

START OF TRANSCRIPT

[00:00:29] THIS IS COMMISSION PRESIDENT PETER STEINBRUECK CONVENING THE
[00:00:32] STUDY SESSION OF OCTOBER 13TH 2020. THE TIME IS APPROXIMATELY
[00:00:37] 9:02. WE'RE MEETING REMOTELY TODAY VIA TEAMS TO
[00:00:41] COMPLY WITH THE GOVERNOR'S SAFE START STAY HEALTHY
[00:00:45] ORDER IN ACCORDANCE WITH PROCLAMATION 2028.
[00:00:51] THIS MEETING IS BEING BROADCAST AND IS AVAILABLE FOR VIEWING
[00:00:54] THROUGH THE PORT WEBSITE PRESENT WITH ME TODAY ARE
[00:00:57] COMMISSIONERS BOWMAN, CHO AND ANY OTHER COMMISSIONERS
[00:01:02] PRESENT. LET ME GO AHEAD AND TAKE A ROLL CALL
[00:01:05] FOR THE RECORD. BEGINNING WITH
[00:01:08] COMMISSIONER BOWMAN. I'M HERE. THANK YOU. COMMISSIONER CALKINS
[00:01:14] HERE. THANK YOU. COMMISSIONER CHO. PRESENT.
[00:01:17] THANK YOU. COMMISSIONER
[00:01:20] FELLEMAN, HAVE YOU JOINED US?
[00:01:23] I'M TRYING TO GET ON SPEAKERPHONE BUT I AM HERE.
[00:01:26] WONDERFUL. THANK YOU. AND THEN OF COURSE, WE HAVE COMMISSIONER
[00:01:29] STEINBRUECK. WE DO HAVE A FULL BOARD TODAY, COMMISSIONER.
[00:01:33] EXCELLENT. THANK YOU ALL AND GOOD MORNING. TODAY'S MEETING
[00:01:35] IS STRUCTURED FOR OUR VIRTUAL FORMAT. WE'VE MADE SPECIAL
[00:01:38] ARRANGEMENTS TO PROVIDE FOR REMOTE PARTICIPATION FOR ALL OF
[00:01:42] OUR STAFF AND COMMISSIONERS. THIS IS OUR FIRST COMMISSION
[00:01:46] MEETING THROUGH THE TEAMS PLATFORM. I DIDN'T KNOW THAT.
[00:01:49] A FEW HOUSEKEEPING RULES, PLEASE NOTE THAT
[00:01:51] COMMISSIONERS HAVE THE
[00:01:53] ABILITY TO CONTROL THEIR MUTE AND UNMUTE FUNCTION.
[00:01:59] OKAY,
[00:02:01] I ASK THAT COMMISSIONERS KEEP THEMSELVES MUTED THROUGHOUT THE
[00:02:04] PRESENTATIONS UNTIL THE PRESIDER CALLS FOR QUESTIONS OR
[00:02:07] OR MEMBER REQUESTS TO BE RECOGNIZED. PLEASE REMEMBER
[00:02:12] TO RE-MUTE
[00:02:15] YOURSELF WHEN YOU'RE NOT SPEAKING. THIS IS TO CONTROL
[00:02:18] THE BACKGROUND NOISE THAT MAY BE DISRUPTIVE TO THE MEETING.
[00:02:22] YOU'RE ALSO ENCOURAGED TO USE THE CHAT BOX TO BE RECOGNIZED
[00:02:25] SO STAFF MAY NOTIFY THE PRESIDER OF THE REQUESTS TO SPEAK.
[00:02:29] COMMISSIONERS ARE ALSO ENCOURAGED TO HOLD QUESTIONS AS
[00:02:32] MUCH AS POSSIBLE UNTIL THE END OF THE RESPECTIVE PRESENTATION
[00:02:36] SEGMENTS IN ORDER TO GET THROUGH THIS AGENDA TODAY. WE
[00:02:40] HAVE A LONG DAY AHEAD. AND THANK YOU ALL FOR YOUR ATTENDANCE
[00:02:43] THIS MORNING. THE PURPOSE OF THIS BRIEFING IS TO CONTINUE
[00:02:46] THE DISCUSSION OF THE AVIATION CIP 2021-2025 PERIOD FROM
[00:02:53] SEPTEMBER 22ND STUDY SESSION. WE WILL ALSO DISCUSS
[00:02:58] THE AVIATION OPERATING BUDGET.
[00:03:01] I WILL NOW TURN TO YOUR EXECUTIVE DIRECTOR METRUCK TO
[00:03:05] INTRODUCE THE AGENDA AND PRESENTERS.
[00:03:09] COMMISSIONERS, GOOD MORNING. COMMISSIONERS, BY FAR THE PORT
[00:03:12] OF SEATTLE'S LARGEST INVESTMENTS IN CRITICAL
[00:03:14] INFRASTRUCTURE ARE AT THE AIRPORT. AS NOTED IN OUR LAST
[00:03:18] STUDY SESSION, WE ARE PLANNING TO SPEND ABOUT 3.3 BILLION
[00:03:21] DOLLARS ON A HUNDRED AND FORTY-ONE PROJECTS TO ENSURE
[00:03:25] SEA CONTINUES TO OPERATE SAFELY AND EFFICIENTLY OVER THE COURSE
[00:03:28] OF THE NEXT FIVE YEARS. THE STUDY SESSION TODAY IS A
[00:03:31] CONTINUATION OF THAT CONVERSATION AND WILL CONCLUDE
[00:03:34] THE DISCUSSION ON THE AVIATION CAPITAL IMPROVEMENT PLAN,
[00:03:37] PRESENT OUR PEER REVIEW RESULTS IN OUR FORECASTING METHODOLOGY,
[00:03:41] AND REVIEW THE AIRPORT'S OPERATING BUDGET. IT'S
[00:03:44] IMPORTANT FOR US TO HAVE A LONG-TERM VIEW OF THE AIRPORT.
[00:03:47] NOW MORE THAN EVER, WE MUST ASSESS THE LONG-TERM NEEDS FOR
[00:03:50] AIRPORT IMPROVEMENTS AND THE AIRPORT'S TREMENDOUS VALUE TO
[00:03:53] THE ECONOMY OF THE REGION AND THE STATE. EVEN IN THESE TOUGH
[00:03:57] TIMES, OUR AIRLINE PARTNERS ARE ADVOCATING FOR INVESTMENTS TO
[00:04:00] MEET THE NEEDS OF THE FUTURE. SEA IS VITAL TO OUR RECOVERY.

[00:04:03] WE APPRECIATE YOUR FEEDBACK AND QUESTIONS AT THE
[00:04:06] LAST STUDY SESSION. WE LOOK FORWARD TO CONTINUING THE
[00:04:09] CONVERSATION ABOUT THESE INVESTMENTS THAT ARE VITAL FOR
[00:04:11] OUR COMMUNITY. I'LL TURN OVER THE PRESENTATION TO MR.
[00:04:15] LANCE LITTLE, MANAGING DIRECTOR OF AVIATION. LANCE?
[00:04:19] THANK YOU STEVE. GOOD MORNING COMMISSIONERS.
[00:04:22] YES. SO COMMISSION AS STEVE
[00:04:25] SAID, COMMISSIONERS, THIS IS A CONTINUATION OF THE STUDY
[00:04:27] SESSION THAT WE HAD LAST TIME. WE'RE GOING TO TRY
[00:04:30] TO START WHERE WE LEFT OFF. WE HAVE FUNDING THAT WE'RE GOING
[00:04:35] TO DISCUSS, WE HAVE
[00:04:37] THE FORECAST WE HAVE PEER REVIEW THAT WE'RE GOING TO
[00:04:40] DISCUSS AS WELL.
[00:04:43] BUT BEFORE, COMMISSION, I WANT TO SPEND JUST A FEW MINUTES TO
[00:04:46] DISCUSS TWO THINGS BECAUSE THERE'S A LOT OF QUESTIONS
[00:04:48] THAT CAME UP DURING AND AFTER THE MEETING WITH REGARDS TO THE
[00:04:52] LEVEL OF SERVICE AND VISION. SO I JUST WANTED TO SPEND A FEW
[00:04:56] MINUTES. I WANT TO START WITH AN APOLOGY BECAUSE I THINK
[00:04:59] BECAUSE WE BASICALLY DRINK THIS THING EVERY DAY AND
[00:05:02] WE HAVE THIS DISCUSSION EVERYDAY AMONGST OURSELVES.
[00:05:04] SOMETIMES WE TAKE IT FOR GRANTED THAT, YOU KNOW, WE ONLY
[00:05:07] PRESENT THIS INFORMATION TO COMMISSIONERS MAYBE ONCE OR
[00:05:10] TWICE A YEAR AND SOMETIMES THEY MAY NOT REMEMBER
[00:05:14] SOME OF THESE THINGS THAT WE PRESENT. SO WE REALLY NEED TO
[00:05:16] TO REALLY START BY REVISING CERTAIN THINGS. AND THE
[00:05:21] VIDEO WAS ONE OF THEM. THERE WAS QUESTION ABOUT THE VISION
[00:05:24] VIDEO, YOU KNOW, COMMISSION HAD JUST SEEN IT FOR THE FIRST
[00:05:26] TIME WHICH WAS TRUE, BUT I SHOULD HAVE STARTED BY
[00:05:29] EXPLAINING THAT THE VIDEO IS REALLY JUST ANOTHER
[00:05:31] REPRESENTATION OF THIS VISION THAT WE'VE BEEN SPEAKING ABOUT
[00:05:34] FOR SEVERAL YEARS, REPRESENTED SEVERAL TIMES AT BUDGET
[00:05:39] PRESENTATIONS OVER THE YEARS. SO I WANT TO GO BACK AND
[00:05:41] PUT THINGS INTO CONTEXT SO MAYBE THEY CAN
[00:05:44] CLEAR UP SOME OF THE QUESTIONS WITH REGARDS TO VISION. ALSO
[00:05:46] WANT TO SPEAK ABOUT LEVEL OF SERVICE. IF EVER WE SAY OUR AIM
[00:05:49] IS TO ACHIEVE A LEVEL OF SERVICE OPTIMUM. AND WE HAVE
[00:05:53] DONE EXCERPTS FROM THE LEVEL OF SERVICE CHART, BUT I JUST WANT
[00:05:55] TO SPEND A FEW MINUTES TO EXPLAIN THAT BEFORE WE GET INTO
[00:05:58] THE REST OF THE PRESENTATION. NEXT SLIDE, PLEASE.
[00:06:07] THE NEXT SLIDE BECAUSE I HAVE SPOKEN ABOUT THIS ALREADY.
[00:06:13] COMMISSIONERS. YOU HAVE SEEN THIS PRESENTATION SEVERAL
[00:06:16] TIMES. FOR THOSE OF YOU WHO
[00:06:18] HAVE BEEN AROUND FOR MANY YEARS, I THINK THIS IS PROBABLY
[00:06:21] THE FIRST TIME I DID A BUDGET PRESENTATION I PRESENTED THIS
[00:06:24] SLIDE. IT HAS A LITTLE BIT OF TWEAKS RIGHT NOW AND ONE OF
[00:06:28] THE REASONS WHY I DID IT IS BECAUSE I REALLY WANTED TO GET
[00:06:31] THE MESSAGE ACROSS THAT THE BUDGET IS NOT THE END.
[00:06:35] WE TALK ABOUT THE BUDGET AS IF IT'S THE FINAL PRODUCT.
[00:06:37] BUT IT REALLY ISN'T. THE BUDGET IS REALLY A MEANS TO AN END.
[00:06:40] THE END IS ALWAYS TO GET US TO OUR ULTIMATE VISION AND THE
[00:06:43] ULTIMATE GOALS THAT WE HAVE THAT SUPPORT THE CENTURY AGENDA
[00:06:47] AS APPROVED BY THE COMMISSION. AND SO WHEN WE DO OUR BUDGET,
[00:06:50] THE BUDGET HAS RESOURCES THAT WE NEED: THE MONEY, THE PEOPLE,
[00:06:54] THE EQUIPMENT THAT WE NEED TO EXECUTE THE ACTIVITIES THAT WE
[00:06:56] HAVE IN OUR BUSINESS PLAN AND OUR BUSINESS PLAN ACTIVITIES
[00:06:59] SUPPORT OUR THREE TO FIVE YEAR STRATEGIC PLAN WHICH SUPPORT THE
[00:07:02] VISION THAT WE HAVE FOR THE AIRPORT. AND OF COURSE THOSE
[00:07:05] VISIONS AND GOALS ARE IN ALIGNMENT WITH THE CENTURY
[00:07:07] AGENDA WHICH WE'RE GOING TO TALK ABOUT IN THE
[00:07:10] PRESENTATION A BIT LATER ON. SO JUST WANTED TO PUT
[00:07:14] THIS BACK OUT THERE TO SHOW EVERYBODY [INAUDIBLE]
[00:07:17] PRESENTATION THAT I'VE DONE OVER THE YEARS REALLY SURE HOW
[00:07:20] THE BUDGET IS ALIGNED WITH THE VISION AND WE HAVE ALSO SPOKEN

[00:07:23] ABOUT WHAT THE VISION IS NOT IN A VIDEO FORMAT, BUT IN TERMS OF
[00:07:26] OUTCOME AND METRICS. SO NEXT SLIDE PLEASE.
[00:07:34] AND AGAIN COMMISSIONERS, I HAVE SHOWN THIS CHART AS
[00:07:37] WELL DURING THE LAST PRESENTATION JUST TO REMIND
[00:07:40] COMMISSIONERS OF WHAT THE LONG-TERM VISION AND GOALS ARE THAT WE HAVE FOR THE AIRPORT.
[00:07:48] CAN SOMEONE MUTE? I THINK I HEAR SOMEONE SPEAKING.
[00:07:50] THE LONG-TERM VISION VISION AND OUTCOMES AND METRICS
[00:07:54] THAT WE HAVE FOR THE AIRPORT. SO THE VIDEO THAT WE SHOWED IS
[00:07:57] REALLY JUST ANOTHER REPRESENTATION OF IT,
[00:08:00] THE GRAPHICAL OR VIDEO REPRESENTATION OF WHAT WE HAVE
[00:08:03] ON THIS CHART GRAPH OVER THE YEARS. SO IF YOU LOOK
[00:08:06] AT FOR EXAMPLE, THE NUMBER 10, WHICH IS TO PROVIDE OPTIMUM
[00:08:09] LEVEL OF SERVICE WITH OUR FACILITIES, THAT'S [INAUDIBLE]
[00:08:12] WHAT THE VIDEO WAS SHOWING. WE HAVE OTHER LONG-TERM GOALS AND
[00:08:15] OBJECTIVES AND THAT WE HAVE ONE OF THEM IS TO GET SKYTRACK'S
[00:08:19] FIVE-STAR
[00:08:20] AIRPORT AND TO BE IN THE TOP TEN ASQ MEGA HUB AIRPORT 45
[00:08:24] MINUTES TO GET FROM [INAUDIBLE] TO THE CHECKPOINT. YOU GUYS
[00:08:26] HAVE HEARD US SPEAK ABOUT IT. YOU SAW THE WALK FLY
[00:08:29] THROUGH THAT WE HAVE IN THE VIDEO. ONE OF OUR GOALS IS TO
[00:08:32] HAVE A MINIMUM CONNECT TIME OF 75 MINUTES. THAT'S
[00:08:35] GOING THROUGH INTERNATIONAL ARRIVALS AND MAKING YOUR
[00:08:37] CONNECTIONS ETC. SO THESE ARE THE LONG-TERM GOALS. THIS IS
[00:08:41] THE VISION THAT WE HAVE. THIS IS THE VISUAL
[00:08:43] REPRESENTATION THAT WE'VE SHOWN OVER THE YEARS AND THEN THE
[00:08:45] VIDEO WAS JUST ANOTHER FORM OF ACTUALLY REPRESENTING THIS. SO
[00:08:49] THAT'S WHAT THAT IS. SO MY APOLOGIES I PROBABLY SHOULD
[00:08:51] HAVE STARTED WITH THIS. NOW YOU HAVE ALL HEARD MYSELF AND THE
[00:08:56] TEAM SPEAK ABOUT ALL THE FACILITIES THAT WE'RE BUILDING.
[00:08:58] WE'RE TRYING TO REACH THIS OPTIMUM LEVEL OF SERVICE,
[00:09:01] RIGHT? SO I JUST WANT TO SPEND ANOTHER FEW MINUTES JUST
[00:09:04] TALKING ABOUT OPTIMUM LEVEL OF SERVICE. NEXT SLIDE, PLEASE.
[00:09:08] WE HAVE SHOWN EXCERPTS OF WHAT OPTIMUM LEVEL OF
[00:09:12] SERVICE MAY LOOK LIKE. I JUST WANT TO RUN BACK THROUGH IT
[00:09:14] AGAIN. PRIOR TO AIRPORT DEVELOPMENT REFERENCE MANUAL
[00:09:20] THAT'S WHAT ADRM IS, PRIOR TO ADDITION 10 LEVEL OF SERVICE
[00:09:24] AT AIRPORTS DEVELOPED BY IATA WAS EXPRESSED IN TERMS OF
[00:09:29] LEVEL OF SERVICE ABCDE AND F. BUT THE 10TH EDITION AND 11TH
[00:09:33] EDITION HAVE IT EXPRESSED IN TERMS OF OPTIMUM, SUB OPTIMUM,
[00:09:36] AND OVER-DESIGN. OPTIMUM AS WE WE'RE TARGETING, RIGHT AND YOU
[00:09:42] KNOW, JUST A QUICK FACT THAT I HAVE WHEN I'M DOING
[00:09:46] PRESENTATION OF SEATAC INSIDE AND OUTSIDE THE ORGANIZATION
[00:09:49] AND I'M ACTUALLY ASKED THIS QUESTION WHY ISN'T
[00:09:52] THE U.S. EVER IN THE TOP 10 AIRPORTS AROUND THE WORLD?
[00:09:55] WHY IS IT [INAUDIBLE]
[00:09:58] IT'S BAD DESIGN. IT'S NOT AN ACCIDENT.
[00:10:00] THOSE AIRPORTS ARE DESIGNED AND
[00:10:01] BUILT TO MEET THE LEVEL OF SERVICE, OVER-DESIGN.
[00:10:05] THERE'S NO AIRPORT, LARGEST AIRPORT IN THE U.S.
[00:10:08] THAT I'M AWARE OF, THAT'S DESIGN HAS BEEN FOR A LEVEL OF
[00:10:10] SERVICE ABOVE OPTIMUM. IT DOESN'T EXIST IN THE USA. SO
[00:10:15] THAT'S OUR TARGET. AND OPTIMUM, EVEN THOUGH IT'S LEVEL SERVICE C
[00:10:18] IT'S ACTUALLY A REALLY HIGH LEVEL AS YOU'LL SEE ON THE
[00:10:21] NEXT CHART. NEXT SLIDE, PLEASE.
[00:10:25] AND THERE'S A WHOLE LOT OF INFORMATION ON THIS. WE
[00:10:27] NORMALLY WE TAKE EXCERPTS FROM THIS TO SHOW
[00:10:31] WHAT LEVEL OF SERVICE WE'RE TARGETING BUT
[00:10:34] JUST AS AN EXAMPLE, IF YOU LOOK AT THE CHART AND MAYBE JUST
[00:10:37] FOCUS ON THE SECURITY CHECKPOINT LINE, THE SPACE
[00:10:40] THAT'S NEEDED IN OUR FACILITY FOR US TO MEET OPTIMUM, BUT
[00:10:43] ALSO THE TIME THAT IT WOULD TAKE WAS TO GO THROUGH THE
[00:10:45] SECURITY CHECKPOINT. 5 TO 10 MINUTES. THAT'S AN EXAMPLE OF
[00:10:49] OPTIMAL. WE'RE NOWHERE NEAR THAT DURING PEAK HOURS. AND THIS

[00:10:52] IS DURING PEAK WE'RE TALKING, RIGHT, FOR ECONOMY CLASS. IT'S A
[00:10:55] 5 TO 10 MINUTES IN THAT IS AN EXAMPLE OF WHAT'S CONSIDERED
[00:10:58] OPTIMUM. AND THE AMOUNT OF SPACE THAT YOU NEED WHEN YOU'RE IN A
[00:11:00] WHOLE ROOM AREA OR HOW LONG IT WOULD TAKE YOU TO DO SELF
[00:11:05] BACKDROP ETC. SO OPTIMUM LEVEL OF SERVICE, EVEN THOUGH IT'S A
[00:11:08] LEVEL SERVICE C MIGHT SOUND LOW BUT IT'S ACTUALLY A VERY VERY
[00:11:11] HIGH LEVEL OF SERVICE. YOU LOOK AT THE TIME THAT IT WOULD TAKE
[00:11:14] WAS TO GET THROUGH IMMIGRATION, THE PASSPORT CONTROL AND
[00:11:17] IMMIGRATION, YOU'RE TALKING ONE TO FIVE MINUTES AND FIVE TO TEN
[00:11:19] MINUTES, RIGHT? THAT'S ONE OF THE REASONS WHY WE HAVE THE NEW
[00:11:22] INTERNATIONAL ARRIVALS FACILITY. WE'RE TRYING TO MEET
[00:11:24] THAT LEVEL. THAT'S ONE OF THE REASONS WHY WE HAVE A
[00:11:26] LARGE SATELLITE
[00:11:27] FACILITY AND WE'RE ADDING TWO HUNDRED THOUSAND SQUARE FEET.
[00:11:29] WE'RE TRYING TO REACH THAT OPTIMUM LEVEL OF SERVICE. WE
[00:11:32] THINK CONCOURSE A IS THERE ALREADY. SO IN THE FUTURE
[00:11:35] DESIGN, IN THE VIDEO, WE'RE LOOKING AT WIDENING D CONCOURSE
[00:11:39] AS AN EXAMPLE BECAUSE WE NEED TO HAVE SPACE TO MEET THAT
[00:11:42] OPTIMUM LEVEL OF SERVICE. AND THEN A FINAL CHARGE IS KIND OF
[00:11:45] EYE CANDY WITH A LOT OF INFORMATION IN IT REAL
[00:11:48] QUICK, BUT THIS FOCUSES EXCLUSIVELY ON
[00:11:52] OPTIMUM LEVEL UPS
[00:11:54] IN TERMS OF TIME FOR DEPARTURES AND ARRIVALS. SO IF YOU LOOK AT
[00:11:59] MAYBE AT THE TOP, WE'RE SAYING IF YOU'RE DEPARTING FROM THE
[00:12:02] AIRPORT, IT SHOULD TAKE YOU 1 TO 2 MINUTES TO GET YOUR
[00:12:06] BOARDING PASS AND TAG IN, RIGHT? BACKDROP SHOULD BE 1 TO 5 MINUTES
[00:12:10] CHECK IN AT THE DESK SHOULD BE 10 TO 20 MINUTES. AND THEN
[00:12:14] GETTING THROUGH SECURITY CHECK POINT 5 TO 10 MINUTES. THAT'S
[00:12:17] WHAT OPTIMUM MEANS. IT HAS INTERNATIONAL PASSPORT
[00:12:21] DEPARTURE. WE DON'T HAVE THAT HERE IN THE US, BUT IT HAPPENS
[00:12:24] IN SEVERAL OTHER COUNTRIES. AND ALSO IN THE TIME THAT
[00:12:28] YOU SHOULD IF YOU GET A WIDE-BODY AIRCRAFT OR A NARROW
[00:12:31] BODY AIRCRAFT HOW LONG IT SHOULD TAKE TO GET TO THE
[00:12:33] BAGGAGE COVER, SO TO GET TO YOUR BAG. SO THIS IS WHAT THAT
[00:12:36] OPTIMUM LEVEL OF SERVICE LOOKS LIKE AND IT'S NOT EASY TO GET
[00:12:40] THERE, AS YOU CAN SEE FROM THIS. THE METRICS ARE A REALLY SOME
[00:12:43] SIGNIFICANT STRETCH GOALS AND THAT'S THE REASON WHY WE HAVE
[00:12:45] TO BUILD THE FACILITIES AND HAVE THE NUMBER OF GATES, THE
[00:12:48] NUMBER OF LANES ETC., TO GET TO THIS LEVEL OF SERVICE. THAT'S WHAT
[00:12:52] WE'RE TRYING TO DO. THAT'S WHAT THE VISION VIDEO THAT WE SHOWED
[00:12:55] WAS REALLY TRYING TO SHOW. THAT WHEN WE GET TO THAT POINT,
[00:12:58] THIS IS WHAT THE FACILITY SHOULD LOOK AND FEEL LIKE.
[00:13:02] SO I HOPE THAT ANSWERS SOME OF THE QUESTIONS
[00:13:06] THAT COMMISSION HAD. I'LL BE GLAD TO ANSWER
[00:13:09] QUESTIONS ASSOCIATED WITH THIS AT THE END OF THE PRESENTATION
[00:13:12] OR WHENEVER YOU'D LIKE TO DO IT, COMMISSIONED STEINBREUCK.
[00:13:17] LET'S PAUSE AND SEE IF THERE ARE COMMISSIONER QUESTIONS AT THIS
[00:13:19] POINT. THANK YOU. WE'LL BEGIN WITH COMMISSIONER BOWMAN. GREAT.
[00:13:24] LANCE, JUST A QUICK QUESTION ON THE SLIDE THAT SAYS SEA
[00:13:27] STRATEGIC PRIORITIES PRIORITIES.
[00:13:31] I THINK IT'S SLIDE THREE.
[00:13:34] THERE
[00:13:35] WE GO.
[00:13:36] TERRIFIC. WE'VE SEEN THIS
[00:13:38] BEFORE AND I GENERALLY AGREE WITH IT. MY QUESTION IS
[00:13:43] WHERE CAN WE SEE AN ANNUAL SCORECARD TO SEE WHERE WE ARE
[00:13:47] IN TERMS OF ACHIEVING SOME OF THESE GOALS? I KNOW THAT WE'VE
[00:13:50] GOT MORE SPECIFIC KPI'S ATTACHED TO MOST THESE BUT I JUST DON'T
[00:13:56] RECALL THAT WE'RE SEEING THIS ANNUALLY. YOU'VE REFERENCED A
[00:13:59] COUPLE OF TIMES PROJECTS THAT HELP GET US CLOSER TO
[00:14:03] ONE OF THESE SPECIFIC
[00:14:07] PRIORITIES AND THAT'S HELPFUL. IT WOULD BE REALLY GREAT IF
[00:14:10] BOTH WE COULD SEE IT ON AN ANNUAL BASIS AND ALSO AS

