checkpoint one does go and don't stay in the bag claim the different.
[01:33:11] They have the new SSL automated screening lanes that improve the throughput for the
[01:33:15] passengers. It's a fourth checkpoint through as well.
[01:33:19] We'll see ourselves there.
[01:33:20] So when we move forward with security, checkpoint movements will be used in the
[01:33:24] technology that we are that we're accustomed to.
[01:33:29] Can I just say that on the capital budget?
[01:33:33] I really appreciate this slide.
[01:33:34] And what I'd I think we'd all appreciate is is much more detail about these things.
[01:33:39] And I appreciate that you called it a risk, but they're not really risk.
[01:33:42] These are all things that are going to need to happen at some point within the next five
[01:33:46] years. Correct.
[01:33:49] I mean, General. Yes. Yes.
[01:33:51] Right. These are recognized AIDS, the amount.
[01:33:53] And I think that's a better way to put it is a recognized need.
[01:33:57] It's not really a risk.
[01:33:58] It's a recognized need.
[01:33:59] And it feels like we're at at the edge of a cliff and we're going to have an incredible
[01:34:04] amount of spending coming forward.
[01:34:05] And yet it's not and we don't need to do it today, but we do need to understand at least
[01:34:11] some sort of scope of magnitude of what we're looking at.
[01:34:15] Okay. All right.
[01:34:18] And just briefly, looking at our five year forecast.
[01:34:23] Again, we're continuing with good solid results down below some of the key measures.
[01:34:29] You see the CPE is growing up to seventeen forty by 2024.
[01:34:34] This is actually a little lower than our five year forecast of last year.
[01:34:39] And it very much in line with the expectations of delivering on this capital program.
[01:34:44] We expect the CPE to go up.
[01:34:46] We're maintaining good solid debt service coverage levels.
[01:34:49] And I think for me, the key thing here is that we're demonstrating that we have the
[01:34:54] financial capacity to take on additional investments over and above what we have
[01:35:00] currently in our capital program.
[01:35:02] So I think we're in good shape. This is where we want to be.
[01:35:04] And I think we will be able to address these future concerns that are recognized needs in
[01:35:12] our capital program over and above what we otherwise have captured as part of the sea IP
[01:35:17] reserves because there could be more.
[01:35:20] And that there's there's one final slide and I'll be relatively quickly on or I'll be
[01:35:24] quick on this. This has to do with the allocation of PEF seas to manage rates.
[01:35:31] And this comes from a commission motion back in May of 2015 where you guided us to
[01:35:36] establish the funding plan for the international arrivals facility.
[01:35:41] And we use the same framework and in determining the funding plan for the north satellite
[01:35:45] improvements. And basically what this slide shows is the funding plan for the IAF up in
[01:35:52] the upper right and it shows that we did use cash of 200 million and 100 million of PFC
[01:35:59] pay goes to sort of reduce the overall costs that would go into the rate base.
[01:36:03] And then the chart on the lower right shows the impact of using PFC is on an ongoing
[01:36:09] basis to pay eligible debt service.
[01:36:12] And so one way of looking at this is the that the total height of the bar shows the FISA
[01:36:18] rate as it would be if we did not use PFC is to pay debt service.
[01:36:25] The blue bar shows kind of what we're initially targeting as the FISA rate.
[01:36:29] We fully expect the FISA rate to go up.
[01:36:32] We've been targeting basically being in the market for pure airports.
[01:36:39] And we had a study updated earlier this year that looked at Los Angeles, San Francisco,
[01:36:44] Dallas, Vancouver and Seattle is sort of key, key comparative airports.
[01:36:49] L.A. is going to be the highest and they will be approximately $12 in 2023.

[01:36:55] So we kind of think that is a level at which is probably reasonable.
[01:37:00] We feel with a brand new facility to be at the high end of the market is not
[01:37:04] unreasonable. We just don't want to be two or three times the market rate.
[01:37:08] And so I think this plan reflects the guidance you gave us a few years ago.
[01:37:13] And I just wanted to report back on it.
[01:37:14] And there's more details in the appendix that showed more and more more specifics on the
[01:37:20] funding plan for the North satellite and the IAF and the overall allocation of PEF, CS
[01:37:26] and Morgan. Thank you for calling that out.
[01:37:28] That was actually going to be my question.
[01:37:29] I appreciate that because I think commercial Gregoire and I were the only two that were
[01:37:33] here in 2015 that said the cost of the IMF back in 2015 was substantially lower than what
[01:37:40] the ultimate cost was when we passed that policy.
[01:37:42] That's correct. Can distinctly remember that the original cost estimate for the I.F.
[01:37:47] was $363 million.
[01:37:51] So, you know, it just sticks in my mind.
[01:37:57] It was. So, you know, I just wanted while we did provide that policy guidance in 2015.
[01:38:03] Things have changed in between.
[01:38:05] So but I do understand the the concern about not having an F I ask that is astronomically
[01:38:12] higher than other airports.
[01:38:15] OK. All right.
[01:38:16] That concludes our presentation.
[01:38:20] We had there's quite a bit in the appendix.
[01:38:23] I think we ought to have some other questions about that or just rough questions.
[01:38:28] I'm sure, Gregoire. Probably should you chair Bowman?
[01:38:33] I'm trying to make sure this is very helpful.
[01:38:35] I know we're level setting as we do this budget.
[01:38:37] We've we've done in previous briefings in June.
[01:38:39] We've had some conversation about commissioner priorities in this space.
[01:38:43] I do think there's a good goal if it makes sense, from maybe leaving open a week where we
[01:38:49] work with commission staff to go some Q&A, because I'd like to dig a little bit deeper
[01:38:52] here in customer service.
[01:38:54] What do we mean by what is the user usage of our app?
[01:38:57] What do we mean by signage, etc.?
[01:38:59] I do think I'm trying to think of the most effective way, which is you've presented the
[01:39:05] budget clearly and transparently at a level that I think is digestible.
[01:39:08] I give full credit.
[01:39:09] There are questions come from OK, but are we actually reducing the carbon footprint of
[01:39:14] the airport? Here's my specific question.
[01:39:16] Where is that in this budget?
[01:39:18] And I want to build that in earlier learning last year's kind of exercise of that makes
[01:39:21] sense that at the end of the day, what we're approving a budget we're not having a
[01:39:24] conversation about. But my priority is how are the mom of i-Pods being used?
[01:39:29] Just decide ethical and figure out the right way to do that.
[01:39:34] And so my attitude is that's that's not here.
[01:39:36] I have some of those questions, but I'd like to to work with the commission office to
[01:39:40] document them and go back into policy Q&A process.
[01:39:44] And I realize that that's going to be a burden on state, an opportunity for staff.
[01:39:50] And so I wanted to just talk about how much time that might be as an investment.
[01:39:53] Does that make sense? I think.
[01:39:54] No, that's totally fair mean.
[01:39:56] And I'll call out just one.
[01:39:57] I know that we're gonna have a conversation.
[01:39:59] Lance, this afternoon.
[01:40:00] And I think we'll have questions about hard standing and what the impact has been on
[01:40:05] passengers and what we can do to alleviate what they're going through.
[01:40:10] And I don't see that reflected in here.
[01:40:11] So I think those are the sorts of questions that we're gonna be having.
[01:40:15] And then in the appendix, there's several things that where you really call out
[01:40:18] specifically staffing, hire an airport employee experience consultant.
[01:40:24] I don't need to go into the details now, but I think those are the sorts of questions
[01:40:27] that we're gonna have. And Commissioner Gregor or some of the stuff that you're asking
[01:40:31] for, we actually go through that when we're developing the budget to have a lot of
[01:40:35] information. In fact, we asked people, okay, you're asking us for F.T.

[01:40:38] What is this person going to do from 8:00 in the morning until 5:00 in the evening?
[01:40:42] Tell us why we should approve it.
[01:40:44] So we go through a lot of detail.
[01:40:45] So there's a lot of stuff that we have, but I don't think we could present all of that in
[01:40:49] a way for a value I have.
[01:40:50] But yeah. But if you tell us the areas that you want, we can provide a lot of detail.
[01:40:54] Lance, thank you for highlighting that because that is definitely what I meant, which is
[01:40:58] I know how vigorous of a a process that you've been developing.
[01:41:02] Let's be perfectly frank. Basically kick start from the first of the year and then we
[01:41:06] live it all year. And I know how deeply you push for it.