[00:14:13] PROJECTS COME FORWARD UNDERSTAND HOW IT TIES TO THESE
[00:14:16] STRATEGIC PRIORITIES. SO TWO THINGS REALLY QUICKLY,
[00:14:19] COMMISSIONER, SO ON AN ANNUAL BASIS, WE ACTUALLY HAVE FOR THE
[00:14:23] AIRPORT METRICS ASSOCIATED WITH THAT. HOWEVER IN THE BUDGET
[00:14:26] PRESENTATION COMING UP, YOU'LL ACTUALLY SEE THE KPI'S AND HOW
[00:14:30] THEY'RE ALIGNED WITH THE CENTURY AGENDA OR AIRLINE
[00:14:34] WITH A LONG-TERM VISION AND THE ACTUAL KPI'S. WE'VE BEEN WORKING
[00:14:37] WITH MARINE FROM THE STRATEGIC PLANNING GROUP AND THAT
[00:14:40] INFORMATION, THOSE KPIS, I THINK THEY'RE GOING TO BE PROPERLY
[00:14:43] PRESENTED ON A QUARTERLY BASIS TO STEVE AND THE COMMISSION. SO
[00:14:47] YOU WILL BE ABLE TO SEE THOSE AND YOU'RE GOING TO SEE THAT IN
[00:14:49] THE NEXT BUDGET PRESENTATION RIGHT AFTER THIS.
[00:14:52] LANCE, I SAW THAT. I READ
[00:14:54] THROUGH ALL THE MATERIALS. MY QUESTION WAS JUST, I
[00:14:58] DON'T KNOW THAT I NEED TO SEE IT QUARTERLY, QUITE FRANKLY, I
[00:15:01] DON'T KNOW THAT THAT'S ACTUALLY VERY HELPFUL. BUT AT LEAST
[00:15:04] ANNUALLY FOR THE COMMISSION TO BE ABLE TO SEE HOW WE'RE MOVING
[00:15:08] IN THE RIGHT DIRECTION. I'LL TAKE THE ASQ. FOR EXAMPLE.
[00:15:11] WE'VE BEEN HOVERING. WE HAVEN'T MADE A TON OF PROGRESS
[00:15:14] ON THAT. I KNOW THAT THAT WAS PART OF THE REASON WHY YOU
[00:15:17] HIRED THE DIRECTOR OF CUSTOMER SERVICE SO THAT WE COULD MOVE
[00:15:20] THAT NUMBER UP, BUT IT WOULD JUST BE REALLY HELPFUL TO SEE
[00:15:24] THAT MORE ON AN ANNUAL BASIS. AND AGAIN, SEE HOW EACH PROJECT,
[00:15:27] MAJOR PROJECT, ALIGNS WITH THESE SPECIFIC GOALS. YEAH AND
[00:15:33] COMMISSIONER, YES TO MAYBE CLARIFY, WE ACTUALLY
[00:15:37] MADE SIGNIFICANT PROGRESS WITH ASQ. REMEMBER, WE HAD
[00:15:41] TARGETED FIVE SPECIFIC AREAS THAT WE WERE SHOOTING TOWARD
[00:15:46] AND ONE OF THEM WAS A SECURITY CHECKPOINT LANGUAGE. OUR NUMBERS
[00:15:49] ARE INCREASING SIGNIFICANTLY. THE OTHER WAS WI-FI AS ANOTHER
[00:15:52] EXAMPLE. OUR SCORES JUST JUMPED SIGNIFICANTLY AFTER WE
[00:15:57] COMPLETED WITH THE WI-FI. SO WE HAVE ACTUALLY MADE SOME
[00:16:00] SIGNIFICANT PROGRESS. AND ALSO CLEANLINESS OF THE AIRPORT AS
[00:16:03] WELL. THE RESTROOM SCORES JUMPED AFTER, YOU KNOW, WE
[00:16:07] BROUGHT GINA ON BOARD AND SHE REALLY PUT THE NEW
[00:16:10] CONTRACT IN PLACE. SO WE MADE SOME SIGNIFICANT IMPROVEMENTS
[00:16:14] IN THE ASQ SCORES. WE PRESENT THESE WHEN WE DO THE BUDGET
[00:16:18] PRESENTATION, SO MAYBE WE JUST NEED TO FIND A WAY TO HIGHLIGHT
[00:16:21] THOSE A LITTLE BIT MORE. THAT'D BE GREAT. THANKS.
[00:16:26] COMMISSIONER STEINBRUECK. I SEE YOUR HAND UP, WOULD YOU LIKE TO
[00:16:28] HAVE A QUESTION AT THIS TIME? I DO BUT I'LL LET COMMISSIONER FELLEMAN
[00:16:31] GO AHEAD OF ME. THANK YOU. IF WE COULD STAY WITH THE ROLL
[00:16:35] CALL ORDER THAT WILL HELP ME OUT SIGNIFICANTLY. [LAUGHTER]
[00:16:39] ONTO COMMISSIONER CAULKINS. ALL RIGHT, LET'S STAY WITH THE ROLL
[00:16:42] CALL ORDERED THEN
[00:16:45] NO QUESTIONS FOR ME RIGHT NOW. THANK YOU. COMMISSIONER CHO,
[00:16:48] QUESTIONS FOR? NO, THIS IS GOOD. THANK YOU. THANK YOU, AND
[00:16:52] THEN COMMISSIONER FELLEMAN. THANK YOU.
[00:16:58] COMMISSIONER FELLEMAN FOR QUESTIONS.
[00:17:02] OKAY, HE TEXTED ME INDICATING HE HAD A QUESTION TO ASK.
[00:17:06] I HAD TO MUTE ALL THE PHONE NUMBERS. WE WERE HAVING
[00:17:09] SOME BACKGROUND NOISE. THERE WE GO. WONDERFUL
[00:17:13] COMMISSIONER FELLEMAN? ALL RIGHT. THANKS. THANK YOU AND
[00:17:15] PARDON MY BACKGROUND NOISE PREVIOUSLY. JUST TO
[00:17:19] FOLLOW UP ON COMMISSIONER BOWMAN'S COMMENT. ONE OF THE
[00:17:23] STRATEGIC VISION PRIORITIES REGARDING THE COMMUNITY THAT
[00:17:27] PERHAPS HAS EVOLVED SINCE THIS WAS FIRST CREATED HAD
[00:17:32] TO DEAL WITH
[00:17:34] AIR QUALITY MONITORING AS WELL AS. SO LIKE,
[00:17:38] THE WAY IT READS RIGHT NOW ALL PART 150 COMMITMENTS
[00:17:43] MET, ADDITIONAL NOISE AND AIR QUALITY MONITORING, AS WELL AS
[00:17:48] REDUCTION MEASURES EXPLORED AND IMPLEMENTED. IT'S JUST THAT
[00:17:51] WE'VE GOTTEN SO MUCH RECENT INVOLVEMENT IN BOTH AIR AND
[00:17:56] NOISE MONITORING, I JUST THOUGHT

[00:17:58] THAT MIGHT BE SEEN AS PART OF OUR COMMUNITY STRATEGIC
[00:18:02] PRIORITIES. THAT'S A VERY GOOD POINT COMMISSIONER FELLEMAN.
[00:18:06] THE THINGS THAT YOU SEE ON THE CHART HERE ARE JUST EXAMPLES OF
[00:18:09] WHAT WE'RE GOING TO GET DONE. IF WE PUT EVERYTHING IN EACH
[00:18:12] CATEGORY, THERE WOULD JUST BE TOO MANY THINGS ON THE PAGE.
[00:18:15] IF YOU NOTICE SOME
[00:18:18] OF THE MEASUREMENTS THAT WE HAVE IN THIS THAT HAVE BEEN
[00:18:22] CHANGED OR MODIFIED OVER THE YEARS. SO OTHER THINGS LIKE WHAT YOU JUST
[00:18:26] MENTIONED, COMMISSIONER, WILL BE INCLUDED IN COMMUNITY. WE
[00:18:29] JUST CAN'T PUT EVERYTHING ON THE CHART HERE BECAUSE JUST BE
[00:18:32] TOO MANY THINGS ON IT.
[00:18:36] I APPRECIATE THAT. I JUST THINK IT'S ALL GOOD FOR US TO BE ABLE
[00:18:39] TO, WE HAVE BEEN DOING PROGRESS AND SO TO THE DEGREE WE CAN
[00:18:43] RECOGNIZE THAT, I THINK IT'S RESPONSIVE TO THE COMMUNITY.
[00:18:46] COMMISSIONER, GOOD POINT.
[00:18:50] IF YOU LOOK AT FOR EXAMPLE, WHAT'S INCLUDED IN ALL
[00:18:52] OF THE PART 150 COMMITMENTS, THERE'S A WHOLE LOT OF
[00:18:55] ACTIVITIES INCLUDED IN THAT. A WHOLE LOT OF THINGS THAT WE'RE
[00:18:57] GOING TO GET DONE UNDER THE PART 150 COMMITMENTS THAT WE
[00:19:01] HAVE.
[00:19:03] ALL RIGHT, THERE WAS JUST THE INCLUSION OF THE AIR QUALITY
[00:19:06] WAS REALLY THE BIG MOMENT MONITOR. BUT THANK YOU.
[00:19:09] THANK YOU. THANK YOU.
[00:19:13] AND THEN MOVING TO COMMISSIONER STEINBRUECK. OKAY. THANK YOU.
[00:19:16] AND I HAVE A COUPLE OF QUESTIONS AND COMMENTS HERE
[00:19:19] AT THIS STAGE.
[00:19:22] REFERRING TO COMMISSIONERS QUESTIONS ON THE STRATEGIC
[00:19:24] PRIORITIES I, TOO, AM INTERESTED IN SEEING AN ANNUAL SCORECARD
[00:19:28] EVALUATIVE
[00:19:30] APPROACH TO THIS. THAT WE CAN FOLLOW AND TRACK OUR PROGRESS.
[00:19:36] I ASSUME, DIRECTOR LANCE, THAT YOU HAVE A MUCH LONGER
[00:19:41] MORE DETAILED SET OF GOALS UNDER EACH OF THESE ITEMS. I
[00:19:46] THINK YOU REFERRED TO THAT. WHAT I SEE MISSING HERE JUST
[00:19:51] STANDOUTS FOR ME UNDER ENVIRONMENT AND
[00:19:54] SUSTAINABILITY, THERE'S A LOT MORE TO IT THAN SIMPLY
[00:19:58] ADDRESSING THE GREENHOUSE GAS CHALLENGES SUCH AS
[00:20:03] WATER CONSERVATION, RECYCLING, GREEN BUILDING MATERIALS, REUSE
[00:20:11] HEALTHY ENVIRONMENT, HVAC SYSTEMS, ALL KINDS OF THINGS
[00:20:15] THAT I THINK SHOULD BE PART OF THE ENVIRONMENT AND
[00:20:19] SUSTAINABILITY GOALS. SO I SUSPECT YOU HAVE MORE UNDER
[00:20:22] THAT HEADING BESIDES ACHIEVEMENTS IN GREENHOUSE GAS
[00:20:27] EMISSIONS AND EFFORTS AROUND SUSTAINABLE AVIATION FUEL.
[00:20:33] UNDER CUSTOMER EXPERIENCE, I WOULD EXPECT TO SEE SOME
[00:20:36] QUALITY OF EXPERIENCE ALSO AS PART OF A RESPONSE THERE, NOT
[00:20:41] JUST THROUGH PUT. WHAT YOU'VE LISTED PRIMARILY HAS TO DO WITH,
[00:20:45] THIS IS NOT A CATTLE BARN AIRPORT AND WE DON'T WANT
[00:20:50] IT TO BE. THROUGH PUT IS EXTREMELY IMPORTANT BUT SO ARE
[00:20:54] THINGS LIKE BATHROOMS, ARTWORK, THE WHOLE EXPERIENCE AS A
[00:20:59] DESTINATION HUB AIRPORT, THE PHYSICAL AND ARCHITECTURAL
[00:21:05] ENVIRONMENT. ALL OF THOSE THINGS TO ME ARE VERY IMPORTANT
[00:21:10] THINGS THAT PEOPLE REMEMBER FOR BETTER OR WORSE. SO I'LL STOP
[00:21:14] THERE FOR NOW. GOOD POINT COMMISSIONER. AGAIN,
[00:21:18] MAYBE ONE OF THE THINGS I'LL HAVE TO ASK THE TEAM TO DO IS
[00:21:21] TO ACTUALLY SEND YOU AND THE REST OF THE COMMISSIONERS ALL
[00:21:24] THE ACTIVITIES THAT ARE INCLUDED UNDER ALL OF THESE.
[00:21:27] YOU'LL SEE SOME OF THEM IN THE NEXT PRESENTATION BUT FOR
[00:21:29] EXAMPLE, COMMISSIONER, SKYTRAX FIVE RANKING. TO GET TO SKYTRAX
[00:21:32] FIVE RANKING, EVERYTHING THAT YOU JUST MENTIONED WE HAVE
[00:21:36] TO HAVE. TOP CLASS RESTROOMS, CONCESSIONAIRES, WAIT
[00:21:40] TIME. YOU NAME IT. THE QUALITY OF SERVICE THAT WE TALKING
[00:21:42] ABOUT ALSO TO GET INTO THE TOP 10 ASQ U.S MAJOR HUB
[00:21:46] AIRPORT. WE HAVE TO MEET ALL OF THOSE AND MORE. SO THERE'S A
[00:21:49] WHOLE LIST OF THINGS, AS I SAID, IF WE PUT IT ON THIS CHART IT

[00:21:51] WOULD PROBABLY BE FIVE SIX PAGES. SO WHAT I THINK
[00:21:56] WOULD BE GOOD IS TO ACTUALLY GET THAT INFORMATION TO YOU
[00:21:59] GUYS SO YOU CAN SEE ALL THE ACTIVITIES THAT ARE LISTED
[00:22:02] UNDER THESE IN DETAIL. OKAY, EXCELLENT. THANK YOU. WE
[00:22:07] CAN MOVE ON. OKAY, I THINK I'M GOING TO HAND OVER TO BORGEN
[00:22:10] NEXT FOR FUNDING.
[00:22:17] THANK YOU LANCE. GOOD MORNING COMMISSIONERS.
[00:22:20] LET'S SLIDE ONTO THE NEXT SLIDE, PLEASE?
[00:22:26] THIS IS A LOOK AT OUR CASH FLOWS OUT OVER THE NEXT FIVE
[00:22:29] YEARS AND AS ORIGINALLY INTENDED THIS WOULD HAVE
[00:22:32] FOLLOWED THE PRESENTATION AS IT ENDED ON SEPTEMBER 22ND
[00:22:37] WHERE WE DESCRIBED ALL OF THE DIFFERENT CAPITAL PROJECTS.
[00:22:40] THIS IS REALLY THE CASHFLOW REPRESENTATION OF THOSE AND AS
[00:22:44] LANCE INDICATED, WE HAVE A VERY AMBITIOUS PROGRAM
[00:22:49] OVER THE NEXT FIVE YEARS AND WE ANTICIPATE SPENDING 3.3 BILLION.
[00:22:53] AT THE TOP OF THE PAGE YOU SEE THE THREE MEGA PROJECTS AND YOU
[00:22:57] CAN SEE THAT TWO OF THEM ARE WINDING DOWN AS WE COMPLETE
[00:23:00] THEM: THE INTERNATIONAL ARRIVALS FACILITY AND THE NORTH
[00:23:02] SATELLITE. BUT THE BAGGAGE OPTIMIZATION PROGRAM CONTINUES
[00:23:07] AND AS WE DISCUSSED LAST TIME, THERE ARE A NUMBER OF ONGOING
[00:23:10] AND NEW PROJECTS THAT WILL
[00:23:14] BE THE SOURCE OF OUR SPENDING OVER THE NEXT FIVE YEARS.
[00:23:18] WANTED TO POINT OUT ONE OTHER THING. NEAR THE BOTTOM OF THE
[00:23:20] PAGE THERE'S A LINE ITEM CALLED CIP CASH FLOW
[00:23:24] ADJUSTMENT RESERVE AND LIKE LAST YEAR WHEN WE FIRST
[00:23:27] IMPLEMENTED THIS, THIS IS REALLY
[00:23:30] A TOOL, A BUDGETARY TOOL THAT WE ARE USING TO MAKE
[00:23:33] OUR 2021 CASH FLOWS MORE ACCURATE. AND IN OTHER WORDS AT
[00:23:40] THIS POINT IN TIME, IF WE ADDED UP ALL THE INDIVIDUAL PROJECT
[00:23:44] CASH FLOWS, WE WOULD BE LOOKING AT SPENDING A 549 MILLION
[00:23:48] DOLLARS. WE FULLY EXPECT THAT MOST PROJECTS ARE MOVING AHEAD,
[00:23:54] BUT THERE WILL BE SOME SITUATIONS WHERE THINGS GET
[00:23:57] DELAYED. IT COULD BE A BID BUST, IT COULD BE A DELAY IN
[00:24:02] OPERATIONAL IMPACTS, OR ANY NUMBER OF ITEMS THAT
[00:24:06] CAN DELAY PROJECTS. AND SO WE HAVE REDUCED THE SPENDING FOR
[00:24:11] 2021 AT THE TOP LEVEL, NOT AT THE INDIVIDUAL PROJECT LEVEL,
[00:24:16] JUST AS A WAY OF COMING UP WITH A MORE REASONABLE ESTIMATE FOR
[00:24:20] WHAT WE THINK WE WILL LIKELY SPEND NEXT YEAR AND THAT WOULD
[00:24:23] BE THE 464 MILLION DOLLARS.
[00:24:24] THIS IS A ZERO SUM THING. SO WE JUST ADD THOSE CASH FLOWS BACK IN 2022
[00:24:29] AND 2023. IT'S JUST A BALANCING
[00:24:34] MECHANISM RECOGNIZING THAT OUR CASHFLOW ESTIMATING FOR THE
[00:24:39] FIRST YEAR OF ANY PROGRAM TENDS TO BE SLIGHTLY
[00:24:42] OPTIMISTIC.
[00:24:45] ON THE NEXT SLIDE IF WE COULD MOVE AHEAD,
[00:24:49] WE'LL SHOW HOW WE'RE GOING TO TRY TO FUND ALL OF THIS.
[00:24:54] SO JUST TO ALIGN YOU WITH WHAT THE COLORS ARE, THE LIGHT GREEN
[00:24:57] WHICH TAKES UP MOST OF THIS SLIDE IS FUTURE BONDS, THE
[00:25:03] PURPLE IN 2021 IS OUR EXISTING BOND PROCEEDS, AND THE BLUE AT
[00:25:09] THE VERY BOTTOM IS CASH, OR THE AIRPORT DEVELOPMENT FUND. SO
[00:25:14] THE SIMPLE MESSAGE HERE IS THAT WE ARE GOING TO PAY FOR MOST OF
[00:25:20] OUR CAPITAL SPENDING OVER THE
[00:25:22] NEXT FIVE YEARS WITH REVENUE
[00:25:23] BONDS AND THAT IN ORDER TO COMPLETE OUR SPENDING EVEN FOR
[00:25:28] NEXT YEAR WE'RE GOING TO NEED TO ISSUE BONDS AND THAT'S
[00:25:31] IMPORTANT BECAUSE AS YOU'LL SEE IN OUR NEXT PRESENTATION WE
[00:25:35] LOOK AT OUR OPERATING BUDGET. WE ARE VERY FOCUSED AT
[00:25:38] IMPROVING OUR DEBT SERVICE COVERAGE AND REBUILDING OUR
[00:25:41] CASH BALANCES SO THAT WE CAN DEMONSTRATE THAT WE CONTINUE TO
[00:25:46] BE A SOLID ORGANIZATION AND A GOOD RISK FOR INVESTORS WHO
[00:25:50] WANT TO PURCHASE OUR BONDS. I WOULD ALSO SAY THAT PASSENGER
[00:25:55] FACILITY CHARGES OR PFC'S HISTORICALLY IS A VERY
[00:25:58] IMPORTANT FUNDING SOURCE FOR AIRPORTS AND IT IS FOR US. BUT

[00:26:01] WE'RE AT A STAGE NOW WHERE OUR FUNDING PLAN CALLS FOR THE VAST
[00:26:06] MAJORITY OF OUR PFC'S TO BE USED TO PAY DEBT SERVICE. AND THAT'S
[00:26:12] WHY IT DOESN'T SHOW UP HERE AS PART OF A SORT OF DIRECT
[00:26:15] CONSTRUCTION CAPITAL SPENDING FUNDING SOURCE. BUT THE BOTTOM
[00:26:20] LINE HERE IS THAT BONDS WILL BE OUR PRIMARY FUNDING SOURCE OF
[00:26:24] THE NEXT FEW YEARS. THE BOTTOM
[00:26:28] FOOTNOTE THERE TALKS ABOUT FAA GRANTS. THAT'S ALWAYS
[00:26:31] IMPORTANT. WE SEEK OUT AS MUCH AS WE POSSIBLY CAN AND GOING
[00:26:36] FORWARD WE STILL HAVE THAT THAT PLAN, IT'S JUST THAT WHEN
[00:26:39] YOU LOOK AT A 3.3 BILLION DOLLAR PROGRAM, IT'S STILL A
[00:26:42] RELATIVELY SMALL PART OF OUR FUNDING. NEXT SLIDE, PLEASE.
[00:26:50] SO WANTED TO JUST TALK BRIEFLY ABOUT SOME OF THE MII
[00:26:54] PROVISIONS, OR MAJORITY IN INTEREST PROVISIONS OF OUR
[00:26:57] LEASE AGREEMENT. I WOULD JUST START BY THE FEDERAL GUIDELINES
[00:27:01] UNDER RATES AND CHARGES POLICY, AIRPORTS ARE REQUIRED TO
[00:27:06] CONSULT WITH AIRLINES ON CAPITAL PROJECTS.
[00:27:10] BUT AS PART OF A LEASE AGREEMENT, WE HAVE GIVEN
[00:27:14] AIRLINES SOME ADDITIONAL RIGHTS AND UNDER OUR LEASE AGREEMENT
[00:27:19] IT'S REALLY A RIGHT TO VOTE TO DISAPPROVE A PROJECT. SO IF A
[00:27:24] MAJORITY IN INTEREST OF AN AIRLINES GROUP, WHICH IS 55% OF
[00:27:29] THE NUMBER AND FIFTY FIVE PERCENT OF THE REVENUES IN EACH
[00:27:32] COST CENTER, IF THAT MAJORITY IN INTEREST VOTES DOWN A
[00:27:37] PROJECT, IT CAN DELAY THE PROJECT BY UP TO 12 MONTHS.
[00:27:42] AND THE VOTING PROVISIONS ALLOW THE AIRLINES TO VOTE ON
[00:27:47] AERONAUTICAL PROJECTS WHERE THE RATE BASE COSTS ARE 10 MILLION
[00:27:51] DOLLARS OR MORE.
[00:27:53] WE USE PFC'S OR GRANTS THOSE COSTS ARE NOT PART OF THE RATE
[00:27:58] BASE SO THAT DIMINISHES IT. SO NOT ALL PROJECTS THAT ARE OVER
[00:28:02] 10 MILLION DOLLARS ARE NECESSARILY SUBJECT TO AN MII.
[00:28:07] ANOTHER PROVISION IS IF THE COSTS GO UP BY MORE THAN 10%
[00:28:12] PRIOR TO THE START OF CONSTRUCTION, THAT CAN TRIGGER A
[00:28:16] NEED FOR ANOTHER MII VOTE AND THAT'S WHAT WE SAW WITH THE
[00:28:19] BAGGAGE OPTIMIZATION PROJECT LAST YEAR.
[00:28:24] AND FINALLY, THERE ARE CERTAIN PROVISIONS IN THE AGREEMENT
[00:28:27] WHERE CERTAIN PROJECTS ARE EXEMPT FROM MII VOTES SO
[00:28:32] NOT EVERYTHING REQUIRES IT. SO THIS WAS ON HERE BECAUSE I
[00:28:36] UNDERSTAND THERE WERE SOME QUESTIONS AND I'D BE HAPPY TO
[00:28:39] PAUSE AT THIS POINT IF THERE ARE ANY QUESTIONS ON THE
[00:28:42] FUNDING PLAN.
[00:28:44] LET'S DO ROLL CALL.
[00:28:47] THANK YOU. BEGINNING WITH COMMISSIONER BOWMAN FOR
[00:28:49] QUESTIONS. GREAT. THANKS. GETTING BACK TO SLIDE NUMBER 9,
[00:28:53] ESSENTIALLY THE ROLL-UP, WE'VE GOT SOME, I WOULDN'T SAY
[00:28:57] CONSIDERABLE, WE'VE GOT SOME CIP RESERVES IN THERE. CAN YOU
[00:29:01] HELP ME UNDERSTAND? I'M GOING TO JUST GOING TO USE THE IAF AS
[00:29:05] AN EXAMPLE. WHAT WE HAVE LEFT IN THERE FOR 202. I KNOW
[00:29:10] THAT WE STILL HAVE SOME OUTSTANDING ISSUES WITH THE
[00:29:12] CONTRACTOR ON THAT PROJECT AND WE'RE LOOKING AT SOME
[00:29:16] POTENTIAL COST INCREASES ON BAGGAGE OPTIMIZATION AS WELL.
[00:29:21] WHERE DO WE HAVE MONEY IN THIS FIVE-YEAR CIP TO COVER THOSE
[00:29:25] ADDITIONAL COSTS? IS THAT IN THE RESERVES? YES. OKAY. AND SO
[00:29:31] AT SOME POINT IT WOULD BE HELPFUL, I DIDN'T SEE IT IN THE
[00:29:34] INFORMATION PROVIDED, BUT I'D LOVE TO HAVE A BETTER SENSE OF
[00:29:37] HOW MUCH IS SET ASIDE FOR EACH OF THOSE PROJECTS SINCE I KNOW
[00:29:42] THE RISK IN TERMS OF GOING OVER VARIES CONSIDERABLY ON
[00:29:46] EACH PROJECT.
[00:29:48] YEAH, I CAN JUST SAY IN TERMS OF THE LINE ITEM THAT'S THERE
[00:29:51] THAT SAYS CIP RESERVES, THAT'S REALLY A BUDGETARY TOOL. IT IS
[00:29:55] NOT PRE-DESIGNATED TO ANY INDIVIDUAL PROJECT. OKAY.
[00:30:01] THE PROJECT TEAM COULD SPEAK MORE SPECIFICALLY BUT
[00:30:05] INSIDE THE BUDGET FOR THE PROJECTS THERE ARE SOME
[00:30:08] RESERVES. ALL RIGHT, AND THAT'S NOT WHAT THIS OVERALL CIP
[00:30:12] RESERVE IS.

[00:30:14] RIGHT? NO, I'M VERY FAMILIAR WITH THE RESERVES WITHIN THE
[00:30:17] INDIVIDUAL PROJECTS BUT I KNOW THAT A COUPLE OF THEM LIKE THE
[00:30:20] IAF IS CLOSE TO
[00:30:23] MEETING ITS BUDGET BUT WE STILL HAVE SOME CONSIDERABLE
[00:30:27] RISK OUTSTANDING WITH THE CONTRACTOR. AND SO I'M
[00:30:30] WONDERING WHERE THAT MONEY MIGHT COME FROM.
[00:30:34] WELL, THE MONEY WOULD COME FROM WE WOULD ISSUE MORE BONDS TO
[00:30:37] COMPLETE THE PROJECT.
[00:30:40] FROM A FUNDING STANDPOINT.
[00:30:44] OKAY, NO MORE QUESTIONS RIGHT NOW. THANK YOU.
[00:30:48] MOVING TO COMMISSIONER CALKINS FOR QUESTIONS.
[00:30:53] THANK YOU. MICHELLE
[00:30:55] BORGES, I'M GOING TO ASK A HYPOTHETICAL
[00:30:58] AT RISK OF JINXING THE PROCESS AND I DON'T BELIEVE THAT
[00:31:02] SHENFIELD IS ON THE CALL RIGHT NOW, BUT IT'S ABOUT THE
[00:31:07] MAYBE 25 TO 50 PERCENT CHANCE THAT SOMETIME IN
[00:31:12] THE NEXT YEAR THERE WILL BE AN ADDITIONAL
[00:31:15] STIMULUS OR RELIEF ACT FROM THE FEDERAL GOVERNMENT THAT MAY
[00:31:19] PROVIDE ADDITIONAL FUNDING TO AIRPORTS AROUND THE COUNTRY. OR
[00:31:23] TO OTHER ASPECTS OF THE AVIATION INDUSTRY. AND I'M
[00:31:26] WONDERING HOW THAT MIGHT IMPACT OUR CAPITAL BUDGET.
[00:31:32] THE ORIGINAL CARES ACT I THINK WAS PREDOMINANT OPERATIONS, BUT
[00:31:35] I'M WONDERING IF SOMETHING LIKE THAT MIGHT IMPACT A CAPITAL
[00:31:40] BUDGET AND IF SO, HOW WOULD WE PRIORITIZE WHERE THOSE MONIES
[00:31:42] WENT?
[00:31:46] THE WAY I WILL ANSWER THAT IS TO SAY THAT I DON'T THINK THAT
[00:31:52] ADDITIONAL RELIEF WOULD AFFECT OUR
[00:31:55] LIST OF PROJECTS THAT WE GO AHEAD WITH. IT WILL AFFECT HOW
[00:32:00] WE PAY FOR THOSE PROJECTS OR IT WILL EFFECT ULTIMATELY THE COST
[00:32:07] IMPACT OF THOSE PROJECTS. SO, FOR EXAMPLE, I HAVE A SOME
[00:32:10] SLIDES LATER WE'LL TALK ABOUT HOW WE ARE USING THE CARES
[00:32:13] MONEY. AND TO SOME EXTENT WE'VE SPLIT IT BETWEEN
[00:32:18] PAYING FOR DEBT SERVICE
[00:32:22] AND PAYING FOR OPERATING COSTS. AND YOU KNOW WITHOUT
[00:32:27] KNOWING EXACTLY WHAT TYPE OF RELIEF WE MAY RECEIVE GOING
[00:32:30] FORWARD AND WHAT TYPE OF RESTRICTIONS MAY BE APPLIED TO
[00:32:34] IT, I WOULD LIKE TO THINK WE WOULD HAVE THAT SAME KIND OF
[00:32:36] FLEXIBILITY IN 2021 TO DO THE SAME THING. SO IF WE GOT
[00:32:41] SOME ADDITIONAL RELIEF WE CAN USE THAT MONEY TO INCREASE OUR
[00:32:46] DEBT SERVICE COVERAGE, INCREASE OUR CASH BALANCE, AND REDUCE THE
[00:32:50] COST TO OUR CUSTOMERS AND WHETHER THEY BE AIRLINES OR NON
[00:32:54] AERO TENANTS, WE'D BE ABLE TO
[00:32:57] YOU KNOW, I THINK HELP ALL OF OUR BUSINESSES IN THAT WAY, BUT
[00:33:01] I DON'T BELIEVE THAT WE WOULD GO BACK AND SAY GOSH WITH THIS
[00:33:05] ADDITIONAL RELIEF WE COULD SPEND MORE. WHAT YOU'RE
[00:33:08] LOOKING AT ON THIS SLIDE IS A VERY AMBITIOUS PROGRAM, AND I'M
[00:33:13] NOT SURE WE WOULD GREENLIGHT ANY ADDITIONAL
[00:33:17] PROJECTS JUST BECAUSE WE'VE GOT SOME ADDITIONAL RELIEF COMING.
[00:33:20] I THINK WHAT YOU'RE LOOKING AT HERE IS A FAIRLY AMBITIOUS PLAN
[00:33:24] THAT'S CONSISTENT WITH OUR STRATEGY OF TAKING A LONG-TERM
[00:33:27] VIEW
[00:33:28] AND TO ACHIEVE THE GOALS THAT LANCE WAS TALKING ABOUT WE ARE
[00:33:32] GOING TO NEED TO CONTINUE WITH THIS CAPITAL PROGRAM, SPEND
[00:33:36] SIGNIFICANTLY, AND BRING OUR LEVEL OF SERVICE UP OVER TIME.
[00:33:41] BUT IT'S GOING TO TAKE MANY YEARS TO GET THERE.
[00:33:45] GREAT. THANK YOU SO MUCH.
[00:33:47] MOVING TO COMMISSIONER CHO FOR QUESTIONS
[00:33:57] IN LINE WITH WHAT RYAN WAS ASKING BUT A LITTLE MORE DETAIL
[00:34:02] IF IN A HYPOTHETICAL SITUATION WE WERE TO RECEIVE A GRANT FROM
[00:34:08] THE FAA OR THE FEDERAL GOVERNMENT THAT
[00:34:11] OBVIOUSLY IS NOT FACTORED INTO THE UNDERWRITING THAT HAPPENS
[00:34:17] FOR THESE REVENUE BONDS, RIGHT? WE CAN'T REASONABLY
[00:34:20] EXPECT THAT GRANT BECAUSE USUALLY IT PROBABLY

[00:34:24] HAPPENS AFTER THE PROJECT STARTS. AND SO
[00:34:27] IF WE WERE TO RECEIVE A GRANT FROM THE
[00:34:31] FEDERAL GOVERNMENT, DOES THAT MONEY GET APPLIED TO THE
[00:34:34] REVENUE BOND
[00:34:36] PAYMENTS OR DOES IT GET APPLIED TO THE ACTUAL CONSTRUCTION
[00:34:39] COSTS? AND IF WE WERE TO ACTUALLY APPLY TO THE
[00:34:42] CONSTRUCTION COSTS, WHAT DO WE DO WITH THE MONEY WE'VE SAVED?
[00:34:47] DO WE JUST PAY BACK OUR INVESTORS EARLY OR HOW DOES
[00:34:50] THAT WORK? OKAY. I'LL START WITH
[00:34:54] TRADITIONALLY WHEN WE GET GRANTS FROM THE FAA WHICH WE
[00:34:59] HAVE FOR MANY MANY YEARS.
[00:35:01] THOSE GRANTS ARE SPECIFICALLY DESIGNATED FOR APPROVED
[00:35:06] PROJECTS AND THEY BECOME PART OF THE CONSTRUCTION FUNDING OF
[00:35:10] THOSE PROJECTS. AND SO IF YOU HAD A 10 MILLION DOLLAR PROJECT
[00:35:14] AND YOU'VE GOT A FOUR MILLION DOLLAR GRANT YOU'D ONLY SPEND
[00:35:17] SIX MILLION DOLLARS OF AIRPORT MONEY AND WHETHER THOSE WERE
[00:35:21] BONDS OR CASH OR WHATEVER AND THAT WOULD BE THE FUNDING PLAN.
[00:35:25] WITH THE CARES MONEY IT WAS A LITTLE DIFFERENT. THEY GAVE US
[00:35:28] THE MONEY KNOWING THAT WE WERE EXPERIENCING TREMENDOUS REVENUE
[00:35:32] SHORTFALLS. AND SO THEY GAVE US FLEXIBILITY TO USE THE CARES
[00:35:37] MONEY THAT WE'VE NEVER HAD WITH FEDERAL GRANTS. WE COULD USE
[00:35:40] THAT MONEY FOR ANY LEGAL USE OF AIRPORT REVENUES, WHICH MEANT
[00:35:45] WE GET TO CHOOSE THAT WE CAN USE TO PAY DEBT SERVICE BECAUSE
[00:35:49] WE DON'T HAVE ENOUGH REVENUE COMING IN OR WE DON'T HAVE
[00:35:52] ENOUGH PFCS COMING IN OR WE COULD USE IT TO PAY OPERATING
[00:35:55] COSTS AND WE TYPICALLY DON'T HAVE THAT KIND OF FLEXIBILITY.
[00:35:59] AND THAT'S WHY WHEN COMMISSIONER CAULKINS ASKED THE
[00:36:01] QUESTION OF A HYPOTHETICAL ABOUT NEXT YEAR DEPENDING ON
[00:36:05] THE STRINGS ATTACHED OR THE RULES SURROUNDING THE USE OF
[00:36:10] THE MONEY THAT WILL DICTATE HOW WE ELECT ULTIMATELY USE THAT
[00:36:15] AND HOW WE COULD USE IT BUT TO THE EXTENT THAT WAS SIMILAR TO
[00:36:19] THE CARES MONEY, WE HAVE A LOT OF FLEXIBILITY, WHAT I WOULD
[00:36:24] LIKELY DO IS OR RECOMMEND A PLAN THAT CONTINUES WHAT WE'VE
[00:36:28] DONE THIS YEAR WHICH IS TO USE IT TO PAY DEBT SERVICE AND
[00:36:33] OPERATING COSTS AND THAT ALLOWS US TO REDUCE THE COSTS
[00:36:38] THAT WE THEN CHARGE THE AIRLINES OR THE COST THAT WE
[00:36:41] NEED TO RECOVER FROM OTHER TENANTS AS WELL. SO IT
[00:36:45] CAN HELP US ACROSS THE BOARD. BUT I WOULD NOT USE IT
[00:36:49] TO FUND PROJECT CONSTRUCTION COSTS I DON'T BELIEVE. THAT
[00:36:54] WOULD BE SORT OF A LAST ALTERNATIVE USE FOR IN MY MIND.
[00:36:59] OUTSIDE OF THE
[00:37:03] CONTEXT OF COVID JUST IN GENERAL IF WE WERE TO RECEIVE
[00:37:06] GRANTS FOR CAPITAL PROJECTS THAT FUND THAT FUNDING I ASSUME
[00:37:12] IS EITHER PROVIDED AFTER THE BUDGET IS SET AND WE
[00:37:18] COMMENCED THE PROJECT OR IT'S A REIMBURSEMENT. SO TO ANSWER IT'S
[00:37:23] REIMBURSEMENT. SO IF IT'S A REIMBURSEMENT, IT WON'T HAPPEN
[00:37:27] UNTIL WE SPEND THAT MONEY. RIGHT? CORRECT. SO IT'S NOT LIKE
[00:37:31] WE'RE GETTING THE MONEY UP FRONT, WE'RE GETTING IT TOWARDS
[00:37:33] THE END. MOST LIKELY. YEAH, THAT IS TRUE FOR
[00:37:37] THE CARES MONEY, YOU KNOW, WE HAD TO SPEND OUR
[00:37:41] MONEY FIRST AND THEN WE COULD USE THE CARES MONEY TO
[00:37:44] REIMBURSE US OURSELVES. AND THAT'S HOW THAT'S HOW GRANTS
[00:37:47] WORK. BUT WHEN IT COMES TO REVENUE BONDS, WOULD THAT MONEY
[00:37:51] BE USED? I'M JUST TRY TO UNDERSTAND WHERE THAT MONEY
[00:37:53] WOULD GO LIKE FLOWING. WOULD HAVE FLOW TO REVENUE PAYMENTS
[00:37:56] OR WHAT IT ACTUALLY FLOWED TO?
[00:37:59] BECAUSE IF YOU TAKE OUT THE DEBT YOU'VE TAKEN ANOTHER DEBT.
[00:38:01] IT'S NOT LIKE, YOU KNOW, IT'S NOT LIKE BECAUSE IT'S
[00:38:05] IT WOULD BE USED TO PAY THE ANNUAL DEBT SERVICE COST NOT
[00:38:10] REPLACE THE ISSUANCE OF THE BONDS. OKAY. SO, YOU KNOW, WE
[00:38:15] HAVE SIGNIFICANT ANNUAL DEBT SERVICE PAYMENTS THAT WE HAVE
[00:38:19] TO MAKE AND HAVING THE CARES MONEY TO BE ABLE TO REPLACE
[00:38:26] SOME OF OUR LOST REVENUES AND LOST PFCS WAS ABSOLUTELY

[00:38:29] CRITICAL TO OUR FINANCIAL WELL-BEING THIS YEAR.
[00:38:34] OKAY, SO IT DOESN'T GO BACK TO PAYING THE PRINCIPAL. IT JUST
[00:38:38] GOES BACK TO OUR MONTHLY PAYMENTS.
[00:38:41] [CROSSTALK]
[00:38:44] BUT OUR ANNUAL PAYMENTS PART OF WHICH IS
[00:38:47] PRINCIPAL AND PART OF WHICH IS INTEREST, RIGHT? OKAY, GOTCHA.
[00:38:51] AND BORGEN, COMMISSION CHO IF I COULD MAYBE JUST ADD ONE
[00:38:55] HISTORICALLY, BASED ON THE CONDITION FOR THE CARES
[00:38:57] ACT MONEY WE MAY BE ABLE TO USE IT FOR DEVELOPMENT PROJECT.
[00:39:01] BUT YOU'D HAVE TO GET, YOU HAVE TO DO AN ADDITIONAL APPLICATION
[00:39:04] AND I THINK YOU HAVE TO GET PERMISSION SPECIFICALLY FROM
[00:39:07] THE FAA TO DO THAT. YEAH, THAT'S THE OTHER THE CONDITIONS
[00:39:10] OF THE CARES ACT. LANCE IS CORRECT. IT'S AN
[00:39:13] ALLOWABLE USE JUST WE HAD SO MANY OTHER HIGHER PRIORITIES
[00:39:17] THAT THAT WOULD HAVE BEEN THE LOWEST PRIORITY USE.
[00:39:21] THANK YOU.
[00:39:23] AND MOVING TO COMMISSIONER FELLEMAN FOR QUESTIONS OR
[00:39:25] COMMENTS.
[00:39:28] THANKS, MICHELLE, BORGEN. I'M ALSO SEEING AND I DON'T HAVE
[00:39:33] THE SLIDE NUMBER IN FRONT OF ME, BUT THERE ARE SEVERAL
[00:39:35] PROJECTS THAT ARE OUR MAYBE NOT HAVE CONSTRUCTION PROJECTS BUT
[00:39:40] OPERATIONAL THINGS THAT ARE RECOMMENDED FOR NOT GOING
[00:39:43] FORWARD SUCH AS TEN MILLION DOLLARS FOR MONITORING
[00:39:48] OF THE OPERATIONS OF THE BUILDING FROM AN ENVIRONMENTAL
[00:39:51] PERSPECTIVE. AND I WAS JUST YOU KNOW, AND THERE WAS A WHOLE
[00:39:54] LIST OF PROJECTS THAT WERE
[00:39:57] RECOMMENDED. FOR EITHER DELAY OR YOU KNOW ABANDONMENT. SO I'M JUST WONDERING WOULDN'T
[00:40:02] WOULDN'T THESE WINDFALLS THAT
[00:40:06] WE'RE TALKING ABOUT HELP RESTORE SOME OF THOSE THINGS?
[00:40:11] IT'S POSSIBLE. MAYBE I SPOKE TOO QUICKLY WHEN I SAID WE
[00:40:15] WOULD STICK WITH THIS PROGRAM. IT REALLY DEPENDS ON THE
[00:40:18] AMOUNT OF THEIR RELIEF AND THE STRINGS THAT ARE ATTACHED
[00:40:22] TO IT.
[00:40:24] BUT I THINK THAT WHAT WE'RE PROPOSING HERE IS THE CAPITAL
[00:40:28] PLAN THAT WE THINK IS MOST PRUDENT IN THIS ENVIRONMENT AND
[00:40:32] GIVEN OUR LONG TERM GOALS AND EVERY YEAR THEY'RE ALL IS GOING
[00:40:36] TO BE OTHER REQUESTS AND OTHER OTHER OPPORTUNITIES TO SPEND
[00:40:41] MONEY, BUT WE COME TO YOU EVERY YEAR WITH WHAT WE FEEL ARE THE
[00:40:44] HIGHEST PRIORITY ITEMS. PART OF IT IS A CAPACITY TO DELIVER
[00:40:48] AS WELL.
[00:40:50] YOU KNOW, WHEN I LOOK OUT AT THESE CASH FLOWS OF SIX TO
[00:40:53] SEVEN TO EIGHT HUNDRED MILLION A YEAR, THIS IS A VERY
[00:40:57] AMBITIOUS PROGRAM. BEING ABLE TO COMPLETE THIS IS GOING
[00:41:02] TO BE A SUBJECT OF A LITTLE LATER IN THIS PRESENTATION
[00:41:05] WHEN WE TALK ABOUT THE PEER REVIEW RECOMMENDATIONS, WE
[00:41:08] REALIZE THERE'S A LOT OF THINGS THAT WE NEED TO DO TO ENHANCE
[00:41:12] OUR ABILITY TO DELIVER AND EXECUTE THIS PROGRAM.
[00:41:19] PERHAPS IT'S REALLY NOT PART OF THE CIP
[00:41:22] CONVERSATION, BUT THERE WERE PROJECTS PUT FORWARD
[00:41:25] RECOMMENDED BY STAFF TO MOVE ON THAT ARE BEING RECOMMENDED TO
[00:41:29] NOT MOVE FORWARD ON THIS YEAR DUE TO THESE BUDGETARY
[00:41:33] SHORTFALLS. SO I WOULD HOPE THAT WE WOULD TAKE A REVISIT AND
[00:41:39] LIKE FOR EXAMPLE THE EARLY ON IN THE ENS COMMITTEE THE NEED
[00:41:42] FOR MONITORING WAS VERY CLEAR AND SOMETHING THAT THE STAFF
[00:41:47] PRIORITIZED. AND IT HAS BEEN RECOMMENDED NOT TO MOVE FORWARD
[00:41:51] ON. SO AGAIN, I WOULD LIKE TO UNDERSTAND AS THESE DECISIONS
[00:41:55] ARE MADE WHAT OF THOSE PROJECTS THAT ARE BEING ASKED TO DEFER
[00:41:59] AND AGAIN, IT MAY BE MORE OPERATIONAL BUT IT STILL
[00:42:02] MONITORING REQUIRES PURCHASES EQUIPMENT.
[00:42:05] THAT'S A CONVERSATION. I'D LIKE TO LOOK
[00:42:07] AT THAT LIST AS TO WHAT THINGS YOU'VE MAINTAINED THAT NEED TO
[00:42:12] BE CONTINUALLY DEFERRED OR NOT. OKAY.
[00:42:18] AND THEN MOVE INTO COMMISSIONER STEINBRUECK. OKAY. THANKS.