[01:41:10] Let me see the justification for why this is a full time FTE.
[01:41:13] Where's the volunteer opportunity?
[01:41:14] What's a half FTE? Where do I share this?
[01:41:16] I think we need to have a as opposed to boiling the ocean in this conversation, kind of a
[01:41:21] written Q&A response that enables us to say, you know, and I'll volunteer the probably
[01:41:26] Kappas. I probably should provide you 150 written Q&A.
[01:41:29] But somewhere in a reasonable like we know that our policy answers and we can talk about
[01:41:34] it in a digestible format because you can't you can't do that today.
[01:41:38] I will say that our budget review package, which was always a p_d_f_, not a printed
[01:41:44] document, was over a thousand pages.
[01:41:47] And this is what we reviewed as a part of this budget development process.
[01:41:51] And I also wanted to share that.
[01:41:52] We shared that with the airlines and we've met with the airlines on two separate
[01:41:58] occasions already and had the triple A C meeting.
[01:42:02] The feedback we got was actually very positive.
[01:42:05] They feel we've been very transparent.
[01:42:07] We've been listening to some of their concerns.
[01:42:09] And at least the feedback that they shared with me publicly was was actually fairly
[01:42:14] positive compared to last year when it wasn't so positive.
[01:42:17] So I just wanted to share that with you.
[01:42:19] And if it's commission staff, we would be happy to share the 4000 page notebook with you
[01:42:25] all and let you go through.
[01:42:28] I'm going to jump in there. I know the commissioners would love to review that.
[01:42:31] But I think having the the specific questions or those areas that we can then provide the
[01:42:35] material, I think that worked well last year on some budget items to to go back.
[01:42:39] And I think that would be a great format for us to pass that back to all the
[01:42:43] commissioners then. And on answering those questions that we have gone through a lot of
[01:42:47] the details that you reference.
[01:42:48] Just tell us which ones you want and we can provide that information.
[01:42:51] Absolutely. Commissioner Fellman, So following up on the illusion that Commissioner
[01:42:56] Gregoire used about boiling the ocean to new one for me, what would be that as it may?
[01:43:02] I'm one of the things that one of the things in follow up with that, the accounting.
[01:43:08] I we know we have these greenhouse gas reduction goals, as we note, but the sort of an
[01:43:14] annual report of where we're at.
[01:43:16] And so what these expenses are towards achieving those goals seems to be important and
[01:43:21] special and making a large financial decisions regarding like R&D and things like that
[01:43:27] will be kind of good to at this point to know.
[01:43:29] If we're falling behind or should we be making more investments and otherwise and then
[01:43:33] just to see them in the environmental remediation liability.
[01:43:36] Dr. Flug, this Thabet on in the appendix on page 32.
[01:43:39] We're basically zeroing it out.
[01:43:42] And so that's just like almost assuming there will be none.
[01:43:45] And I mean, when you dig into the ground in an airport, you're almost invariably going to
[01:43:49] run into something unanticipated.
[01:43:51] And I'm just wondering, should there not be a reserve?
[01:43:53] I mean, we accomplished these other things, so we got those off the table.
[01:43:57] But it seems to me there should be something expected to go wrong.
[01:44:02] Well, I did that.
[01:44:04] The budget for that is based on the specific projects and we will use the best
[01:44:08] information we have at the time when we put together our budget.
[01:44:11] And I you know, I don't know how to address your question any other way other than to say
[01:44:16] it's going to be different every year, some years it's can be higher.
[01:44:19] Some years it's going to be lower.

[01:44:20] It just depends on. But don't we need some reserve?
[01:44:22] But yeah, what if I could add to that boring and some of the areas that we have projects
[01:44:26] in our era that we've already found dirt to dirt and we have cleaned it up and mitigated
[01:44:31] it to the expectation is that hopefully the more we have mitigated these areas already.
[01:44:36] So we're still digging.
[01:44:38] Yeah, right.
[01:44:39] So I mean I just seems to be rather than being surprised.
[01:44:42] I mean, I bring up the fire gives fire station, but there's other places where we're
[01:44:48] likely to run into expenses or things like that.
[01:44:51] I'm glad that we knocked down the big stuff, but it just seems to be prudent to reserve
[01:44:56] something. I agree.