[00:42:20] COUPLE OF QUESTIONS HERE AND SOME REALLY HIGH LEVEL QUESTION
[00:42:24] HERE IS WHAT, BORGEN, WOULD YOU SAY IS OUR
[00:42:30] THEORETICAL DEBT LIMIT
[00:42:34] WITH PROJECTED REVENUES OVER THE NEXT FIVE YEARS?
[00:42:39] HOW MUCH CAN WE SPEND? HOW MUCH ARE WE SPENDING? HOW MUCH DEBT
[00:42:43] ARE WE CARRYING RIGHT NOW?
[00:42:46] SO WE'VE GOT AROUND APPROXIMATELY THREE BILLION
[00:42:49] DOLLARS AND
[00:42:53] OUR CAPACITY IS YOU KNOW BASED ON REALLY A COMBINATION OF
[00:42:59] METRICS THAT WE LOOK AT BUT
[00:43:03] MOST OF OUR COSTS GO INTO A RATE BASE AND WE CHARGED THE AIRLINE'S FOR THE DEBT SERVICE. THAT'S PART
[00:43:11] OF THE CAPITAL COSTS, PART OF THE RATE BASE. SO WE INCREASE
[00:43:15] OUR CAPITAL OUR DEBT SERVICE, INCREASE OUR AIRLINE REVENUES
[00:43:19] OR TO AN AIRLINE THE COST. AND SO THE METRICS THAT WE
[00:43:23] TYPICALLY LOOK AT AND TRYING TO ASSESS OUR OVERALL CAPITAL
[00:43:26] CAPACITY WOULD BE A, OUR DEBT SERVICE COVERAGE B, OUR OVERALL
[00:43:32] DEBT LEVEL AND IT'S TYPICALLY LOOKED AT AMONG AIRPORTS AS
[00:43:36] SORT OF A DEBT / ENPLANED PASSENGER. THEN THE THIRD
[00:43:40] PIECE WOULD BE LOOKING AT THE AIRLINE COST, OR CPE,
[00:43:46] COST PER ENPLANEMENT. AND AGAIN THAT WOULD BE LOOKED AT IN
[00:43:49] COMPARISON WITH OTHER PEER AIRPORTS BECAUSE AT SOME POINT,
[00:43:54] YOU KNOW, IF YOU SPEND MORE, YOU BORROW MORE, YOU CHARGE
[00:43:57] THE AIRLINE MORE, YOUR COSTS ARE GOING UP, YOUR DEBT LEVELS
[00:44:01] ARE GOING UP. THE ONE THING WE CAN SAY IS THAT NO
[00:44:03] AIRPORT IN THE US AND
[00:44:06] CERTAINLY NO MAJOR HUB HAS GONE BANKRUPT. SO IT'S REALLY KIND
[00:44:12] OF LIKE A UTILITY AND I THINK WE HAVE TO BE VERY THOUGHTFUL.
[00:44:15] AND WE HAVE TO BE
[00:44:17] CAREFUL, BUT I THINK WE ALSO ACKNOWLEDGE THAT WE HAVE SOME
[00:44:20] FAIRLY SIGNIFICANT CAPACITY IN THE LONG TERM. CERTAINLY OUR
[00:44:25] CAPACITY HAS BEEN HURT THIS YEAR AND WE'RE GOING TO BE
[00:44:30] BUILDING IT BACK. BUT TO THE EXTENT THAT WE CAN GET BACK TO
[00:44:35] OUR 2019 PASSENGER LEVELS BY OUR CURRENT FORECAST IS 2024
[00:44:42] AND TO THE EXTENT THAT WE CAN BUILD BACK OUR NON AERONAUTICAL
[00:44:44] REVENUES, WE'RE BUILDING BACK THE CASH FLOW THAT GIVES US THE
[00:44:48] DEBT SERVICE COVERAGE, HELPS US GENERATE MONEY SO THAT WE CAN
[00:44:52] PAY FOR THINGS AND ACHIEVE THOSE METRICS. THE LONG-TERM
[00:44:58] SORT OF 10 TO 15-YEAR CAPACITY, YOU KNOW, WE'RE GOING TO
[00:45:01] BE UPDATING OUR FORECASTS AS WE BETTER UNDERSTAND THIS
[00:45:05] RECOVERY AND THAT WILL HELP SHAPE OUR THINKING ABOUT THE
[00:45:08] LONG-TERM CAPACITY. BUT IT'S IT'S MULTIPLE MULTIPLE BILLIONS
[00:45:13] BEYOND WHAT WE'RE SHOWING HERE IS ULTIMATELY OUR CAPACITY AND
[00:45:17] EVEN THAT I WILL SAY IS SOMETHING THAT'S BEEN CHANGING
[00:45:21] OVER THE LAST FIVE YEARS OR SO. IT USED TO BE THAT A COST PER
[00:45:26] ENPLANEMENT OF \$20 WAS AT THE HIGH END. AND EVEN BEFORE COVID
[00:45:31] THERE WERE A NUMBER OF MAJOR HUB AIRPORTS THAT WERE
[00:45:34] FORECASTING CPES IN THE 30 TO 40 DOLLAR RANGE AND O'HARE
[00:45:39] AIRPORT HAD A PROJECTION OF A \$43 CPE. SO THE BENCHMARKS
[00:45:45] THAT WE'VE HISTORICALLY USED KEEP
[00:45:47] MOVING UP. SO I'LL JUST SAY THAT ULTIMATE CAPITAL CAPACITY
[00:45:51] IS NOT A PRECISE NUMBER BUT IT'S A VERY BIG NUMBER.
[00:45:56] ALSO IT DIRECTLY AFFECTS HOW COMPETITIVE IF YOU WILL
[00:46:04] SEATAC IS VERSUS OTHER AIRPORTS WITH THE ADDED CHARGES THAT ARE
[00:46:09] NECESSARY COVER THAT DEBT, BUT IT IS BASICALLY THE
[00:46:11] SKY'S THE LIMIT. IT SOUNDS LIKE AS FAR AS WHAT THE
[00:46:16] TRAFFIC WILL BEAR AND YOU HAVE THE SUPPORT OF THE
[00:46:19] AIRLINES TO INCREASE DEBT CARRYING CAPACITY THROUGH
[00:46:25] THE PASSENGER FEES AND VARIOUS OTHER SORT OF SOURCES. SO AND
[00:46:29] SO WE CURRENTLY ARE CARRYING APPROXIMATELY 3 BILLION IN
[00:46:32] DEBT, OR IS IT MORE THAN THAT? IT'S ABOUT 3 BILLION. OKAY. AND
[00:46:37] YOU SAID THAT BOND FINANCING WAS THE PRIMARY
[00:46:41] SOURCE, BUT IN FACT BOND FINANCING IS PAID FOR THROUGH
[00:46:44] THE PASSENGER FEE AND GATE AND ALL THE OTHER REVENUES,

[00:46:47] CORRECT? AND YES, YEAH. SO WHEN WE ISSUE BONDS THEIR REVENUE
[00:46:50] BONDS, AND WE REPAY THE DEBT SERVICE WITH ALL THE REVENUES
[00:46:54] WE GENERATE AT THE AIRPORT. MOST FROM THE NON-AERONAUTICAL SIDE,
[00:46:57] BUT CERTAINLY SOME OF THEM AROUND THE AERONAUTICAL SIDE TO
[00:47:00] ITS. YEAH. I WANT TO ASK YOU FOR IF FOR A BREAKOUT OF
[00:47:06] AERONAUTICAL SIDE VERSUS NON AERONAUTICAL IN TERMS OF
[00:47:10] CONTRIBUTION TO DEBT SERVICE. I'D LIKE TO UNDERSTAND THE
[00:47:15] RELATIONSHIP THERE. HOW MUCH OUR PARKING, OUR CONCESSIONS, ALL
[00:47:19] OTHER NON AERONAUTICAL SUPPORTING DEBT SERVICE.
[00:47:25] THE OTHER THING I WOULD BE INTERESTED IN IS ALSO SEEING
[00:47:27] THAT COMPARATIVE ANALYSIS OF OTHER HUB AIRPORTS
[00:47:32] THAT YOU USE AS SORT OF A GUIDE POST
[00:47:36] IN TERMS OF KEEPING US IN LINE BASICALLY WITH OTHER AIRPORTS
[00:47:42] IN THAT REGARD. AND I LASTLY I WANT TO ASK YOU IT WHEN THE
[00:47:47] AIRLINES DON'T AGREE WITH A ITEM IN THE BUDGET ITEM IN THE
[00:47:53] M III KNOW THERE'S A DELAY BUT WHAT HAPPENS DURING THAT DELAY
[00:47:58] IT HOW IS IT USUALLY RESOLVED? AND I'M GLAD TO HEAR WE HAVE A
[00:48:02] PARTICIPATORY APPROACH HERE THAT EXTENDS BEYOND WHAT WERE
[00:48:05] LEGALLY REQUIRED TO DO.
[00:48:08] SO THE WHOLE CONCEPT OF THE MII IS REALLY I'LL JUST
[00:48:13] SAY MORE CONTRACTUAL VERSION OF WHAT WERE REQUIRED TO DO
[00:48:17] ANYWAY, WHICH IS TO CONSULT. AND THE IDEA IS AND WE DO THIS
[00:48:22] ANYWAY, I MEAN, WE ALWAYS PRESENT TO THE AIRLINES OUR
[00:48:27] FUTURE CAPITAL PROJECTS WELL IN ADVANCE OF AN MII TO GIVE
[00:48:31] AN UNDERSTANDING OF WHAT'S COMING. WE SHOW THEM THE SAME
[00:48:34] DETAILED BUDGET PRESENTATIONS WE GIVE YOU WE GIVE TO THE
[00:48:38] AIRLINES. SO THEY'RE FAMILIAR WITH OUR
[00:48:41] CAPITAL PROGRAM AND THEN WE BRING FORWARD A PROJECT AND
[00:48:45] IT'S A PROJECT THAT MEETS THE CRITERIA AND THEY ACTUALLY GET
[00:48:47] TO VOTE
[00:48:50] THEN WE HAVE THAT VOTE. IN THE CASES WHERE THEY VOTE IT
[00:48:53] DOWN, IT GIVES BOTH PARTIES AN OPPORTUNITY TO GO BACK AND TAKE
[00:48:58] A GOOD HARD LOOK AT WHAT WE'RE DOING, WHY WERE DOING IT, AND IF
[00:49:02] THERE ARE ANY CHANGES THAT WE WOULD CONTEMPLATE AND THAT'S
[00:49:04] THE ESSENCE OF WHAT A CONSULTATION IS ALL ABOUT. AND
[00:49:08] SO,
[00:49:09] YOU KNOW, I'D SAY WITH EACH PROJECT IF WE WENT BACK AND
[00:49:12] LOOKED AT THOSE THAT HAVE BEEN VOTED DOWN I THINK WE'VE
[00:49:15] APPROACHED IT DIFFERENTLY,
[00:49:18] YOU KNOW WITH BAGGAGE OPTIMIZATION I KNOW ALASKA
[00:49:21] AIRLINES HAD SOME IDEAS ABOUT WHAT THEY THOUGHT
[00:49:24] FELT IT WAS IMPORTANT TO MOVE AHEAD WITH IT.
[00:49:33] AT THE END OF THE WAITING PERIOD WE DID PROCEED
[00:49:37] AND AWARD THE CONTRACT. OKAY. THANKS. I'LL TURN IT BACK TO
[00:49:40] MICHELLE. COMMISSIONER. STEINBRUECK, WE DO HAVE JEFFREY
[00:49:44] BROWN WOULD LIKE TO ADD SOME COMMENTS TO SOME OF THE
[00:49:46] QUESTIONS FROM COMMISSIONERS.
[00:49:48] YES. I JUST NEED TO HIGHLIGHT SOME CHALLENGES WE HAD
[00:49:54] USING CARES GRANT FOR CAPITAL PROJECTS AND THAT'S
[00:49:56] RESPONSE TO THE QUESTIONS FROM COMMISSIONERS CHO AND
[00:49:59] CALKINS. SO TYPICALLY WHEN YOU HAVE A FAA FUNDED PROJECT, YOU
[00:50:04] HAVE TO CONSIDER THE NEED FOR PROCESS FOR ADVANCED REVIEW. WE
[00:50:08] HAVE TO USE FAA'S SPECS ALSO TO USE A DBE PROGRAM INSTEAD OF
[00:50:12] A WINDOW.
[00:50:16] TYPICALLY TAKES ABOUT THREE YEARS ONCE A PROJECT IS
[00:50:20] CONSIDERED FAA FUNDED BEFORE YOU COULD HAVE DRAWN DOWN
[00:50:25] SO WITH THOSE CHALLENGES WE DIDN'T THINK IT WAS BEST
[00:50:29] INTEREST TO USE CARES GRANT FOR CAPITAL PROJECTS. AND IF A
[00:50:34] PROJECT HAS STARTED DESIGN AND CONSTRUCTION IS CERTAINLY
[00:50:37] CANNOT RETROACTIVE APPLY FAA FUNDING TO A PROJECT THAT
[00:50:40] WAS NOT FAA FUNDED BEFORE.
[00:50:46] ALL RIGHT. HOPEFULLY THAT PROVIDE SOME CLARIFICATION
[00:50:48] WHY WE DID NOT USE CARES GRANT

[00:50:51] FOR THE CAPITAL PROJECTS WE HAVE LISTED HERE.
[00:50:56] COMMISSIONER STEINBREUCK I HAVE NO OTHER QUESTIONS AT THIS TIME
[00:50:58] FROM MEMBERS IF WE WOULD LIKE TO CONTINUE. YES. LET'S CONTINUE
[00:51:01] WITH THE PRESENTATION. THANK YOU.
[00:51:10] OKAY, GOOD MORNING COMMISSIONERS. I'M KERI
[00:51:12] STEPHENS WITH AVIATION CAPITAL PROGRAMS. I THINK WE'RE
[00:51:17] PROBABLY RUNNING A LITTLE BIT BEHIND SCHEDULE AND I'M WORRIED
[00:51:20] THAT BORGES GOT STILL THE OPERATING BUDGET THAT HE HAS TO
[00:51:23] GO THROUGH. SO WE'LL TRY TO GO THROUGH THIS PRETTY FAST. WE
[00:51:27] TALKED ABOUT SOME OF THIS AT THE LAST STUDY SESSION. THESE
[00:51:31] RECENTLY PROPOSED PROJECTS ARE IMPORTANT AND THEY HAVE STRONG
[00:51:35] MOMENTUM AND OUR DIRECTORS FEEL THAT THEY NEED TO HAVE
[00:51:39] VISIBILITY IN THE CAPITAL PLAN AND BECAUSE THEY WILL BE
[00:51:42] PROGRESSING FORWARD, YOU KNOW, WE STILL HAVE QUITE A BIT OF
[00:51:46] WORK TO DO TO IRON OUT THE DETAILS. SO ZONE SIX AND SEVEN
[00:51:50] RENOVATION. THIS IS A PROJECT THAT WE'VE BEEN WORKING ON WITH
[00:51:53] ALASKA TO RENOVATE THE NORTH END OF THE TICKET LOBBY. THE
[00:51:57] CONCEPT FOCUSES ON A BETTER PASSENGER EXPERIENCE AND MORE
[00:52:01] MOBILE TICKETING PROCESS. THE SECURITY CHECKPOINT AT THE
[00:52:04] NORTH END IS ALSO RECONFIGURED FOR BETTER FLOW AND WE ARE
[00:52:07] CURRENTLY WORKING WITH THEM TO ENHANCE THEIR CONCEPT TO MAKE
[00:52:10] SURE THAT PROVIDES THE NEEDED EFFICIENCIES
[00:52:15] AND BENEFITS FOR THE TICKET LOBBY AS A WHOLE.
[00:52:19] NEXT SLIDE, PLEASE.
[00:52:22] THE AIRLINE REALIGNMENT SCENARIOS CAME TO A CONCLUSION
[00:52:26] LATE LAST YEAR AND WE ACTUALLY PLACED THIS PROGRAM INTO THE
[00:52:28] CAPITAL PLAN THIS YEAR, BUT WITH COVID AND THE SIGNIFICANT
[00:52:32] DECREASE IN INTERNATIONAL DEMAND, WE PUT THE PROGRAM ON
[00:52:35] HOLD. UNDERSTANDING OUR PROJECTIONS FOR GROWTH AND THE
[00:52:39] FACT THAT THIS WORK WILL TAKE UNTIL 2024 TO COMPLETE IT'S
[00:52:43] IMPORTANT THAT THIS PROJECT IS BACK IN THE CAPITAL PLAN. IT
[00:52:47] ALSO HAS A BENEFIT TO THE SOUTH SATELLITE RENOVATION PROJECT
[00:52:50] IN THAT PROVIDES ADDITIONAL GATE FLEXIBILITY.
[00:52:53] THIS PICTURE DISPLAYS A POTENTIAL FUTURE GATE
[00:52:56] ALLOCATION. I WOULDN'T PUT TOO MUCH THOUGHT INTO IT SINCE WE
[00:53:00] DON'T KNOW WHAT OUR FUTURE ALLOCATIONS REALLY LOOK LIKE.
[00:53:04] THE MAIN POINT IS TO MOVE UNITED, A DOMESTIC CARRIER HERE
[00:53:08] IN SEATTLE, OFF OF INTERNATIONAL CAPABLE GATES AND OVER TO THE B
[00:53:12] CONCOURSE.
[00:53:17] LOOKS LIKE I GOT A QUICK QUESTION. MAYBE. WE DO FROM
[00:53:20] WE DO. FROM COMMISSIONER BOWMAN.
[00:53:22] JUST A REALLY QUICK QUESTION. WHERE IN THE BUDGET IS
[00:53:26] THE LINE ITEM FOR THE AIRLINE REALIGNMENT? IT WOULD BE CALLED
[00:53:31] POST IAF AIRLINE REALIGNMENT.
[00:53:38] I SAW A POST. OKAY. THANK YOU.
[00:53:44] OKAY, NEXT SLIDE. THANKS.
[00:53:47] OKAY. SO LOUNGE WORK ENCOMPASSES A NEW STRUCTURE FOR
[00:53:50] LOUNGE SPACE ON A CONCOURSE AND LOUNGE RELOCATION AND ADR
[00:53:55] UPGRADE AT THE SOUTH SATELLITE. DELTA HAS DEVELOPED A
[00:53:58] DESIGN FOR THE STRUCTURE WHICH WOULD ALSO ALLOW THE PORT CLUB
[00:54:02] TO EXPAND. THE LOUNGE EXPANSION WAS IN GREAT DEMAND PRE-
[00:54:07] COVID. WE BELIEVE IT WILL BE IN DEMAND AGAIN IN THE FUTURE.
[00:54:11] GIVEN THE 2024 OPERATIONAL DATE WE ARE SHOWING A POSITIVE
[00:54:17] BUSINESS CASE FOR THIS. SO WITH THAT I'LL TAKE QUESTIONS.
[00:54:25] WE'LL TAKE ROLL CALL QUESTIONS . BEGINNING WITH COMMISSIONER
[00:54:28] BOWMAN.
[00:54:30] NO OTHER QUESTIONS, THANK YOU. THANK YOU. MOVING TO
[00:54:33] COMMISSIONER CALKINS. NONE FOR ME. THANK YOU. COMMISSIONER
[00:54:37] CHO. I'M GOOD AS WELL. THANK YOU. THANK YOU COMMISSIONER
[00:54:40] FELLEMAN.
[00:54:43] NOT FOR ME. THANK YOU. THANK YOU. COMMISSIONER
[00:54:45] STEINBREUCK, DID YOU HAVE ANY FURTHER QUESTIONS? I DO.
[00:54:48] REGARDING THE

[00:54:51] AIRLINE REALIGNMENT ITEM THAT YOU SAID HAS BEEN POSTPONED DUE
[00:54:55] TO A DOWNTURN IN TRAVEL AND COVID. WOULD IT NOT SEEM NOW
[00:55:00] WOULD BE THE TIME DURING THAT DOWNTURN TO PREPARE FOR
[00:55:05] THE OPENING OF IAF AND TO ALIGN THE REALIGNMENT
[00:55:11] WITH THAT OPENING. SO I HAVE A HARD TIME UNDERSTANDING
[00:55:15] WHY WE WOULD POSTPONE THAT PROJECT. I DON'T KNOW WHAT THE
[00:55:17] DOLLAR COST IS TO IT AGAINST OTHER PRIORITIES, BUT IT WOULD
[00:55:23] SEEM TO ME NOW IS THE ABSOLUTE BEST TIME TO MOVE FORWARD AND
[00:55:26] I'D LIKE A LITTLE BIT MORE EXPLANATION OF THAT AND WHERE
[00:55:31] WE SEE THAT AT THIS POINT.
[00:55:34] YEAH. SO I THINK WE'RE IN TOTAL AGREEMENT WITH YOU. I THINK YOU
[00:55:38] KNOW BACK IN APRIL AND MAY WAS WHERE WE HAD PUT IT INTO THE
[00:55:42] THE CAPITAL PLAN AND THEN IN APRIL AND MAY WE HAD ACTUALLY
[00:55:45] PUT IT ON HOLD BECAUSE OF THE YOU KNOW THE DOWNTURN AND WE
[00:55:50] DIDN'T ACTUALLY KNOW A LOT AT THAT POINT OF HOW DEMAND
[00:55:54] WOULD BE COMING BACK. SINCE WE'RE NOW SEEING OUR DEMAND
[00:55:58] MEETING OUR PROJECTIONS WE'VE BASICALLY COME TO THE
[00:56:02] UNDERSTANDING THAT WE NEED TO MOVE FORWARD ON THIS
[00:56:05] PROGRAM. SO WITHIN THE LAST MONTH, YOU KNOW, BASICALLY
[00:56:09] MONTH AND A HALF WE ACTUALLY PUT IT BACK IN AND ARE
[00:56:12] PROGRESSING FORWARD WITH IT. OKAY. I HADN'T HEARD OF THAT
[00:56:14] UPDATE, BUT I'M VERY PLEASED TO HEAR THAT. SO THE OTHER
[00:56:18] QUESTION I HAVE HAS TO DO WITH THE LOUNGES AND THE
[00:56:21] RELATIONSHIP TO OUR ADR TENANTS. WHEN WE ADD MORE LOUNGES IT
[00:56:26] SEEMS TO ME THAT WE ARE TAKING SOME OF THE MARKET AWAY FROM
[00:56:31] ADR
[00:56:33] RESTAURANTS AND CONCESSIONS.
[00:56:36] HOW WAS THAT RELATIONSHIP BALANCED IN AN EQUITABLE WAY?
[00:56:40] AND DOES IT NOT CHANGE THE DEMAND FOR THE OTHER
[00:56:46] SERVICES THAT ARE PROVIDED.
[00:56:51] I MAY HAVE A DIFFICULT TIME TRYING TO ANSWER THAT.
[00:56:54] MAYBE JEFFREY OR LANCE MIGHT BE ABLE TO?
[00:56:56] LET ME MAKE AN ATTEMPT AT IT. SO COMMISSIONER, IF YOU
[00:56:59] LOOK AT THE THE STUDY THAT WAS DONE BY THE AIRPORT DINING AND
[00:57:03] RETAIL GROUP IN TERMS OF HOW
[00:57:06] IN TERMS OF SQUARE FOOT PER PASSENGERS THAT WE HAVE. WE'RE
[00:57:10] WAY WAY WAY WAY BELOW WHAT WE NEED. AND ALSO TWO THINGS:
[00:57:14] THE TYPICAL TRAVELER THAT GOES TO A LOUNGE IS NOT THE
[00:57:18] TRAVELER THAT WILL MIND WAITING IN THE YOU KNOW IN THE WHOLE
[00:57:22] ROOM AREAS OR OVER IN THE IN THE FOOD COURT. THEY ARE
[00:57:26] TYPICALLY BUSINESS TRAVELERS AND LEISURE TRAVELERS. SORRY
[00:57:29] BUSINESS TRAVELERS AND YOU KNOW FIRST CLASS AND BUSINESS
[00:57:32] TRAVELERS. THAT GOES TO THE LOAN THEY WE ARE WOEFULLY UNDER
[00:57:37] SQUARE FOOTAGE IN BOTH THE LOUNGES AND IN OUR AIRPORT
[00:57:40] DINING AND RETAIL. SO EVEN WHEN WE BUILD THESE FACILITIES HERE
[00:57:44] AND WE EXPAND THE AIRPORT DINING AND RETAIL PROGRAM, WE STILL
[00:57:50] REALLY WANT HAVE ENOUGH SQUARE FOOT. IF WE EVER GET BACK TO
[00:57:54] 2019 NUMBERS AND ENPLANEMENTS AND CONTINUE TO GROW
[00:57:58] THEREAFTER. SO WE HAVE MORE THAN ENOUGH IN TERMS OF LOUNGES
[00:58:01] AND AIRPORT AND DINING RETAIL TO MEET THE NEEDS OR THE
[00:58:04] DEMANDS THAT WE ARE SEEING WITH THE NUMBER OF ENPLANEMENTS
[00:58:08] COMING TO THE AIRPORT OR WE ANTICIPATE THAT WILL
[00:58:10] COME BACK THROUGH THE AIRPORT. SO JUST FOLLOW UP THERE
[00:58:13] QUICKLY AND WE CAN MOVE ON BUT THE ADR TENANTS DON'T SEEM TO
[00:58:17] AGREE WITH YOU ON THAT. THEY HAVE WRITTEN US A LETTER
[00:58:22] QUESTIONING THE MARKETING STUDY AND THE FACT THAT THE STREET
[00:58:29] PRICING IS NOT TOO DIFFERENT RIGHT NOW FROM WHAT THEY'RE
[00:58:33] ALLOWED TO CHARGE AND THAT THEY FEEL THAT BECAUSE OF THE
[00:58:38] DOWNTURN AND THE LONG TERM THAT THEY ARE INCREASINGLY
[00:58:44] STRUGGLING WITH LESS MARKET SHARE I GUESS OR
[00:58:49] LOWER MARKET DEMAND. SO WHEN WAS THAT STUDY DONE? AND
[00:58:52] IS IT TIMELY TO DO AN UPDATE? THAT SAID IT WAS DONE EVEN
[00:58:57] BEFORE I GOT HERE. THIS MASTER PLAN HAS BEEN