[01:44:59] Again, one other thing.
[01:45:00] As I said in the beginning, one of the things we tried to do is to meet the budget as
[01:45:03] lean as possible with not a lot of fluff in there.
[01:45:06] So maybe that's one of the era we can relook at.
[01:45:09] But we thought that the contingencies that we had in the budget was sufficient.
[01:45:16] But we can take a look back at that.
[01:45:17] We didn't want to bring a big old budget with a lot of fluff in there that asking for a
[01:45:21] bunch of money that we really didn't need.
[01:45:23] We would vitiate that lands, but I don't think we're not viewing environmental
[01:45:26] remediation as fluff.
[01:45:28] And so I think we're just anticipating, as we did even with the I.F..
[01:45:31] Right. You know, as we got deeper into the projects, unanticipated, even though we know
[01:45:35] that it was a you know, the problems with that site.
[01:45:38] Right. So, Morgens, that it was based on the specific projects on the areas that the
[01:45:41] projects are actually in our areas that we had looked at.
[01:45:44] And I don't know if you want to add to that, but those are areas that we had already
[01:45:47] looked at. Maybe Arnie can add a little bit to it.
[01:45:50] Just real quickly, I think there are specific rules that guide on what goes in that
[01:45:56] u._r._l account. And so we'll look into that and get you an explanation as to why the
[01:46:00] number is what it is. They'll be helpful.
[01:46:03] Thanks. Yeah.
[01:46:06] Commissioner Steinberg, I have a question, sort of a broader one regarding both the
[01:46:11] operating capital budgets and revenue forecasts for the next year, five years.
[01:46:19] I don't see under the risk category.
[01:46:22] And we can we can have different terminology there, but I see that as financial risk
[01:46:28] basically is what the intent of that is, whereas the financial risk reflected in terms of
[01:46:35] potential for a for 4 recession within the next couple of years, maybe even next year for
[01:46:40] all we know. How are you considering that?
[01:46:43] And what how what is the sustainability of these budgets in that with regard to the
[01:46:49] potential downturn in travel and revenues?
[01:46:56] The way I would look at that is sort of looking back and, you know, certainly we had a
[01:47:03] big recession in 2008 9.
[01:47:05] You know, the Great Recession.
[01:47:08] And then obviously if you went back further, you'd see 2001 and the 9 of the events of
[01:47:13] 9/11. In both cases, we saw a downturn.
[01:47:17] We saw almost of a very quick bounce back.
[01:47:23] And so that, you know, one way that we look at that, I look at a five year forecast is,
[01:47:28] is it reasonable, sort of taken as a whole.
[01:47:30] I don't expect to get every year.
[01:47:31] Right. But I think over that five year period, it's probably reflects a reasonable
[01:47:37] outcome. There could be a downturn in there and it could be a recovery.
[01:47:42] And so you we we've got, I think, some relatively modest growth rates built into that
[01:47:48] forecast. We're not, you know, shooting for the moon or anything like that.
[01:47:53] But we do see tremendous demand for travel in this region.
[01:47:58] And the travelers that are coming through here tend to be willing and desirous of
[01:48:03] spending more money.
[01:48:05] And whether that's on food and beverage or whether that's parking or other services, you
[01:48:10] know that this budget really reflects what we anticipate happening now.
[01:48:15] Although I will I will say that we are not specifically anticipating a downturn, nor are
[01:48:20] we expecting a tremendous upturn.
[01:48:23] It's reflects sort of a five year forecast that we think is reasonable.
[01:48:28] And if I could just add to add to that as well, we raise the question, what if there was

[01:48:33] a recession at some point in time, whether it's next year or the year after?
[01:48:36] It's really a matter of when. And that's one of the reasons we really wanted to meet the
[01:48:39] budget, really mean we didn't want to have a lot of FTD I've seen in the past where you
[01:48:44] have a downturn and you start laying people off, et cetera.
[01:48:48] So we really didn't want to go through that also.
[01:48:50] We looked at the projects, for example, that would be under construction, meaning there's
[01:48:54] things coming out of the ground.
[01:48:56] Those projects are not going to stop even if you have a recession, predicts that in
[01:48:59] planning aren't designed, that airlines might push back and say, hey, hey, hey, let's
[01:49:03] stop these because of the recession.