[00:59:01] IMPLEMENTED, I UNDERSTAND, BASICALLY ALL THE OTHER UNITS
[00:59:05] THE FINAL PHASE OF THAT MASTER PLAN WAS WITH THE LAST AIRPORT
[00:59:08] GROUP. AND THERE IS SOME CONCERN THAT I AGREE WITH. IN TERMS OF
[00:59:12] THE DEMAND RIGHT NOW, YES, I WOULD AGREE. IF WE WERE TO
[00:59:16] START OPENING UP BRAND-NEW LOUNGES NOW, BRAND NEW
[00:59:20] AIRPORT DINING AND RETAIL PROGRAM RIGHT NOW,
[00:59:23] YES, I WOULD AGREE. BUT IF YOU LOOK AT THESE PROJECTS
[00:59:25] COMMISSIONERS, THESE PROJECTS ARE YEARS DOWN THE ROAD, RIGHT?
[00:59:28] THESE LAUNCHES THAT YOU'RE LOOKING AT ARE GOING TO
[00:59:30] BE YEARS DOWN THE ROAD. THE C1 BUILDING IS GOING TO BE
[00:59:32] 2027. SO NONE OF THESE FACILITIES ARE FACILITIES THAT
[00:59:36] WE'RE OPENING RIGHT NOW. WE'RE NOT OPENING ANY NEW FACILITY.
[00:59:39] EVEN THE INTRODUCTORY KIOSKS THAT WE DISCUSSED
[00:59:44] THAT'S GOING TO BE SEVERAL MAYBE THREE FOUR YEARS DOWN THE
[00:59:47] ROAD BEFORE WE EVEN HAVE THOSE OPEN. ALL RIGHT. OKAY, THANK
[00:59:51] COMMISSIONER, WE'RE AWARE OF
[00:59:55] THOSE CONCERNS THAT YOU RAISED AND I WISH DON HUNTER WAS ON
[00:59:58] THE CALL SO HE COULD RESPOND TO IT. BUT SOME OF THOSE
[01:00:01] CONCERNS RAISED BY THE CONCESSIONAIRES ARE VALID AND
[01:00:04] DON IS WORKING ON A PLAN TO DO RESPOND TO ADDRESS THOSE
[01:00:08] CONCERNS. IN FACT, WE MADE A PRESENTATION TO COMMISSIONERS
[01:00:12] SAM CHO AND CALKINS AT LAST IN AVIATION COMMITTEE MEETING.
[01:00:17] OKAY. ALL RIGHT. THANKS VERY MUCH. WE HAVE MEETINGS
[01:00:21] SCHEDULED WITH EACH OF THE OTHER COMMISSIONERS TO BRIEF
[01:00:24] YOU ON THE,
[01:00:25] IF IT'S NOT DONE YET, THE ADR MASTER PLAN OR THE END OF THE
[01:00:29] MASTER PLAN, RIGHT?
[01:00:31] OKAY, GOOD. THANKS.
[01:00:35] COMMISSIONER STEINBRUECK. CAN I HAVE A QUICK QUESTION? OH,
[01:00:37] YEAH. SURE. I DIDN'T SEE YOUR HAND UP. THANKS FRED. I'M
[01:00:41] SORRY. JUST IN LIGHT OF THE
[01:00:45] THE MOVABLE CHAIRS WITH UNITED AND ALL, IS IT FUNDAMENTAL TO
[01:00:50] PART TO THAT A LOUNGE ISSUE AND THEN SPEAKING TO THE POINT THAT
[01:00:53] YOU RAISED? IN ORDER TO MOVE UNITED WE NEED TO HAVE A
[01:00:58] LOUNGE FOR THEM TO HAVE SO THAT CONTINUES THE MOVE
[01:01:04] AROUND THE AIRPORT. BUT REGARDING, YOU KNOW, LOUNGE
[01:01:06] AVAILABILITY.
[01:01:09] THE SEQUENCE OF EVENTS IS SOMETHING THAT I WAS JUST
[01:01:12] WONDERING.
[01:01:13] WHAT REALLY GOES FIRST
[01:01:18] FOR THE ALIGNMENT?
[01:01:21] YOU'RE RIGHT COMMISSIONER. IN ORDER TO MOVE UNITED
[01:01:25] THERE'S SOME WORK WE HAVE TO DO. NOT ONLY A CLUB FOR
[01:01:28] UNITED BUT ALSO WRAP OFFICE SPACE FOR THEM. SO THERE IS A
[01:01:33] SERIES OF CHAIRS AS YOU SAY OR DOMINO'S HAS TO FALL BEFORE WE
[01:01:37] COULD MOVE THE CARRIER TO
[01:01:40] CONCOURSE A.
[01:01:43] TO CONCOURSE B.
[01:01:46] YEAH. YEAH. SORRY TO MOVE
[01:01:50] UNITED CONCOURSE B HERE. YES.
[01:01:55] SO I'M JUST WONDERING WHAT IS THE FIRST
[01:01:58] DOMINO THAT HAS TO FALL?
[01:02:02] FOR THE AIRLINE REALIGNMENT PIECE? YES. SO
[01:02:05] BASICALLY,
[01:02:08] YOU KNOW, FIRST OF ALL WE HAVE TO START
[01:02:11] BUILDING OUT SPACE AND
[01:02:15] YOU KNOW SORT OF WE HAVE EXCESS SPACE AVAILABLE UNDERNEATH THE
[01:02:19] B CONCOURSE. WE HAVE TO START BUILDING OUT SPACE IN THE B
[01:02:23] CONCOURSE SO THAT WE CAN START MOVING SOME OF UNITED SUPPORT
[01:02:26] SERVICES OVER THERE.
[01:02:31] THANK YOU. COMMISSIONER STEINBREUCK, TIME CHECK.
[01:02:33] IT'S 10:03 CURRENTLY
[01:02:35] FOR THE PURPOSES OF YOUR AGENDA. THANK YOU.

[01:02:39] WE NEED TO KEEP MOVING.
[01:02:41] ALL RIGHT, SO
[01:02:43] OKAY. SO I MAKE THIS VERY QUICK.
[01:02:47] KNOW THAT YOU HAVE SEEN THE VISION FROM LANCE LAST OF THE
[01:02:50] SESSION. YOU HAVE SEEN THE FUNDING PLAN FROM OUR BORGEN
[01:02:53] AND KERI'S PRESENTED THE CAPITAL IMPROVEMENT PROJECTS
[01:02:57] AND NOW IT'S TIME TO TALK ABOUT HOW WE DELIVER THIS PROJECT.
[01:03:00] SO BACK IN 2019 WE REALIZED THAT WE'RE
[01:03:04] GOING TO GO THROUGH A PERIOD OF SUSTAINED CAPITAL IMPROVEMENTS.
[01:03:06] MAY BE UP TO 10 YEARS OR MORE. SO WHAT WE WANTED TO DO IS
[01:03:10] LEARN FROM OTHER PEER AIRPORTS HOW THEY WERE STRUCTURED TO
[01:03:14] DELIVER THEIR CIP.
[01:03:17] SO WE BASICALLY WANT TO UNDERSTAND FROM PEER AIRPORTS.
[01:03:22] THE FOLLOWING SLIDE GIVE YOU THE LIST OF THE AIRPORTS,
[01:03:25] BUT THE SCALE AND MAGNITUDE OF THEIR PAST CURRENT AND FUTURE.
[01:03:28] CIP, HOW THEY WERE STRUCTURED AND DELIVERED
[01:03:31] THEIR CIP, AND DELIVERY METHODS THAT THEY USE TO DELIVER THOSE
[01:03:36] TYPE OF PROJECTS. ALSO WHAT LESSONS THEY LEARN FROM THEIR
[01:03:41] CIP EXPERIENCE AND FINALLY WHAT RECOMMENDATIONS WILL MAKE TO
[01:03:45] SEATAC FOR DELIVERY OF THEIR CIP. SO NEXT SLIDE, PLEASE.
[01:03:52] SO BACK IN NOVEMBER
[01:03:55] 10TH, NOVEMBER 2019. WE GATHER TO SEE EXECUTIVES FROM
[01:03:59] THESE AIRPORTS IN THIS CITY OR SOME INTERNATIONAL AIRPORT
[01:04:03] FROM JAMAICA AND A NUMBER OF LARGE AIRPORTS IN THE UNITED
[01:04:07] STATES. SAN DIEGO DID NOT COME ATTEND A PEER
[01:04:12] REVIEW HOWEVER, WE HAD A CONFERENCE CALL WITH THEM.
[01:04:16] ALSO PARTICIPATING IN THE PEER REVIEW WAS THE ERP THE
[01:04:20] COMMISSION'S EXECUTIVE REVIEW PANEL, ALL FINANCIAL
[01:04:23] CONSULTANTS AND A LOT OF PORTS STAFF FROM AIRPORT AND FROM
[01:04:28] THE FROM THE CORPORATE SIDE AS WELL.
[01:04:32] SO WE IT WAS CONDUCTED OVER THREE DAYS AT
[01:04:36] THE CITY OF SEATAC AND THEN GO TO NEXT SLIDE, PLEASE.
[01:04:45] NEXT.
[01:04:47] THANK YOU AND THEN BASED ON HEARING FROM THE
[01:04:50] AIRPORTS AND WE PRESENTED OUR CIP TO THE AIRPORT. THEY MADE
[01:04:54] SOME RECOMMENDATIONS ALONG THESE LINES LISTED ON
[01:04:57] THIS SLIDE. FIRST RECOMMENDATION WAS TO PRESENT THIS VISION IS
[01:05:01] LANCE DID. SO THE INTENT WAS TO PRESENT TO THE COMMISSIONERS
[01:05:08] WHERE WE WANT TO BE IN THE NEXT 10 OR 20 YEARS AND HOW THE
[01:05:12] PROJECTS ARE CONNECTED TOGETHER IN ORDER TO DELIVER TO MEET
[01:05:15] THAT VISION. THEY ALSO MADE RECOMMENDATIONS ON THE
[01:05:19] ORGANIZATIONAL STRUCTURE.
[01:05:21] I THINK IMPORTANTLY THEY REALIZED THAT THE
[01:05:25] RESPONSIBILITY FOR DELIVERING CIP FOR THE AIRPORT WAS
[01:05:29] DISTRIBUTED AMONGST DIFFERENT DEPARTMENTS. AND FOR THOSE
[01:05:33] AIRPORTS THAT WAS, THEIR, MOST OF THOSE AIRPORTS HAVE ONE
[01:05:37] PERSON THAT WAS RESPONSIBLE FOR THE CAPITAL DEVELOPMENT. SOME
[01:05:41] PEOPLE HELPED THEM ACHIEVE THEM AND OFFICER OF THE
[01:05:44] CHIEF EXECUTIVE [INAUDIBLE]
[01:05:48] THERE WAS TO STREAMLINE AND CENTRALIZE THE RESPONSIBILITY
[01:05:52] FOR THE DELIVERY OF THEIR CIP.
[01:05:56] AND IN TERMS OF CIP DELIVERY METHODS. THE RECOMMENDATION
[01:06:01] WAS THAT WE SHOULD NOT DISCOUNT ON ANY
[01:06:04] SPECIFIC OR PARTICULAR DELIVERY METHOD BUT DELIVERY METHOD
[01:06:07] CHOSEN SHOULD BE ONE THAT'S BEST SUITED FOR THE PROJECT,
[01:06:10] WHAT IT'S DESIGNED, THEIR [INAUDIBLE]
[01:06:15] IN WASHINGTON OR PROGRESSIVE DESIGN BUILD OR A P3 WATER PER
[01:06:20] DELIVERY METHOD. YOU SHOULD LOOK AT IT AND SEE WHAT THE
[01:06:22] PERMIT IS BEST SUITED FOR DELIVERING THAT PRODUCT.
[01:06:27] THEN ABOUT PROCESS IMPROVEMENTS AND THIS
[01:06:31] IS PART WHERE, THE PROCESS WE USE HERE FOR THE
[01:06:37] IPOS. THEY WERE CUMBERSOME AND THEY THINK THAT
[01:06:41] THE PROCESS USES FOR COMMISSION APPROVAL FOR EXAMPLE WAS

[01:06:45] INEFFICIENT AND TIME-CONSUMING AND WE SHOULD DO SOME DEEPER
[01:06:49] DIG INTO THOSE PROCESSES AND SO WHERE IMPROVEMENTS WE COULD DO.
[01:06:53] ANOTHER RECOMMENDATION WAS THEY MADE WAS TO INCREASE THE
[01:06:57] AMOUNT DELEGATION OF AUTHORITY FROM FROM 300,000
[01:07:02] FOR EXAMPLE UP TO A MILLION DOLLARS. I THINK YOU HAVE HEARD
[01:07:05] THAT ONE FROM STEVE IN THE PAST. THE 300,000
[01:07:10] LIMIT IS REALLY SMALL COMPARED TO SIZE OF CIP AND THE AMOUNT OF
[01:07:15] WORK YOU PUT IN TO GET INTO THAT APPROVAL OF THE SOMETIME
[01:07:19] IN THIS IN EXCESS OF THAT APPROVAL LEVEL. SO I THINK WE
[01:07:22] SHOULD REVISIT THAT DELEGATION OF AUTHORITY AMOUNT.
[01:07:26] AND THEN NOT SURPRISED IS THE PROGRAM CONTROLS. SO PROGRAM
[01:07:30] CONTROL INVOLVES COST ESTIMATING, SCHEDULING,
[01:07:33] REPORTING
[01:07:35] AND INFORMATION FLOW. RECOMMENDATION THAT WE SHOULD
[01:07:40] PROBABLY LOOK AT THE DASHBOARD USE FOR EXAMPLE TO COMMUNICATE
[01:07:44] THE INFORMATION OR PROJECTS UPWARDS AND ORGANIZATION HOW
[01:07:47] THE REPORTING IS DONE AND WHEN IT'S DONE. IN TERMS OF COST
[01:07:51] ESTIMATING THEY RECOMMEND THAT WE USE A MORE RECENT BASE COST
[01:07:55] ESTIMATING.
[01:07:57] THAT'S REFLECTIVE OF THE RISK THAT THE PROJECT WILL TAKE AND
[01:08:00] YOU KNOW, I JUST COULD SEE FROM FROM SOME PROJECTS WHERE OUR
[01:08:03] COST ESTIMATES SOMETIME. YOU KNOW, IT'S NOT IN LINE WITH THE
[01:08:07] SCOPE OF WORK A LOT OF EFFORT IN TO DELIVER THE PROJECT. SO
[01:08:10] I THINK THAT WE SHOULD IMPROVE OUR COST ESTIMATING AS
[01:08:13] WELL AS SCHEDULING. SCHEDULING PERFORMANCE NEEDS TO BE
[01:08:16] IMPROVED. SO THOSE CAN HIGHLIGHT NOTES ON THE MAIN
[01:08:20] RECOMMENDATIONS OF THE FROM PEER REVIEW AND IF YOU GO TO
[01:08:24] THE NEXT SLIDE FOR NEXT STEPS. SO THE NEXT STEP IS WE WANT TO
[01:08:30] ENGAGE OUR OWN HUMAN RESOURCES DEPARTMENT AND ALSO A MEMBER OF
[01:08:35] THE EXECUTIVE GROUP PANEL TO LOOK AT THE RECOMMENDATIONS
[01:08:38] MADE BY THE PEER REVIEW AND DEVELOP AN IMPLEMENTATION
[01:08:45] PLAN OF WHICH OF THOSE RECOMMENDATIONS WE'LL INSTITUTE
[01:08:49] AND THAT WORK TO BE DONE. UNFORTUNATELY BECAUSE OF
[01:08:54] COVID-19 WE HAD TO SUSPENDED WORK ON PEER
[01:08:57] RECOMMENDATIONS BUT WE INTEND TO TAKE THAT UP VERY
[01:08:59] SOON AND CONTINUE TO WORK ON THE RECOMMENDATIONS. AND WITH
[01:09:03] THAT I TURN IT OVER FOR QUESTIONS.
[01:09:06] OKAY.
[01:09:07] WE'LL START WITH COMMISSIONER BOWMAN FOR QUESTIONS ON THIS
[01:09:09] SEGMENT. NO QUESTIONS. THANK YOU. THANK YOU COMMISSIONER
[01:09:14] CALKINS.
[01:09:17] NONE FOR ME EITHER. THANKS. THANK YOU. COMMISSIONER CHO.
[01:09:21] I'M GOOD. THANK YOU. THANK YOU. COMMISSIONER FELLEMAN.
[01:09:26] NO FOR ME, THANK YOU. COMMISSIONER STEINBRUECK. I
[01:09:30] HAVE TWO QUESTIONS: ONE. I'M CURIOUS WHY SALT LAKE CITY WAS
[01:09:33] NOT ON THE LIST OF PEER HUB AIRPORTS.
[01:09:37] SECOND QUESTION HAS TO DO WITH THE PROJECT DELIVERY. I MUST
[01:09:43] HAVE MISSED THE RECOMMENDATIONS ON PROJECT DELIVERY METHODS
[01:09:47] FROM THE PEER GROUP.
[01:09:50] ALL RIGHT. SO YOUR FIRST QUESTION WE'RE GOING TO SALT
[01:09:53] LAKE CITY. WE DID REACH OUT TO A NUMBER OF DIFFERENT
[01:09:56] AIRPORTS. I THINK WE REACH OUT TO MAYBE ABOUT 30
[01:10:00] AIRPORTS AND JUST BASED ON WHO RESPONDED. SO SALT LAKE DIDN'T,
[01:10:05] AND WE TRY TO REACH OUT TO CHICAGO AND SAN DIEGO.
[01:10:09] SAN DIEGO, THEY COULD NOT MAKE IT BUT THEY OFFERED A
[01:10:11] CONFERENCE CALL. SO THAT'S THE REASON WHY SOME AIRPORTS.
[01:10:14] ALRIGHT. OKAY.
[01:10:16] AND YOUR SECOND QUESTION? A PROJECT DELIVERY METHOD
[01:10:20] RECOMMENDATIONS FROM THE PEER GROUP.
[01:10:23] SO THE RECOMMENDATION WAS SPECIFIC THAT WE SHOULD NOT
[01:10:26] DISCOUNT, DESPITE OUR BAD EXPERIENCE WITH PROGRESSIVE
[01:10:30] DESIGN PILLAR FOR EXAMPLE, WE SHOULD NOT DISCOUNT JUST
[01:10:33] COSTS OVER EXPERIENCE. WE SHOULD GO BACK AND LOOK AT THE

[01:10:36] PROJECTS AND SEE IS IT THE BEST FIT FOR THE PROJECT. IT MAY NOT
[01:10:40] BE. BECAUSE WE NEED TO LOOK AT THE OF CULTURE FOR EXAMPLE,
[01:10:44] BUT WE SHOULD NOT DO A WHOLESAL DISARM DISCOUNTED
[01:10:47] ANY DELIVERY WITH--
[01:10:50] YEAH, I UNDERSTAND. THERE'S NO ONE METHOD THAT IS FOR EVERY
[01:10:54] PROJECT AND APPROACH. I WOULD GUESS THAT THIS PEER GROUP HAD
[01:10:57] LITTLE IF NO EXPERIENCE WITH THE PROGRESSIVE
[01:11:01] DESIGN-BUILD DELIVERY METHOD SINCE IT'S RELATIVELY NEW
[01:11:06] AND WOULD NOT REALLY HAVE PERHAPS AN INFORMED POSITION
[01:11:12] ON THAT APPROACH THAT WE EXPERIENCED WITH IAF.
[01:11:18] BUT I WOULD SAY EVERY PROJECT IS DIFFERENT SO.
[01:11:22] YEAH, I WOULD NOT SAY THAT BECAUSE SAN DIEGO HAD SOME GOOD
[01:11:26] SUCCESS WITH PROGRESSIVE THIS TIME. SOME OF THE AIRPORTS WERE
[01:11:30] DIFFERENT. SOMETHING SIMILAR I THINK WAS DFW. I THINK ONE OF
[01:11:34] THE ONE OF THE FLORIDA AIRPORTS AS WELL JEFFREY, WAS IT
[01:11:39] ORLANDO?
[01:11:41] THE FORT LAUDERDALE. FORT LAUDERDALE? YES,
[01:11:46] ALL RIGHT. THANK YOU.
[01:11:51] EXPERT PANEL'S PRIMARY RECOMMENDATION HAD TO
[01:11:52] HAD TO BE A GREATER LEVEL OF TRUST TO DEFER TO THE
[01:12:24] THE BUILDER AND THAT THERE WAS SORT OF
[01:12:28] A DYNAMIC THAT YOU KNOW I THINK I THINK PORT STAFF ARE MORE
[01:12:32] INCLINED TO YOU KNOW VERIFY EVERYTHING THEIR DUE DILIGENCE
[01:12:37] BUT FOR THAT APPROACH TO WORK I THINK THAT
[01:12:42] WAS ONE OF THE BIGGER RECOMMENDATIONS. WAS THERE, AM I
[01:12:45] RECALLING THAT CORRECTLY AND IF THERE'S ANY FURTHER LESSONS
[01:12:48] LEARNED BEYOND THAT?
[01:12:50] YES YES YOU'RE RIGHT MR. FELLEMAN. IF YOU GO DEEP INTO
[01:12:54] THE DETAILS OF THE PEER REVIEW ONE OF THE
[01:12:58] ASSESSMENT MADE OF THE PORT OF SEATTLE IS THAT WE ARE
[01:13:02] RISK ADVERSE. IN A WAY YOU KNOW WE TEND TO PROCEEDING
[01:13:07] CAUTIOUSLY
[01:13:09] YOU KNOW MAYBE IT'S A FROM THE AUDIT OF MANY YEARS AGO BUT THE
[01:13:15] PORT OF SEATTLE GENERALLY IS VERY RISK AVERSE AND IT IS
[01:13:18] DISPLAYED IN THE CULTURE WE HAVE HERE AT PORT.
[01:13:23] AS OPPOSED TO FORT LAUDERDALE, WHICH TAKES ALL SORTS OF RISK.
[01:13:29] FORT LAUDERDALE IS PROBABLY EXTREME [LAUGHS]
[01:13:41] BUT THE POINT IS IF WE EMBRACE THIS APPROACH WE
[01:13:45] HAVE TO APPROACH IT WITH SOME SOMETHING IN BETWEEN THESE TWO.
[01:13:51] YES.
[01:13:54] I THINK THE RECOMMENDATION COMMISSIONER FELLEMAN WAS WE
[01:13:56] NEED TO LOOK AT EACH INDIVIDUAL PROJECT AND THEN DETERMINE WHAT
[01:13:59] THE DELIVERY METHOD IS FOR EACH OF THOSE PROJECTS VERSUS JUST
[01:14:02] SAY, YOU KNOW, ALL OUR PROJECTS ARE GOING TO BE DESIGNED BASED
[01:14:05] OR DESIGNED WITH A LARGE ECCM. THEY'RE SAYING JUST LOOK AT
[01:14:08] EACH PROJECT AND THEY HAVE SOME CRITERIA IN THE DOCUMENTATION
[01:14:13] THAT SAYS IF THE PROJECT MEETS THESE CRITERIA THEN THIS IS THE
[01:14:17] THE PROJECT DELIVERY METHOD THAT PROBABLY BEST FIT.BUT THEN
[01:14:20] YOU HAVE TO TAKE A WHOLE BUNCH OF THINGS INTO CONSIDERATION
[01:14:23] FOR EACH OTHER PROJECTS AS WELL.
[01:14:26] ALL RIGHT. SO IF YOU'RE GOING TO DO PROGRESSIVE VALUE OF
[01:14:29] DESIGN-BUILD YOU HAVE TO BE ABLE TO LET GO A LITTLE BIT. SO
[01:14:34] IT MAY BE APPROPRIATE FOR SOME PROJECTS OVER THE OTHER BUT TO
[01:14:37] IMPLEMENT IT SUCCESSFULLY THAT'S WHAT'S IMPORTANT TO HAVE THE
[01:14:41] LESSON LEARNED I THINK.
[01:14:44] YEAH, COMMISSIONER. STEINBRUECK. I DON'T HAVE ANY
[01:14:47] FURTHER QUESTIONS QUEUED UP RIGHT NOW FROM COMMISSIONERS IF
[01:14:49] WE'D LIKE TO PROCEED. IT'S NOW 10:15. YEAH, HOW MUCH TIME
[01:14:53] REMAINING HERE FOR UNTIL 11:00. ARE WE GOING TO 11?
[01:14:59] WE ARE SCHEDULED THROUGH 11 . I THINK I'D HAVE TO LOOK.
[01:15:02] BELIEVE WE'RE TRYING TO GET YOU OUT AS SOON AS POSSIBLE BECAUSE
[01:15:05] YOU HAVE A NEXT MEETING COMING. YEAH, WE HAVE AN EXECUTIVE
[01:15:07] SESSION WITH SEVERAL ITEMS. OKAY. THANKS WE'LL KEEP

[01:15:10] GOING THEN.
[01:15:43] CAN YOU HEAR ME? RIGHT? YES, WE CAN GO AHEAD. MICHAEL. THANK
[01:15:46] YOU. YES, GOOD MORNING COMMISSIONERS. I'M MICHAEL
[01:15:48] DROLLINGER WITH THE BUSINESS INTELLIGENCE DEPARTMENT AND I
[01:15:51] APPRECIATE THE OPPORTUNITY TO BRIEF YOU ON THE DEVELOPMENT OF
[01:15:55] ACTIVITIES SCENARIOS FOR FINANCIAL AND BUSINESS PLANNING.
[01:15:58] IN THE NEXT 6 MINUTES OR SO. I'LL WALK YOU THROUGH THE
[01:16:00] SCENARIO DEVELOPMENT PROCESS AS WELL AS A QUICK LOOK AT THE
[01:16:04] LATEST FORECAST UPDATE. SO THIS IS A FAMILIAR TERRITORY TO ME
[01:16:08] AS I'VE BEEN INVOLVED IN THE DEVELOPMENT OF SHORT AND LONG
[01:16:11] TERM AVIATION PROJECTIONS AND FORECASTS AT SEA FOR ABOUT THE
[01:16:15] LAST 15 YEARS.
[01:16:18] I'LL FIRST COVER THE FORECASTING PROCESS PRE AND
[01:16:21] POST COVID AS THEY ARE DISTINCTLY DIFFERENT. SO PRE
[01:16:24] COVID TRADITIONAL AVIATION DEMAND FORECASTS USE ECONOMIC
[01:16:29] METRIC MODELS THAT UTILIZE EXPLANATORY VARIABLES INCLUDING
[01:16:33] MAYBE MACRO ECONOMIC AND DEMOGRAPHIC FACTORS. AND DEMAND
[01:16:37] FORECAST TYPICALLY LOOK OUT 10 TO 20 YEARS. NOW THE POST
[01:16:41] COVID ACTIVITY SCENARIOS THAT ARE THE TOPIC OF TODAY'S
[01:16:44] BRIEFING ARE NOT MEANT TO BE FORECASTS OF WHAT IS MOST
[01:16:47] LIKELY TO HAPPEN. INSTEAD THEY ARE MEANT TO BE INDICATIVE OF
[01:16:51] POSSIBLE PATHS OR OUTCOMES OUT OF MANY. SO I STARTED THE
[01:16:56] ACTIVITY SCENARIO WORK BACK IN MARCH AND HAVE BEEN UPDATING
[01:16:59] AND REFINING THE ANALYSIS MONTHLY SINCE THEN AND WILL
[01:17:02] CONTINUE WITH THAT CADENCE FOR THE FORESEEABLE FUTURE.
[01:17:07] NEXT SLIDE PLEASE.
[01:17:09] SO THIS SLIDE SUMMARIZES KIND OF THE COMPONENTS OF THE
[01:17:13] ACTIVITY SCENARIO
[01:17:16] DEVELOPMENT. SO THE FIRST COLUMN ARE REALLY INPUTS AND
[01:17:20] DATA AND THE PUBLISHED ADVANCED AIRLINE FLIGHT SCHEDULE IS
[01:17:24] REALLY THE FOUNDATION OF THE ANALYSIS. IT'S ONLY CURRENT AT
[01:17:28] THIS POINT ABOUT MAYBE 30 TO 45 DAYS OUT. SO I ALSO USE A BROAD
[01:17:33] SET OF DATA FROM REALLY WIDE VARIETY OF SOURCES THAT I
[01:17:36] UPDATE CONTINUOUSLY LEVERAGING A LARGE NETWORK OF INDUSTRY
[01:17:41] CONNECTIONS AND AVIATION AND THE LOCAL BUSINESS COMMUNITY
[01:17:43] THAT VARIOUS COLLEAGUES AT THE PORT HAVE. SO THIS IS NOT THE
[01:17:47] WORK OF ONE BUT THE WORK OF MANY
[01:17:50] ALWAYS SEEKING OUT RELEVANT INSIGHTS TO FINE-TUNE THE SHORT
[01:17:54] AND MID-RANGE RECOVERY OUTLOOK. THE NEXT COLUMN HAS SOME OF THE
[01:17:57] ASSUMPTIONS THAT ARE PLUGGED INTO THE ACTIVITIES SCENARIOS.
[01:18:00] SOME THAT YOU MIGHT EXPECT LIKE PASSENGER LOAD FACTOR AND
[01:18:04] AVERAGE AIRCRAFT SEAT SIZE
[01:18:07] AND TIME TO RETURN TO PRE- COVID LEVELS. SO AND THEN
[01:18:13] FINALLY THE ACTIVITY SCENARIOS COLUMN. I'M ONLY SPEAKING TO
[01:18:15] THE BASELINE TODAY, BUT KNOW THAT THERE ARE A RANGE OF
[01:18:19] OUTCOMES ON EITHER SIDE A HIGH AND A LOW AND BECAUSE OF THE
[01:18:23] GREAT LEVEL OF UNCERTAINTY IN THE CURRENT ENVIRONMENT THOSE
[01:18:25] RANGES CAN BE PRETTY BIG. SO THIS EFFORT IS REALLY A MIX OF
[01:18:29] QUANTITATIVE ANALYSIS WITH MUCH MANUAL ADJUSTMENT BASED ON
[01:18:33] NON-QUANTIFIABLE TRENDS AND OF COURSE PROFESSIONAL JUDGMENT.
[01:18:38] MY APPROACH TO THESE EFFORTS HAS ALWAYS BEEN QUITE
[01:18:41] CONSERVATIVE. I DON'T OFTEN GET ACCUSED OF BEING TOO OPTIMISTIC.
[01:18:47] THE BASELINE SCENARIO FOR 2020 AND 2021 USED IN BUDGET
[01:18:51] DEVELOPMENT WAS INITIALLY PREPARED BACK IN MAY AND
[01:18:55] REGULARLY UPDATED SINCE TO REFLECT EVOLVING TRENDS. SO
[01:18:59] WE'RE GOING TO MAYBE SKIP THE NEXT SLIDE IN THE INTEREST OF
[01:19:01] TIME. NEXT SLIDE, PLEASE. THANK YOU. THE NEXT COUPLE
[01:19:06] OF SLIDES CAPTURE AIRLINE CAPACITY AND TSA CHECKPOINT
[01:19:10] ACTIVITIES SINCE MARCH AND REALLY THE KEY TAKEAWAY IS
[01:19:13] THAT AFTER AN INITIAL BUMP IN THE SPRING AND EARLY SUMMER THE
[01:19:16] RECOVERY AS LARGELY STALLED. SO, HOW'S THIS RESHAPE THE
[01:19:20] BASELINE SCENARIO? NEXT SLIDE PLEASE.
[01:19:25] AGAIN, YOU CAN SEE IN THE DAILY SCREENING VOLUMES, THEY'VE BEEN

[01:19:28] LARGELY FLAT SINCE JULY. SLIDE.
[01:19:32] AND THE AIRLINE LOAD FACTORS OR PERCENT OF SEATS FILLED HAS
[01:19:35] BEEN PRETTY FLAT EVEN SLIGHTLY DECLINING IN AUGUST AS WHEN
[01:19:39] FLIGHTS WERE ADDED.
[01:19:41] NEXT SLIDE.
[01:19:43] OKAY, THIS SLIDE SHOWS THE MAY BASELINE SCENARIO. IT'S
[01:19:49] REALLY THE FOUNDATION FOR THE FOR THE BUDGET AS WELL AS BELOW
[01:19:53] IT YOU'LL SEE THE LATEST UPDATE PREPARED IN SEPTEMBER.
[01:19:56] IF YOU LOOK AT THE GRAPHS THE DISTINCTIONS LOOK PRETTY SUBTLE
[01:20:00] IN THOSE LINE GRAPHS, BUT THERE ARE TWO MAJOR DIFFERENCES
[01:20:02] BETWEEN THE SCENARIOS DEVELOPED IN MAY AND THE SEPTEMBER
[01:20:05] UPDATE. BUT IF YOU LOOK AT THE YEAR-END TRAFFIC DECLINE IN
[01:20:09] BOTH SCENARIOS, THEY'VE ACTUALLY STAYED WITHIN A VERY
[01:20:11] SMALL RANGE. THE ONE FOR THE BUDGET ASSUMES THAT 61%
[01:20:16] [INAUDIBLE] SEPTEMBER OF 89 PERCENT DECLINE IN 2020,
[01:20:22] BUT I'D LIKE YOU TO FOCUS YOUR ATTENTION ON THE BOTTOM GRAPH.
[01:20:25] SO THE SEPTEMBER UPDATE REALLY REFLECTS THE QUICKER ACTIVITY
[01:20:29] RECOVERY THAT WE SAW IN THE FIRST MONTHS AFTER FINDING A
[01:20:32] MAP BOTTOMING OUT IN APRIL AND THEN BUT THEN ALSO A FLATTENING
[01:20:36] RECOVERY THAT'S OCCURRED LATE IN THE THIRD QUARTER AND
[01:20:38] FOURTH QUARTER OF 2020.
[01:20:41] AND MOVING A LITTLE TO THE TO THE RIGHT IN THAT GRAPH ALSO IN
[01:20:44] THE SEPTEMBER UPDATE THE 2021 RECOVERY IS NOW FOCUSED ON THE
[01:20:48] THIRD AND FOURTH QUARTER OF 21 RATHER THAN THE FIRST AND
[01:20:52] SECOND QUARTER OF 2021 REFLECTING THE ANTICIPATED
[01:20:55] COURSE OF THE PANDEMIC AS WE KNOW IT NOW.
[01:20:58] NEXT SLIDE. HERE'S WHAT THE REMAINDER OF 2020 LOOKS LIKE
[01:21:03] BASED ON THE LATEST SEPTEMBER BASELINE SCENARIO UPDATE. TWO
[01:21:08] QUICK POINTS HERE. SEPTEMBER ACTUALS, WHICH ARE NOT
[01:21:12] REFLECTED ON THIS SLIDE ACTUALLY JUST CAME IN AND A
[01:21:15] LITTLE WEAKER THAN ANTICIPATED. BUT AS SEEN ON THE CHART, YOU
[01:21:20] KNOW, I DO STILL EXPECT A BUMP IN NOVEMBER AND DECEMBER
[01:21:22] TRAFFIC BECAUSE OF THE HOLIDAY TRAVEL. AND THE SECOND POINT IS
[01:21:26] LIKELY NOT SURPRISING TO YOU AND THAT IS THAT INTERNATIONAL.
[01:21:30] RECOVERING MUCH MORE SLOWLY. I WOULD EXPECT THE YEAR-END
[01:21:34] INTERNATIONAL PASSENGERS ARE FORECAST TO BE DOWN
[01:21:37] SEVENTY-SEVEN PERCENT VERSUS 2019.
[01:21:41] NEXT SLIDE.
[01:21:43] SO MY FINAL POINTS, I WON'T SPEND MUCH TIME ON RISKS TO
[01:21:46] THIS FORECAST SINCE I COULD HAVE FILLED SEVERAL SLIDES WITH
[01:21:50] THE FACTORS INFLUENCING THE OUTCOMES. I
[01:21:53] WANT TO EMPHASIZE THAT WHILE THERE MAY BE A TENDENCY TO WANT
[01:21:56] TO FOCUS ON SHORT-TERM TRAFFIC TRENDS ONLY I'M ALSO LOOKING
[01:22:00] AT THE LONGER VIEW THAT IS 2021 TO 2025 AND ASSESSING THE
[01:22:05] STRUCTURAL CHANGES IN TRAVEL DEMAND THAT THIS PANDEMIC MAY
[01:22:08] BE CAUSING AND AS THOSE BECOME CLEARER, WEAVE THEM INTO THE YOU
[01:22:13] OF POTENTIAL OUTCOMES. AGAIN THANKS FOR THE OPPORTUNITY TO
[01:22:17] SHARE TODAY, AND I'D BE HAPPY TO TAKE ANY QUESTIONS.
[01:22:23] COMMISSIONER STEINBRUCK, WOULD YOU LIKE TO TAKE QUESTIONS AT
[01:22:25] THIS TIME OR MOVE TO? LET'S SEE IF THERE ARE ANY
[01:22:28] QUESTIONS AND THEN WE'LL MOVE FORWARD. THIS IS ALWAYS AN
[01:22:31] IMPORTANT OPPORTUNITY HERE FOR COMMISSIONERS. CERTAINLY.
[01:22:33] BEGINNING WITH
[01:22:35] COMMISSIONER BOWMAN. GREAT. THANK YOU. UM, NOT REALLY ANY
[01:22:38] QUESTIONS. FIRST OF ALL MICHAEL I WANT TO THANK YOU
[01:22:41] AND COMPLIMENT YOU FOR GIVING ME ADDITIONAL INFORMATION ON
[01:22:43] FRIDAY ABOUT THESE ASSUMPTIONS. I'VE BEEN ASKING. IT'S VERY VERY
[01:22:48] HELPFUL TO UNDERSTAND THE INPUTS AS OPPOSED TO JUST SORT
[01:22:51] OF HAVING ROLE UP, WHICH IS WHAT WE'VE HAD SOME TIMES IN THE
[01:22:54] PAST. SO IT GIVES ME A LOT MORE CONFIDENCE. AND AS I SAID ON
[01:22:58] FRIDAY REALLY APPRECIATE YOUR MORE CONSERVATIVE APPROACH, I
[01:23:01] GUESS I AM CONCERNED HOWEVER THAT WE NEED TO KEEP A CLOSE
[01:23:05] WATCH ON OUR LOCAL ECONOMY. PRIOR TO YOUR MOST RECENT

[01:23:09] ASSUMPTION WAS, OR AFTER YOUR MOST RECENT ASSUMPTION WAS THE
[01:23:13] BOEING ANNOUNCEMENT OF MOVING TO SOUTH CAROLINA, AND I'VE
[01:23:17] JUST CONTINUED TO URGE OUR CEO TO REACH OUT TO OUR MAJOR
[01:23:21] EMPLOYERS IN THE REGION TO GET A BETTER SENSE FROM THEM
[01:23:26] ABOUT THEIR BUSINESS TRAVEL PLANS IN ADDITION TO MICHAEL
[01:23:29] THE GOOD WORK THAT YOU DO REACHING OUT TO THE PUGET SOUND
[01:23:32] TRAVEL ASSOCIATION.
[01:23:34] BUT I THINK SHORT ANSWER IS OR SHORT VERSION IS
[01:23:38] THAT I THINK ARE OUR ECONOMY IS TAKING A TURN FOR THE WORSE AND
[01:23:42] I'M ASSUMING THAT YOU'RE TAKING THAT INTO CONSIDERATION.
[01:23:47] CORRECT, THANK YOU.
[01:23:49] THANK YOU MOVING TO COMMISSIONER CALKINS.
[01:23:53] I WANT TO SAY HOW REASSURED I FEEL KNOWING WE HAVE MICHAEL
[01:23:56] ON STAFF DOING THIS WORK BECAUSE THIS IS EXACTLY THE
[01:23:58] KIND OF
[01:24:00] ANALYSIS WE NEED TO TRY TO
[01:24:05] GET A FORECAST THAT HELPS US MAKE THE DECISIONS THAT WE NEED
[01:24:07] TO MAKE FOR 2021 AND BEYOND. MY QUESTION I THINK YOU ANSWERED
[01:24:11] WITH THE FINAL SLIDE, WHICH IS WHAT ARE WE WATCHING OVER
[01:24:16] THE NEXT FEW MONTHS TO
[01:24:19] SEE WHEN CAPACITY WILL INCREASE? I THINK WE'VE GOT A LITTLE BIT
[01:24:23] OF A CHICKEN OR EGG PROBLEM IN AVIATION WHERE YOU KNOW
[01:24:26] AIRLINES DON'T WANT TO BRING ON ADDITIONAL CAPACITY UNTIL THEY
[01:24:29] SEE PASSENGERS RETURN. PASSENGERS ARE OFTEN SORT OF
[01:24:33] GOADED BACK BECAUSE CAPACITY INCREASES AND TICKET PRICES GET
[01:24:36] A LITTLE BIT MORE AFFORDABLE. SO WHAT OTHER THINGS SHOULD WE
[01:24:39] WATCH FOR TO SEE WHEN AIRLINES MIGHT BRING MORE OF THEIR
[01:24:43] FLEETS BACK ONLINE?
[01:24:46] THAT'S A GREAT QUESTION. SO THERE'S A NUMBER OF THINGS THAT
[01:24:49] WE OF COURSE WATCH. THE ADVANCED SCHEDULES,
[01:24:53] WE ALSO CERTAINLY CONSULT WITH THE CARRIERS. THERE A
[01:24:57] NUMBER OF INDIVIDUALS AT THE PORT THAT HAVE CLOSE CONTACTS
[01:25:00] WITH THE MAJOR CARRIERS AND WE LEVERAGE THOSE VERY ACTIVELY.
[01:25:05] EVEN LISTENING TO AIRLINES FINANCIAL
[01:25:08] QUARTERLY CALLS, LIKE DELTA'S CALL THIS MORNING THAT I
[01:25:12] LISTENED TO GIVES YOU SOME INSIGHT ABOUT THE THE SENIOR
[01:25:15] LEADERSHIP THINKING GOING FORWARD AND WHAT THEY'RE ALSO
[01:25:18] LOOKING FOR AS INDICATORS OF DEMAND RESUMING. SO THERE'S
[01:25:23] IT'S A PRETTY BROAD RANGE OF INTELLIGENCE THAT WE KIND OF
[01:25:26] KEEP OUR EAR TO THE GROUND ON TO START LOOKING FOR
[01:25:30] THOSE SIGNS OF RECOVERY AND THEN START TO FACTOR THAT INTO
[01:25:35] THE DIFFERENT SCENARIOS. ALWAYS LOOKING ON THE
[01:25:38] CONSERVATIVE SIDE.
[01:25:40] YEAH, AND YOU KNOW, WE'VE TALKED A LOT ABOUT OUR OVERALL
[01:25:43] NUMBER FOR PASSENGERS FOR 2021
[01:25:49] I THINK I HAVE GONE THROUGH PHASES FROM A DEEPLY
[01:25:52] PESSIMISTIC PHASE EARLY ON IN THIS TO THEN A MORE OPTIMISTIC
[01:25:55] PHASE KIND OF IN THE SUMMER MONTHS AS WE DID SEE EVEN A
[01:25:59] QUICKER RETURN TO PASSENGER LEVELS THAN WE'D ANTICIPATED.
[01:26:02] BUT NOW AGAIN SEEING THIS KIND OF STAGNATION AND I HEARD AN
[01:26:07] INTERVIEW THIS WEEKEND WITH BILL GATES I THINK IT WAS ON
[01:26:09] MEET THE PRESS, WAS A SHORT INTERVIEW, BUT ONE OF THE
[01:26:11] THINGS HE SAID REALLY CAUSED ME TO PAUSE WHICH IS
[01:26:15] I HAVE BEEN HOPING FOR A VACCINE AS SOON AS POSSIBLE
[01:26:19] BECAUSE THAT REALLY FEELS LIKE THE WAY THAT WE RETURN TO
[01:26:22] NORMALCY AS QUICKLY AS POSSIBLE. BUT HIS EXPERIENCE IS
[01:26:25] SOMEBODY WHO'S NOW DEEPLY ENMESHED IN GLOBAL HEALTH IS
[01:26:27] THAT THIS PROBLEM, THIS FIRST ROUND OF VACCINES, IS UNLIKELY
[01:26:31] TO BE FULLY EFFECTIVE. AND SO EVEN IF WE DO GET A VACCINE AND
[01:26:36] IT'S WIDELY DISTRIBUTED, IT WON'T MEAN THE END OF THE
[01:26:38] PANDEMIC IMMEDIATELY. IT'LL MEAN YOU KNOW THAT WE'RE ABLE
[01:26:43] TO PROBABLY PUSH INTO MORE ASPECTS OF RECOVERY,
[01:26:45] BUT IT'S NOT AS IF