[01:49:04] But the ones coming out of the ground, you really don't want to under other side of that
[01:49:09] is you might actually want to move forward with projects during a recession because you
[01:49:13] can get much better cost on those projects.
[01:49:16] You can get those predict deliver deliberate at a much lower cost than it is during the
[01:49:20] boom period.
[01:49:21] And that might actually help the local economy or the regional economy as well.
[01:49:25] So we factored in a whole bunch of stuff.
[01:49:27] Also, what we have seen in the past is that during a recession, there's pushback.
[01:49:31] Hey, let's stop, stop, stop.
[01:49:33] And then you start recovering.
[01:49:34] And then rather than trim because we've been trying to play catch up and rather than
[01:49:38] catch up, we fall even further back.
[01:49:40] So we really want to push on, because if you look at the recession, it's a cycle.
[01:49:44] You go through the recession and then you start going back to the boom phases as well.
[01:49:48] So we kind of took all of that into consideration during the during the forecast.
[01:49:52] Otherwise known as a sine curve.
[01:49:58] Just a quick question on the PFC.
[01:50:00] It would be great to give us some background on what or not even background information
[01:50:05] about what a small increase in PFC is would do to provide more revenue for us.
[01:50:10] We can have talked about this for many, many, many years.
[01:50:14] Every airport's in the same situation.
[01:50:16] Every airline as opposed to it seems to be opposed to an increase in the PFC.
[01:50:20] But we would I think let's revisit that.
[01:50:22] I know that there was an effort a few years ago to build a coalition of other airports to
[01:50:28] push for a PFC increase.
[01:50:29] But I'm just understanding what a small increase would do to provide more revenue would
[01:50:33] be fantastic. Okay.
[01:50:37] So in looking further into the appendix, I see that there is a environmental and
[01:50:43] sustainability budget request which includes a two hundred fifty five thousand dollars
[01:50:47] for what I think are, you know.
[01:50:52] PFA esses, which I think is the air.
[01:50:55] Yeah. Which are the.
[01:50:57] The foam, I believe.
[01:50:59] Yes. And so there is an allotment for the for that clean up.
[01:51:04] It's. It's for investigation.
[01:51:06] We've tried to take a proactive approach to pe phos knowing how much concern it might be.
[01:51:13] And so it's to continue investigation that we have already started.
[01:51:18] Very good. And then I also see under the community and social responsibility side.
[01:51:25] We have. I don't know whether this would be here, whether the Selkin County Fund.
[01:51:34] I don't know where where that is going to be allocated or how much of the fund is being
[01:51:41] budgeted for this coming year.
[01:51:46] It's and it's not in the airport budget.
[01:51:49] So it's a public relations.
[01:51:51] So it's incorporate sort of corporate like on the corporate side.
[01:51:54] Right. Any other questions?
[01:52:01] No. OK, well, thank you, I know that we're gonna follow up with a lot of more just
[01:52:05] written questions and again, really appreciate all the work that's been put into this.
[01:52:08] We're trying to get a little bit ahead of it this year so that we have several weeks
[01:52:13] before we actually adopt the budget.
[01:52:16] Before we wrap up, I really just want to say thanks to bargain and his team and the
[01:52:20] directors, they have thousand pages.
[01:52:23] They've done recommend us amount of work to get us to where we are.
[01:52:26] So I know. Thank you. Thank you.

[01:52:29] Borgen in team very much.
[01:52:30] Appreciate it. I hope it doesn't go.
[01:52:33] I mean, I hope you're hearing this was a tremendously clear presentation at appropriate
[01:52:37] for the level for the commission, for a very complicated project.
[01:52:42] And so I wanted to make sure that we had the opportunity to dig into some of that
[01:52:46] thousand page document.
[01:52:47] But you've taken that and turned that into a very clear presentation.
[01:52:51] So, again, thanks. Great job.
[01:52:53] Thank you. All right. We're going to take up the maritime capital budget, along with
[01:52:58] operating budget this afternoon so that they're going to marry up together.
[01:53:01] So we're still going to get our 45 minute break.
[01:53:04] So with that, we are adjourned at eleven twelve.

END OF TRANSCRIPT