[01:26:47] FLIP A SWITCH AND WE'RE BACK TO NORMALCY AS SOON AS THERE'S A
[01:26:50] VACCINE DISCOVERED. SO THAT'S SOMETHING I'M PUTTING INTO MY
[01:26:54] OWN ANALYSIS ABOUT HOW OPTIMISTIC WE OUGHT TO BE FOR
[01:26:58] 2021 AS WELL.
[01:27:03] THANK YOU COMMISSIONER CALKINS. MOVING TO COMMISSIONER CHO.
[01:27:10] YES, THANK YOU. YOU KNOW ONE QUESTION THAT I WANTED TO ASK
[01:27:15] IT RELATES BACK TO PREVIOUS [MICROPHONE MALFUNCTION]
[01:27:18] IS THAT WHEN IT COMES TO OUR BONDING CAPACITY
[01:27:22] UNDERWRITERS WILL OBVIOUSLY BE LOOKING AT THIS DATA TO SEE
[01:27:25] WHETHER OR NOT WE WILL HAVE PFCS AND THE REVENUE TO
[01:27:28] ACTUALLY SERVICE THE DEBT. WILL THEY BE USING OUR FORECAST OR
[01:27:33] WHAT IS THE INDUSTRY STANDARD IN TERMS OF BEING ABLE TO
[01:27:35] FORECAST
[01:27:38] REVENUE OR
[01:27:40] PASSENGER VOLUMES AT AIRPORTS? I ASSUME THEY DON'T THEY WON'T
[01:27:43] JUST TAKE OUR WORD UP FOR IT. RIGHT? THEY'LL DO THEIR
[01:27:46] INDEPENDENT STUDIES? I THINK BORGEN
[01:27:50] WOULD BE THE BEST PERSON TO ADDRESS THAT QUESTION, BORGEN?
[01:27:53] SURE, YOU KNOW, I THINK THAT IT'S A COMBINATION OF A LOT OF
[01:27:57] THINGS. EVERY AIRPORT IS A LITTLE DIFFERENT. EVERY EVERY
[01:28:01] MARKET SECTOR IS A LITTLE DIFFERENT. BUT CERTAINLY THE
[01:28:04] RATING AGENCIES WILL PRODUCE THEIR OWN REPORTS AND THEIR OWN
[01:28:08] ESTIMATES OF WHAT'S GOING ON NATIONWIDE. I DON'T THINK THEY
[01:28:12] ACTUALLY GO TO THE TROUBLE OF DOING A SEPARATE FORECAST FOR
[01:28:15] EACH AND EVERY AIRPORT, BUT THEY'RE GOING TO LOOK AT ALL
[01:28:18] THE INDUSTRY SOURCES. THEY'RE GOING TO LOOK AT WHAT WE
[01:28:20] PROVIDE AND YOU KNOW FROM MY PERSPECTIVE, THE WORK THAT
[01:28:24] MICHAEL DOES PUTS US IN A GOOD POSITION TO BE ABLE TO EXPLAIN
[01:28:29] WHY WE BELIEVE OUR FORECAST IS WHAT IT IS AND THE RISKS AND
[01:28:34] CONDITIONS SURROUNDING IT. SO, I THINK WE'RE VERY WELL SERVED.
[01:28:40] THANK YOU. MOVING TO COMMISSIONER FELLEMAN FOR ANY
[01:28:42] QUESTIONS OR COMMENTS.
[01:28:45] THANK YOU MICHAEL. I APPRECIATE THE FACT THAT THERE WAS THIS
[01:28:48] ANALYSIS BASED ON AIRPORTS OF OUR SIZE AND THE RATIO OF
[01:28:53] DOMESTIC VERSUS INTERNATIONAL FLIGHTS AND THE FACT THAT WE
[01:28:58] SEEM TO HAVE CONSIDERABLY LESS EXPOSURE ON THE INTERNATIONAL
[01:29:01] MARKET DOES PROVIDE SOME LEVEL OF OPTIMISM ASSOCIATED WITH OUR
[01:29:08] RECOVERY RATE. THE POINT THAT COMMISSIONER CALKINS MADE ABOUT
[01:29:13] MISTER GATES' OBSERVATION
[01:29:14] THAT YOU KNOW, WHAT'S GOING ON
[01:29:17] IN EUROPE IS PRETTY CLEAR THE
[01:29:23] MUTATION RATE OF THIS VIRUS IS GOING TO MAKE IT QUITE
[01:29:29] A CHALLENGE AND SO YOU KNOW REPEATED VACCINATION SEEMS
[01:29:34] TO BE THE LIKELIHOOD AND SO AND THEN, YOU KNOW, JUST
[01:29:39] GETTING IT OUT TO THE COMMUNITY BEFORE YOU HAVE THIS
[01:29:42] MASS IMMUNITY. IT DOES LOOK LIKE A LONGER SLOG. SO WHILE
[01:29:46] THE DOMESTIC PROPORTION SEEMS TO BE AN ENCOURAGING SIGN
[01:29:52] THIS NASTY VIRUS CONTINUES TO
[01:29:57] WEIGH ON US. SO, THANK YOU.
[01:30:01] AND THE COMMISSIONER STEINBRUECK. I JUST WANT TO DO
[01:30:03] A QUICK TIME CHECK. YOUR NEXT SEGMENT ON THE AVIATION.
[01:30:06] OPERATING BUDGET IS 50 MINUTES LONG AND WE HAVE 30 MINUTES
[01:30:09] LEFT OF THIS MEETING. I WILL SEGUE TO YOU FOR ANY QUESTIONS
[01:30:14] THAT YOU MIGHT HAVE ON THE SEGMENT. DID YOU SAY THE NEXT
[01:30:17] SEGMENT IS 15 OR 50 MINUTES? 50. WE DON'T HAVE 50 MINUTES AND
[01:30:24] I THINK IT'S MORE IMPORTANT THAT WE HAVE COMMISSIONER
[01:30:28] OPPORTUNITY FOR COMMISSIONERS TO ASK QUESTIONS
[01:30:30] AS GO FORWARD. SO LET'S DO IT. WE LET'S TRY TO GET THROUGH
[01:30:33] WHAT WE CAN BUT BE SURE TO SAVE TIME FOR COMMISSION
[01:30:37] QUESTIONS. CERTAINLY.
[01:30:40] WE'LL END AT 11 A.M. WHICH IS WHEN WE TAKE A
[01:30:45] 5 MINUTE BREAK BETWEEN THIS AND THE EXECUTIVE SESSION.
[01:30:50] DID YOU HAVE ANY FOLLOW-UP QUESTIONS ON THIS? NO, IN

[01:30:53] THE INTEREST OF TIME WE CAN MOVE ALONG. THANK YOU.
[01:30:55] THANK YOU.
[01:30:58] OKAY, GOOD MORNING. AGAIN COMMISSIONERS. THE GOOD THING
[01:31:02] IS THAT THERE ARE SEVERAL SLIDES IN THIS BUDGET
[01:31:05] PRESENTATION THAT'S IN THE PREVIOUS ONE AND IN MICHAEL'S
[01:31:07] PRESENTATION, SO WE'LL SKIP THOSE WHEN WE GET TO THEM
[01:31:12] SO COMMISSIONERS WE'RE GOING TO BORGES AND MYSELF WE'RE GOING
[01:31:14] TO PRESENT IN THE 2020 PRELIMINARY BUDGET 2021 RATHER
[01:31:18] PRELIMINARY BUDGET. NEXT SLIDE. AND I'M GOING TO GO
[01:31:20] THROUGH IT FAST. SO COMMISSIONERS HAVE TIME TO ASK
[01:31:23] QUESTIONS. AGAIN MAJOR FOCUS THAT YOU'RE GOING TO SEE US
[01:31:26] LOOK AT IS HOW WE'RE GOING TO BE USING PFCS AND CARES ACT
[01:31:29] MONEY, THE FINANCIAL FORECAST, REVENUES AERONAUTICAL AND
[01:31:34] NON AERONAUTICAL REVENUES, AND EXPENSES NEXT SLIDE.
[01:31:41] AND YOU'RE FAMILIAR WITH A BUDGET TIMELINE. I'M NOT SURE
[01:31:45] WHY EVERYTHING IS NOT SHOWING ON THE SCREEN, BUT WE CAN
[01:31:48] PROBABLY GO TO THE NEXT SLIDE AS WELL. IT'S JUST COMING IN.
[01:31:51] SO WE'RE HERE TO WE'RE AT THE OPERATING AND CAPITAL BUDGET
[01:31:55] BRIEFING WHICH IS TODAY. AND OF COURSE FIRST READING AND SECOND
[01:31:58] READING IN NOVEMBER. NEXT SLIDE.
[01:32:03] I JUST SPOKE ABOUT THIS. SO WE'LL JUST MOVE ON TO THE NEXT.
[01:32:10] AND AGAIN COMMISSIONER, I THINK THIS AND THE FOLLOWING SLIDE
[01:32:14] MAYBE ANSWER THE QUESTION I THINK COMMISSIONER BOWMAN AND
[01:32:16] COMMISSIONER STEINBRUECK ASKED EARLIER IN TERMS OF WHAT
[01:32:21] METRICS ARE WE GOING TO HAVE ASSOCIATED WITH THE
[01:32:25] MEASUREMENT ASSOCIATED WITH THE VISION AND THE LONG-TERM
[01:32:28] OBJECTIVES. AND AGAIN, THIS THIS REALLY HIGHLIGHTS THAT ALL
[01:32:31] THE ACTIVITIES ARE MOST OF THE ACTIVITIES THAT WERE UNDERTAKEN
[01:32:35] IS ACTUALLY ALIGNED WITH THE STRATEGIC OBJECTIVES OF THE
[01:32:38] ORGANIZATION, WHICH BASICALLY IS EMBODIED IN THIS CENTURY
[01:32:42] AGENDA AND WE'RE JUST GOING TO SHOW AN EXAMPLE, ONE EXAMPLE,
[01:32:45] BECAUSE THERE ARE WHOLE LOT, ONE EXAMPLE, OF HOW WE ARE ACTUALLY
[01:32:50] ALIGN WHAT WE'RE DOING AT AVIATION WITH THE COMMISSION
[01:32:53] CENTURY AGENDA AND WITH STEVE'S OBJECTIVES. NEXT SLIDE.
[01:32:59] SO IF WE JUST TAKE ONE OF THE EXAMPLE FROM THE
[01:33:02] CENTURY AGENDA, WHICH IS THE GOAL TO WHICH IS TO ADVANCE THE
[01:33:05] REGION AS A LEADER IN TOURISM DESTINATION AND OBJECTIVE 3
[01:33:09] THERE'S THE CONTINUES TO IMPROVE OPERATIONAL EFFICIENCY
[01:33:12] AND CUSTOMER EXPERIENCE AT SEA. ONE OF THE THINGS WE HAD WHICH
[01:33:16] COMMISSIONERS YOU'RE FAMILIAR WITH WAS ALSO LAUNCHING THE
[01:33:19] SEA BRAND. AND THE PURPOSE OF LAUNCHING THAT BRAND WAS TO
[01:33:22] ACHIEVE WAS TO ATTAIN THE GOALS IDENTIFIED IN THE CENTURY
[01:33:26] AGENDA AND THE SPECIFIC ONE OF THE SPECIFIC OBJECTIVE THAT WE
[01:33:30] HAVE IS TO ATTEND SKYTRAK FOUR RANKING BY 2025. AS YOU SAW IN
[01:33:34] THE PREVIOUS PRESENTATION OUR OBJECTIVE IS TO GET TO SKYTRAK
[01:33:38] 5 RATING IN THE LONG TERM. THAT WOULD BE MAYBE OVER A 10-YEAR
[01:33:41] PERIOD BUT FOR 2025 WE'RE TRYING TO GET TO STEP SKYTRAK
[01:33:44] FOUR RANKING AND SKYTRAK FOUR RANKING AS I
[01:33:47] MENTIONED COMMISSION HERE'S A LOT ASSOCIATED WHETHER
[01:33:50] IT'S THE DRIVES COMING INTO THE AIRPORT, THE EFFICIENCY OF THE
[01:33:53] SECURITY CHECKPOINTS, THE LEVEL OF SERVICE THAT PASSENGERS
[01:33:56] EXPERIENCE WHILE THEY'RE GOING THROUGH THIS ENTIRE PROCESS,
[01:33:59] THE TYPE OF RESTROOMS WE HAVE, THE INTERNATIONAL ARRIVALS
[01:34:02] FACILITY. THAT IS INCLUDED IN ATTAINING A SKYTRAX FOUR RANKING
[01:34:06] AND THEY'RE NOT VERY MANY SKYTRAX FOUR RATED AIRPORTS IN
[01:34:09] NORTH AMERICA. VERY FEW.
[01:34:12] SO THAT'S ONE EXAMPLE OF THE ALIGNMENT. NEXT SLIDE.
[01:34:17] YEAH, AND I'VE GONE THROUGH THIS ALREADY HAS A SKIP THIS
[01:34:19] ONE AS WELL SO WE CAN MAKE UP SOME TIME.
[01:34:23] SWOT ANALYSIS. THIS WAS VERY INTERESTING. IN THE
[01:34:27] THE PREVIOUS DIAGRAM THAT WAS SHOWN WHERE WE SHOW THE WHOLE
[01:34:31] STRATEGY G2 BUDGET PROCESS AND WE SHOW THE STRATEGIC PLANNING
[01:34:34] AS WELL AS THE IMPLEMENTATION PORTION. THE SWOT ANALYSIS WAS

[01:34:37] REALLY A KEY COMPONENT. AND WHY DO WE DO A SWOT ANALYSIS? ONCE
[01:34:41] WE HAVE ESTABLISHED WHAT OUR LONG-TERM VISION IS AND ONCE
[01:34:44] WE HAVE ESTABLISHED WHAT THOSE GOALS ARE WE DO THIS GAP
[01:34:46] ANALYSIS. WE LOOK AT WE'RE TRYING TO GET TO VERSUS WHERE
[01:34:48] WE ARE. THERE'S A GAP, WE COME UP WITH STRATEGIES TO CLOSE
[01:34:51] THOSE GAPS. AND YOU KNOW THOSE STRATEGIES HAVE STRATEGIC
[01:34:55] OBJECTIVES INCLUDED IN IT. BUT WE DON'T OPERATE IN A VACUUM,
[01:34:59] RIGHT. WE HAVE THESE GOALS AND WE HAVE THESE ACTIVITIES THAT
[01:35:02] WE'RE THAT WE'RE GOING TO EMBARK ON TO GET TO THE GOALS.
[01:35:05] BUT THERE'S THIS WORLD AROUND US THAT WE HAVE TO TAKE INTO
[01:35:08] CONSIDERATION. AND THAT'S WHY WE DO A SWOT ANALYSIS, RIGHT?
[01:35:11] SO THE SWOT ANALYSIS LOOKS AT THE ENVIRONMENT, EXTERNAL
[01:35:14] OPPORTUNITIES AND THREATS. SO THEY'RE IN THEIR
[01:35:16] INTERNAL STRENGTHS AND WEAKNESSES THAT WE HAVE. SO
[01:35:19] TYPICALLY WE DO A SWOT ANALYSIS IN THE BEGINNING MAYBE OVER A
[01:35:23] THREE YEAR PERIOD AND THEN WE TWEAK IT SLIGHTLY EACH YEAR.
[01:35:26] THEY TWEAK THIS YEAR WAS TREMENDOUS. THERE ARE THINGS
[01:35:28] THAT JUST POPPED UP THAT WERE AS A MATTER OF FACT AT ONE
[01:35:32] POINT THAT WERE FOR EXAMPLE STRENGTHS TO US AND
[01:35:35] THEY ARE NOW WEAKNESSES TO US. THE PANDEMIC OF COURSE IS A
[01:35:38] MAJOR THREAT THAT WE HAVE RIGHT NOW. AND WHAT YOU'RE SEEING ON
[01:35:42] THE SCREEN IS REALLY WHAT WE CALL A SWOT PROFILE. IT'S A
[01:35:45] SUMMARY VERSION OF THE SWOT ANALYSIS. WHEN WE DO THE SWOT
[01:35:47] ANALYSIS. WE HAVE A LOT OF OPPORTUNITIES, THREATS WITNESSES
[01:35:51] ETC. BUT WE NARROW IT DOWN TO MAYBE THE TOP THREE TO FOUR
[01:35:55] OR THREE TO FIVE BECAUSE WE CAN'T FOCUS ON
[01:35:57] EVERYTHING AND THAT'S WHAT WE GET THE SWAT PROFILE THAT
[01:35:59] YOU'RE LOOKING AT. SO AS AN EXAMPLE, THE MAJOR THREAT, OF
[01:36:03] COURSE RIGHT NOW IS A PANDEMIC, THE AIRLINES IS IN TROUBLE.
[01:36:06] IF YOU LOOK AT OUR SWAT PROFILE LAST YEAR
[01:36:09] THAT WAS ACTUALLY AN OPPORTUNITY BECAUSE THE
[01:36:11] AIRLINES ARE DOING EXTREMELY WELL. SO A LOT OF CHANGE. NEXT
[01:36:14] SLIDE, PLEASE. SO THOSE ARE THE THINGS EXTERNAL TO THE
[01:36:17] ORGANIZATION. INTERNAL TO THE ORGANIZATION ARE OUR STRENGTHS.
[01:36:22] WEAKNESSES. NEXT SLIDE. RIGHT HERE. 2 STRENGTHS AND WEAKNESSES.
[01:36:25] SO WHAT ARE THE THINGS INTERNAL THAT WE'LL REALLY NEED TO
[01:36:27] LEVERAGE IN ORDER TO MEET THOSE GOALS? WHAT ARE THE WEAKNESSES
[01:36:30] THAT WE NEED TO OVERCOME IN ORDER FOR US TO MEET THE GOALS?
[01:36:32] AND THE OPPORTUNITIES AND THREAT WHAT ARE THE THINGS THAT
[01:36:35] WE NEEDED TO MITIGATE, THE THREATS THAT WE NEED TO
[01:36:37] MITIGATE TO GET TO OUR GOALS? AND WHAT ARE SOME OF THE
[01:36:39] OPPORTUNITIES THAT WE HAVE TO TAKE ADVANTAGE OF TO GET TO
[01:36:42] OUR GOALS? TECHNOLOGY WOULD BE ONE OF THOSE AS WELL.
[01:36:45] SLIDE.
[01:36:51] MICHAEL SAID THIS ALREADY. WE'RE STILL EXPECTING TO END THE YEAR
[01:36:54] AT ABOUT 60-61 PERCENT AND OUR BUDGET IS BASED ON A 30%
[01:37:00] REDUCTION RELATIVE TO 2019
[01:37:03] FOR THE 2021 BUDGET. THE 2021 BUDGET IS BASED ON A 30%
[01:37:08] REDUCTION AND I MUST SAY, YOU KNOW, DUE TO, AS AGAIN
[01:37:11] COMMISSIONERS, TO THE WORK THAT MICHAEL AND THE
[01:37:15] BUSINESS INTELLIGENCE TEAM HAS DONE. THEY'VE JUST BEEN REALLY
[01:37:18] ON POINT ON FORECAST SO FAR AND I KNOW IT'S THE DIFFICULT TIME
[01:37:21] TO DO FORECASTING. NEXT SLIDE.
[01:37:27] SO SOME OF THE UNIQUE CHALLENGES THAT WE FACE HERE.
[01:37:31] AGAIN 30% REDUCTION FOR 2021 RELATIVE TO 2019. OUR NON-AIR
[01:37:37] REVENUES ARE GOING TO BE DOWN 80 MILLION. I THINK IN 2019
[01:37:41] WE'RE AT LIKE 269 MILLION. WE'RE ANTICIPATING 291 MILLION IN 2021
[01:37:46] AND THAT'S A MAJOR DROP IN OUR REVENUES
[01:37:50] RIGHT HERE. WE HAVE YOU KNOW, IAF, A 450,000 SQUARE FOOT
[01:37:54] FACILITY THAT'S GOING TO BE OPEN. WE HAVE THE NORTH SATELITE
[01:37:56] AN ADDITIONAL 200,000 SQUARE FOOT THAT'S GOING TO BE OPEN.
[01:37:59] ALL OF THESE FACILITIES HAS TO HAVE SOME LEVEL OF MAINTENANCE
[01:38:02] NO MATTER HOW MANY PASSENGERS ARE COMING THROUGH THEM. AND OF

[01:38:05] COURSE FLY HEALTHY AT SEA JUST BASED ON OUR RESPONSE TO
[01:38:10] COVID. THINGS THAT ARE MAJOR CHALLENGES THAT WE
[01:38:13] HAVE THAT WE DIDN'T HAVE BEFORE. AND OF COURSE WHAT BORGEN
[01:38:16] SHOWED IN THE PREVIOUS PRESENTATION THAT CAPITAL
[01:38:18] INVESTMENT NEEDS GROWING. SO QUESTION COMMISSIONERS? I JUST
[01:38:25] HAVE A QUESTION ABOUT THE GROWING NUMBER OF FTES WHILE
[01:38:28] WE'RE HAVING A STEADY DECLINE IN PASSENGERS. SO WE HAVE A
[01:38:34] SLIDE THAT WE'RE GOING TO SPEAK TO THAT AS WELL. BUT AS
[01:38:37] YOU CAN SEE ON THIS ONE, WE'RE ACTUALLY FREEZING A HUNDRED
[01:38:40] AND TWO POSITIONS AND WE I'LL SPEAK TO IT AND BORGEN
[01:38:45] WILL SPEAK. OKAY
[01:38:49] NEXT SLIDE.
[01:38:55] THIS IS THE SLIDE THAT TYPICALLY GETS US IN TROUBLE
[01:38:58] BECAUSE EVEN THOUGH WE HAVE 10 STRATEGIC AREAS THAT WE'RE
[01:39:01] FOCUSING ON ONE OF THE QUESTIONS WE ASK OURSELVES
[01:39:03] WHAT IF FOR SOME REASON WE CAN GET EVERYTHING DONE? WHAT WOULD
[01:39:06] BE THE TOP THREE OR FOUR OR FIVE THINGS THAT WE ABSOLUTELY
[01:39:09] MUST GET DONE? AND WE ALWAYS GET IN TROUBLE HERE BECAUSE THERE'S
[01:39:12] ALWAYS SOMETHING ELSE THAT YOU COULD INCLUDE IN THE TOP THREE
[01:39:15] OF THE TOP FIVE. BUT SUFFICE TO SAY THOUGH WITHOUT A DOUBT
[01:39:19] RESTORING CONFIDENCE IN AIR TRAVEL. THAT IS TO ME IS
[01:39:23] ABSOLUTELY LIKE NUMBER ONE. IF WE DON'T HAVE PEOPLE TRAVELING
[01:39:26] AGAIN, IF IT DON'T RESTORE CONFIDENCE AND HAVE PEOPLE
[01:39:28] COMING THROUGH AIRPORTS AND TRAVELING ON AIRLINES AGAIN AND
[01:39:32] ALL THE AIRPORTS AND AIRLINES ARE FOCUSING ON THIS. THEN
[01:39:34] THERE IS NOTHING ELSE THAT WE'RE TRYING TO ACHIEVE THAT
[01:39:36] WE'RE GOING TO GET DONE. EMPLOYEES IS EXTREMELY
[01:39:39] IMPORTANT TO US. IF THEY'RE NOT ENGAGED WE'RE NOT GOING TO
[01:39:42] ACHIEVE THE GOALS. AND YOU'VE HEARD ME SAY IT OVER AND
[01:39:44] OVER AGAIN. IT TAKES CASH TO CARE. WE REALLY HAVE TO MEET
[01:39:48] OUR FINANCIAL GOALS THAT WE'RE TRYING TO ATTAIN. THE
[01:39:52] COMMUNITY EVEN THOUGH THERE'S HUGE BENEFITS FOR THE AIRPORT TO
[01:39:55] THE COMMUNITY WHETHER IT'S GOING TO 2.5 BILLION IN
[01:39:58] ECONOMIC IMPACT AND A HUNDRED AND FIFTY THOUSAND JOBS OR
[01:40:02] 440 MILLION IN
[01:40:04] STATE AND LOCAL TAXES THE COMMUNITIES ESPECIALLY THE ONES
[01:40:07] CLOSEST TO THE AIRPORT ARE DISPROPORTIONATELY IMPACTED AND
[01:40:10] SO WE HAVE TO ENSURE THAT WE YOU KNOW, WE ADDRESS THE
[01:40:15] NOISE AIR POLLUTION CONCERNS PARTICULARLY FOR THE
[01:40:17] COMMUNITIES CLOSEST TO US. AND OF COURSE AS I SAID BEFORE WE
[01:40:20] HAVE TWO BRAND NEW FACILITIES THAT WE MUST OPEN AND WE MUST
[01:40:24] OPEN SUCCESSFULLY.
[01:40:26] NEXT SLIDE.
[01:40:30] AND THIS IS A HIGHLIGHT OF THE PROPOSED BUDGET
[01:40:34] EDITIONS. IT IS A BIT MISLEADING BECAUSE IT GIVES THE
[01:40:37] IMPRESSION THAT WE'RE ADDING 18 MILLION DOLLARS TO THE BUDGET.
[01:40:42] AND YOU KNOW, THERE'S SOME ITEMS THAT ARE BRAND-NEW FOR
[01:40:45] EXAMPLE FLY HEALTHY AT SEA. SEE THAT AT EIGHT HUNDRED
[01:40:48] AND EIGHTY THOUSAND DOLLARS AS WELL AS THE NEW INTERNATIONAL
[01:40:51] ARRIVALS FACILITY FIVE MILLION DOLLARS. WE HAVE TO OPEN THOSE
[01:40:55] BUT THERE ARE OTHER ACTIVITIES THAT WE ACTUALLY TAKE OUT EACH
[01:40:58] YEAR AND WE ADD IT BACK. BECAUSE THEY ARE THERE FINITE
[01:41:01] PROJECTS, BUT THEY'RE NOT PERENNIAL ACTIVITY. THEY'RE NOT
[01:41:04] GOING TO BE FOREVER. THEY WON'T BE A PART OF THE BASIN. FOR
[01:41:07] EXAMPLE, THE MASTER PLAN EACH YEAR WE TAKE OUT THE MONEY
[01:41:10] ASSOCIATED WITH THE MASTER PLAN AND WE PROVIDE WHAT WE NEED FOR
[01:41:13] A PARTICULAR YEAR. SO EVEN THOUGH THE NUMBER SHOWS 18
[01:41:17] MILLION ADDITION HERE WE'RE STILL REDUCING OUR SPENDING
[01:41:21] BUDGET BY 10% RIGHT. WE'RE TARGETING THAT 340
[01:41:25] MILLION THAT BORGEN IS GOING TO SPEAK ABOUT. AND NEXT LET ME
[01:41:30] JUST ADDRESS THE QUESTION COMMISSIONER STEINBREUCK
[01:41:33] ASKED. WILL BE ON THE NEXT SLIDE AND I'LL ASK BORGEN TO CHIME IN
[01:41:35] AS WELL. PAYROLL IS ONE OF OUR

[01:41:39] BIGGEST EXPENSES. OVER A HUNDRED AND FIFTY MILLION DOLLARS. AND
[01:41:42] SO WE'RE FOCUSED HEAVILY ON FTES. AND AS YOU CAN SEE FROM
[01:41:46] HERE, WE ARE FREEZING A HUNDRED AND TWO AND OF THE 18
[01:41:52] POSITIONS THAT WE ARE UNFREEZING BECAUSE WE THINK
[01:41:54] THESE ARE JUST REALLY CRITICAL. ONLY TWO OF THOSE FTES ARE NEW
[01:41:58] POSITIONS. BORGAN, I'M GOING TO HAND OVER TO YOU AT THIS
[01:42:01] POINT IF YOU JUST WANT TO ADD TO THAT AND THEN JUST TAKE ON
[01:42:03] THE REST OF THE PRESENTATION. YEAH, I THINK THAT AND I'LL
[01:42:06] SHOW ANOTHER SLIDE LATER THAT YOU PUTS THIS IN THE PROPER
[01:42:09] CONTEXT, BUT CLEARLY A FOUNDATION OF OUR STRATEGY
[01:42:12] IS TO REDUCE OUR
[01:42:15] OVERALL OPERATING COST WAS TO MANAGE PAYROLL COSTS AND WE'RE
[01:42:18] GETTING AT THAT NOT BY LAYOFFS, BUT BY
[01:42:22] PURPOSEFULLY KEEPING OVER 100 POSITIONS VACANT THROUGH THE
[01:42:27] YEAR AND NOT PUTTING ANY MONEY IN THE BUDGET FOR THOSE.
[01:42:30] YOU CAN SEE THAT'S THE EQUIVALENT OF ABOUT AN 8%
[01:42:33] REDUCTION IN OUR HEAD COUNT IF YOU WANTED TO LOOK AT
[01:42:36] SORT OF A YEAR-OVER-YEAR COMPARISON. NEXT SLIDE, PLEASE.
[01:42:43] AND HERE WE GET THE WALL OF NUMBERS AND I'M JUST
[01:42:46] GOING TO HIGHLIGHT A FEW THINGS THAT I'VE GOT IN YELLOW WHICH
[01:42:49] IS REPRESENTING THE CHANGE FROM THE 2020 BUDGET TO THE 2021
[01:42:56] BUDGET. AND WHAT YOU SEE AT THE TOP IS THE AERONAUTICAL
[01:43:00] REVENUES. IT'S NOT HIGHLIGHTED IN YELLOW BECAUSE IT'S ACTUALLY
[01:43:02] NOT THAT MUCH OF A CHANGE. BUT MOST OF THE AERONAUTICAL
[01:43:04] REVENUES ARE COST RECOVERY AND WE ARE SEEING AN OVERALL
[01:43:08] REDUCTION IN THAT COST AND THEREFORE A REDUCTION IN THE
[01:43:11] REVENUES THAT WE COLLECT FROM THE AIRLINES. THE BIGGEST
[01:43:14] CHANGE IS THE NON AERONAUTICAL REVENUES. WHILE
[01:43:18] FOR 2021 WE ARE BUDGETING FOR 191 MILLION THIS IS
[01:43:23] UP TREMENDOUSLY FROM OUR FORECAST THIS YEAR OF A 116
[01:43:26] BUT THE 91 MILLION SHOWS HOW FAR WE ARE BELOW THE
[01:43:31] 2020 BUDGET. SO WE HAVE A LONG WAY BACK. TOTAL OPERATING
[01:43:35] I THINK WE HAVE A QUESTION BORGAN. YES. GO AHEAD.
[01:43:38] COMMISSIONER BOWMAN? THANK YOU.
[01:43:41] BEFORE YOU GO ANY FURTHER BORGAN, CAN YOU HELP ME
[01:43:43] UNDERSTAND? SO I'M LOOKING AT 2019 ACTUALS FOR AERONAUTICAL
[01:43:47] REVENUES AND THEN I'M LOOKING AT 2021 PROPOSED. HOW IS THAT
[01:43:52] NUMBER BIGGER?
[01:43:54] SO AM I READING THIS PROPERLY THAT YOU'RE
[01:43:56] ANTICIPATING THAT AERONAUTICAL REVENUES IN 2021 WILL BE HIGHER
[01:44:00] THAN THE ACTUAL AERONAUTICAL REVENUES IN 2019. YES. AND THE
[01:44:05] AGAIN THE REASON AND I HAVE SOME SLIDES LATER ON THAT WILL
[01:44:08] SHOW YOU A BUILD-UP, BUT IT REALLY GETS BACK TO
[01:44:10] COST RECOVERY.
[01:44:12] AND A BIG ELEMENT OF THE COST RECOVERY IS THE CAPITAL COST
[01:44:17] AND SPECIFICALLY THE DEBT SERVICE AND IN THIS TIME PERIOD
[01:44:22] WE WILL HAVE OPENED THE NORTH SATELLITE AND THE INTERNATIONAL
[01:44:25] ARRIVALS FACILITY TWO ENORMOUS FACILITIES TWO EXTREMELY
[01:44:30] EXPENSIVE FACILITIES THAT DEBT SERVICE GOES INTO THE RATE BASE
[01:44:34] AND THE OPERATING COSTS GO TO THE RATE BASE. SO EVEN THOUGH
[01:44:37] WE'RE REDUCING OUR OPERATING COSTS THE CAPITAL COSTS ARE
[01:44:41] GOING GOING UP SIGNIFICANTLY AND BECAUSE WE HAVE A REDUCTION
[01:44:44] IN PFCS, WE CAN'T OFFSET AS MUCH. SO IT'S KIND OF LIKE A
[01:44:49] DOUBLE IMPACT. SO WE'RE DOING THE BEST WE CAN TO REDUCE
[01:44:53] AIRLINE COSTS AND I'LL SHOW YOU SOME OF THE THINGS WE'RE TRYING
[01:44:56] TO DO WITH CARES MONEY AS WELL AS PFCS A LITTLE BIT LATER, BUT
[01:45:00] YOUR INTERPRETATION THERE IS ACCURATE. THE OVERALL AIRLINE
[01:45:04] REVENUES WILL BE GOING UP FROM 2019 TO 2021 AND THAT'S THE
[01:45:08] RESULT OF DELIVERING THESE NEW FACILITIES. BORGAN, THAT IS
[01:45:12] SUPER HELPFUL. THANK YOU. ASKING MICHELLE TO MANAGE THE
[01:45:15] QUESTIONS. WE ONLY HAVE 10 MINUTES TO GO HERE. SO WE
[01:45:18] REALLY HAVE TO STAY ON TRACK GOOD. THANK YOU COMMISSIONER
[01:45:21] STEINBRUECK. I JUST WANT TO KNOW IT REALLY QUICKLY. I JUST

[01:45:23] GOT WORD THAT STAFF IS LOOKING TO RESCHEDULE THE EXECUTIVE
[01:45:27] SESSION PARTICIPANTS SO THAT WE COULD HAVE EXECUTIVE SESSION
[01:45:32] AFTER THE REGULAR MEETING SHOULD THE COMMISSION SO DESIRE.
[01:45:36] THAT'S NOT AN OPTION TODAY.
[01:45:39] OKAY. SO THE OTHER THING THAT WE CAN DO WE CAN CONTINUE THIS
[01:45:43] BUDGET BRIEFING [CROSSTALK]
[01:45:47] I WAS JUST GOING TO SAY WE CAN ACTUALLY ADD THIS TO THE END OF
[01:45:51] OUR REGULAR MEETING AGENDA AS THAT AGENDA IS PRELIMINARY AND
[01:45:55] WE CAN CONTINUE THIS CONVERSATION SHOULD WE GO LONG
[01:45:57] AS WELL. WE HAVE A COUPLE OF OPTIONS THERE COMMISSIONER.
[01:45:59] OKAY. I WOULD PREFER THAT WE DO THE EXECUTIVE SESSION AT THE
[01:46:02] SCHEDULED TIME THIS MORNING AT 11 AND CONTINUE THE BUDGET
[01:46:06] SESSION EITHER AFTER FULL COMMISSION TODAY OR AT ANOTHER
[01:46:10] DATE. OKAY. WELL YOU NEED TO MAKE THAT DECISION BEFORE THE
[01:46:14] END OF THIS CALL. I WOULD SUGGEST THAT WE ADD IT TO THE
[01:46:16] AGENDA FOR THE UPCOMING MEETING. OKAY, HOW MUCH
[01:46:21] REMAINING TIME DO WE NEED FOR THE PRESENTATION PORTION? I CAN
[01:46:26] QUICKLY AND YOU LET ME KNOW WHAT I NEED TO STOP AND ANSWER
[01:46:30] QUESTIONS. HOW'S THAT? HOW ABOUT FIVE MINUTES BECAUSE
[01:46:34] WE'RE RUNNING OUT OF TIME. SO I DON'T WANT TO RUSH STAFF. I
[01:46:39] WANT TO MAKE SURE THAT THE COMMISSION HAS TIME TO ANSWER
[01:46:41] THEIR QUESTIONS.
[01:46:44] ALL RIGHT. LET'S GO ON TO THE NEXT SLIDE, PLEASE.
[01:46:51] THIS IS JUST A GRAPHICAL REPRESENTATION OF THE AVIATION
[01:46:54] PORTION OF THE TOTAL OPERATING COST AND IT REALLY EXPLAINS
[01:46:58] WHAT LANCE DESCRIBED. GREEN REPRESENTS REDUCTION, RED
[01:47:02] REPRESENTS THE INCREASES AND YOU CAN SEE AN OVERALL
[01:47:05] REDUCTION OF THE AIRPORT BUDGET AND DOWN BELOW WE HAVE IT
[01:47:09] BROKEN OUT BETWEEN THE BASELINE EDITIONS AND THE NON RECURRING
[01:47:14] ITEMS. NEXT SLIDE, PLEASE.
[01:47:18] THIS IS ANOTHER VIEW OF THE 18 MILLION ADS BROKEN OUT BY THOSE
[01:47:23] STRATEGIC PRIORITY CATEGORIES AND YOU CAN SEE BASELINE AND
[01:47:26] NON-RECURRING AND THE NUMBER OF FTES AND MOST OF THE COSTS AS
[01:47:30] LANCE SHOWED YOU FROM THE PREVIOUS SLIDE THEY'RE IN NEW
[01:47:34] FACILITIES AREA AND IN THE PLANNING GOING FORWARD. NEXT
[01:47:37] SLIDE, PLEASE.
[01:47:43] THE NEW FTES ARE HIGHLIGHTED IN BLUE. THERE'S AN ART PROGRAM
[01:47:47] COORDINATOR AND A BIOMETRIC ANALYST TO HELP WITH THE AIR
[01:47:51] EXIT PROGRAM. THE OTHERS ARE JUST RESTORING FTES THAT HAD
[01:47:56] BEEN FROZEN. MOST OF THEM ARE OPERATIONAL AS WE EXPECT
[01:48:00] OPERATIONS TO COME BACK. WE ADD BUS DRIVERS. WE HAD PARKING
[01:48:04] CASHIERS.
[01:48:06] AIR FIELD OPERATIONS SPECIALIST. JUST POSITIONS THAT WE NEED TO
[01:48:09] SUPPORT REBOUNDING OPERATIONS. NEXT SLIDE, PLEASE.
[01:48:17] OVERALL EXPENSES, AIRPORT, AND THE CENTRAL SERVICES COSTS.
[01:48:22] BOTTOM LINE IT'S COMING IN TEN PERCENT LOWER AND THOSE ARE
[01:48:25] REALLY ACROSS THE BOARD AND IN ALL AREAS. SO IT'S BEEN A
[01:48:28] CONSISTENT PORT WIDE EFFORT TO MANAGE DOWN THE COST. NEXT
[01:48:32] SLIDE, PLEASE.
[01:48:36] AND NOW I WOULD JUST WANT TO TALK A LITTLE BIT ABOUT THE
[01:48:38] CARES MONEY AND WE'VE TALKED ABOUT IT BEFORE BUT IT'S REALLY
[01:48:42] ALL ABOUT HELPING THE PORT BOOST ITS DEBT SERVICE COVERAGE,
[01:48:45] HELPING US INCREASE OUR CASH BALANCE, AND ALSO HELPING OUR
[01:48:50] BUSINESS PARTNERS, WHETHER IT BE AIRLINES OR IN THIS CASE
[01:48:53] RENTAL CAR COMPANIES AS WELL BECAUSE WE ARE GOING TO USE
[01:48:56] SOME OF THE CARES MONEY FOR THE RENTAL CAR FACILITY,. BUT YOU
[01:49:00] CAN SEE THAT WE'RE REALLY TRYING TO MANAGE A LOT OF
[01:49:02] DIFFERENT CHALLENGES AND OUR STRATEGY IS LAID OUT HERE AND
[01:49:06] I'LL SHOW YOU WHAT WE'RE DOING ON THE NEXT SLIDE.
[01:49:13] SO THE KEY REALLY IS TO MAKE SURE WE KEEP OUR DEBT SERVICE
[01:49:16] COVERAGE ABOVE 125. AND WE'VE GOT A AN ESTIMATE THAT FOR 2020
[01:49:21] AND 2021. WE WILL BE AT 135 AND 136. AND THIS IS WHERE WE
[01:49:28] REALLY WANT TO BE RIGHT NOW IN THIS SITUATION BECAUSE THE TOP

[01:49:31] LINE THAT'S HIGHLIGHTED IN YELLOW DEBT SERVICE COVERAGE IN
[01:49:35] THE RATE BASE IS 0. AS LONG AS WE STAY ABOVE 125 THAT IS ZERO.
[01:49:39] WE REALLY NEED TO STAY ABOVE 125. LOWER YELLOW YOU CAN
[01:49:44] SEE HOW WE'RE DISTRIBUTING THE USE OF THE CARES MONEY BETWEEN
[01:49:47] 2020 AND 2021 AND HOW ITS SPLIT BETWEEN DEBT SERVICE AND O&M
[01:49:52] AND WE'LL SHOW YOU IN A SUBSEQUENT SLIDE SOME OF THE
[01:49:54] IMPACT ON RATES, BUT WE'RE REALLY TRYING TO BALANCE THE
[01:49:57] IMPACT ON OUR CUSTOMERS WHILE ACHIEVING OUR GOALS. AND
[01:50:03] THE OTHER THING WE'RE TRYING TO DO BY BOOSTING OUR
[01:50:06] CASH BALANCE. WE EXPECT FOR 2021 TO BE BACK TO
[01:50:11] APPROXIMATELY 321 MILLION DOLLARS WHICH WOULD REPRESENT
[01:50:15] ABOUT 11 MONTHS OF O&M WHICH IS HIGHER THAN OUR CURRENT TARGET,
[01:50:19] BUT WE'RE AIMING TO GET TO 12 AND THAT'S WHAT WE'RE
[01:50:21] GOING TO STRIVE TO DO AND GET TO ACTUALLY 18 MONTHS BY 2025.
[01:50:26] NEXT SLIDE, PLEASE.
[01:50:31] AND HERE'S ANOTHER VIEW OF IT BY COST CENTER SO YOU CAN SEE
[01:50:34] HOW WE'RE TRYING TO MAKE SURE WE COVER THOSE COST CENTERS
[01:50:39] THAT ARE LARGELY DRIVEN BY ACTIVITY MEANING THE AIRFIELD.
[01:50:42] BECAUSE THE RATES ARE BASED ON LANDED WEIGHT AND THAT'S
[01:50:45] OBVIOUSLY DOWN. FIS IS INTERNATIONAL ARRIVALS WHERE
[01:50:48] IT'S BASED ON INCOMING INTERNATIONAL PASSENGERS WAY
[01:50:50] DOWN. AND OBVIOUSLY WE'VE GOT SOME NON AIRLINE CHALLENGES AS
[01:50:54] WELL. SO IT'S REALLY BEEN TRYING TO BALANCE OUR MANY
[01:50:57] NEEDS. NEXT SLIDE, PLEASE.
[01:51:02] NOW TALKING ABOUT PFCS. WHAT I'D REALLY LIKE TO DO IS JUMP
[01:51:05] AHEAD
[01:51:07] TWO SLIDES, PLEASE. TO SLIDE 25.
[01:51:11] THESE ARE ALL THE DETAILS IN THE BACKGROUND, BUT WE'RE
[01:51:14] REALLY TRYING TO DO IS TO TALK ABOUT WHAT I WHAT I SAID BEFORE
[01:51:18] AND REALLY FOLLOW THE ESSENCE OF THE COMMISSION
[01:51:22] MOTION FROM 2015, WHICH IS TO TRY TO CREATE A BALANCED LEVEL
[01:51:26] FIELD FOR ALL THE AIRLINES. AND WE'RE DOING THAT. I SEE A
[01:51:29] QUESTION. COMMISSIONER BOWMAN.
[01:51:33] THANK YOU.
[01:51:35] THANK YOU. THIS IS A LOT OF INFORMATION AND I THINK THAT
[01:51:39] THERE MIGHT BE AN OPPORTUNITY WOULD BE A GOOD CHANCE TO NOT
[01:51:42] AT THIS SESSION BUT PROVIDE THE COMMISSION SOME A LITTLE BIT
[01:51:46] MORE BACKGROUND ON THIS AND I'M WONDERING IF YOU'RE
[01:51:48] ANTICIPATING GETTING COMMISSIONED INPUT AND OR
[01:51:52] APPROVAL ON THIS BECAUSE THE SCENARIOS ARE FAIRLY
[01:51:55] SIGNIFICANTLY DIFFERENT. YEAH, SO I'LL JUST
[01:51:59] I'LL TELL YOU RIGHT NOW. WHAT WE'RE PROPOSING IS
[01:52:02] THIS BALANCED RATE GROWTH SCENARIO AND WE HAD A
[01:52:06] DISCUSSION WITH THE AIRLINES LAST WEEK. REALLY WHAT THIS
[01:52:10] REPRESENTS IS WHAT WE KIND OF CALL RATE TRIAGE FOR 2020 AND
[01:52:14] 2021. AND THEN WE TRY TO GET BACK TO A SORT OF A NORMAL
[01:52:19] SITUATION BY 2022 AND 2023, BUT IT REALLY SHOWS THAT WE'RE
[01:52:23] TRYING TO USE PFCS TO MITIGATE SORT OF THE GREATEST RATE.
[01:52:28] INCREASES AND OBVIOUSLY IF YOU LOOK AT SCENARIO ONE, WHICH
[01:52:33] HIGHLY FAVORS FIS WE CAN GET THE FIS RATE DOWN TO \$15 WHICH
[01:52:38] YOU SEE IN THE THIRD LINE UP. BUT THAT COMES AT A COST OF
[01:52:42] HAVING THE LANDING FEE GO UP TO OVER \$5. SO THE ALTERNATIVE
[01:52:48] EXTREME OVER IN SCENARIO 3 IS TO
[01:52:52] OR EVEN SCENARIO TWO IS TO HAVE THE FIS BE THE LOWEST PRIORITY
[01:52:56] AND THAT WOULD PRODUCE AN FIS IS RATE OF FORTY FOUR DOLLARS,
[01:53:00] WHICH IS VERY HIGH COMPARED TO OUR CURRENT RATE OF LITTLE OVER
[01:53:04] \$8. SO THE BALANCE RATE GROWTH PLAN IS SOMETHING THAT WE'RE
[01:53:08] TRYING TO. WE'RE RECOGNIZING THAT WE CAN'T SOLVE ALL OUR
[01:53:11] PROBLEMS. OUR COSTS HAVE GONE UP. OUR RATES ARE GOING UP.
[01:53:14] WE'RE GOING TO TRY TO DO IT IN A REASONABLY BALANCED WAY. THE
[01:53:18] FIS RATE WILL BE HIGHER THAN WE'D BEEN PREVIOUSLY TARGETING
[01:53:21] BUT IN DOING SO IT ALLOWS US TO APPLY MORE PFCS TO THE LANDING
[01:53:26] FEE WHICH ALL AIRLINES PAY AND SO WE'LL BE BRINGING THAT DOWN.

[01:53:30] AND AS WE GET INTO 2022, IT WOULD BE OUR EFFORT TO FURTHER
[01:53:34] REDUCE THE LANDING FEE AND THEN FOR 2023 AND BEYOND YOU
[01:53:40] CAN SEE WE'RE LOOKING AT SINGLE DIGIT RATE INCREASES AND THAT'S
[01:53:43] WHAT WE REALLY MEAN BY GETTING OURSELVES TO A BALANCE RATE
[01:53:47] GROWTH WHERE WE CAN HAVE SOMEWHAT MODERATE RATE
[01:53:50] INCREASES GOING FORWARD, BUT WHEN YOU'RE IN A COST RECOVERY
[01:53:54] MODE, AND WE'RE BUILDING BILLIONS OF DOLLARS OF OF
[01:53:58] ADDITIONAL FACILITIES, OUR COSTS ARE GOING TO BE GOING UP. AND
[01:54:02] THAT IS THAT IS THE REALITY OF OUR CURRENT SITUATION. NEXT
[01:54:07] SLIDE, PLEASE.
[01:54:09] LET ME TAKE A LITTLE QUICK TIME CHECK BREAK HERE.
[01:54:13] IT'S 1055. WE COULD CONTINUE THIS UNTIL 11:30 AND I
[01:54:19] UNDERSTAND THAT THE OUTSIDE COUNSEL AND THE EXEC SESSION
[01:54:22] ARE AVAILABLE LATER THIS AFTERNOON.
[01:54:26] WHAT ARE THE PREFERENCES? WHAT OUR COMMISSIONERS
[01:54:29] PREFERENCES HERE TO CONTINUE AVIATION NOW POSTPONED EXEC
[01:54:33] SESSION?
[01:54:35] WE NEED A BREAK BETWEEN WHATEVER WE DO HERE AND THE
[01:54:40] FULL COMMISSION MEETING AT NOON. LET ME RUN THROUGH THAT
[01:54:43] ROLL CALL. OKAY? COMMISSIONER BOWMAN?
[01:54:46] OOPS, HOLD ON.
[01:54:49] SORRY ABOUT THAT. MY PREFERENCE WOULD BE TO CONTINUE ON WITH
[01:54:51] THIS SINCE OUR BRAINS ARE ALREADY HERE. I'M SURE THE
[01:54:54] STAFF COULD WRAP IT UP IN THE NEXT 20 MINUTES. THANK YOU.
[01:54:58] FASTER THAN THAT. ACTUALLY. YES COMMISSIONER CALKINS.
[01:55:03] YEAH, IF WE COULD GET THROUGH THIS IN 15 OR 20 MINUTES AND
[01:55:05] THEN SHIFT IMMEDIATELY TO EXEC SESSION. THAT WOULD BE MY
[01:55:07] PREFERENCE.
[01:55:10] SO JUST AS A POINT OF CLARITY WHAT EXECUTIVE SESSION BE
[01:55:14] CONTINUED TO 11:30 OR AFTER THE REGULAR MEETING COMMISSIONER
[01:55:17] STEINBRUECK? WELL, I DON'T KNOW THAT WE HAVE ENOUGH TIME
[01:55:20] BETWEEN THIS AND THE REGULAR MEETING TO DO THE FULL EXEC
[01:55:24] SESSION. AND THAT WOULD PRECLUDE HAVING A BREAK. SO I
[01:55:28] THINK COMMISSIONERS WILL NEED A BREAK BEFORE 12.
[01:55:33] THE OPTION IS TO POSTPONE THE EXEC SESSION TO LATER THIS
[01:55:36] AFTERNOON. I'VE JUST HEARD WORD THAT LEGAL COUNSEL CAN
[01:55:41] REARRANGE THE OUTSIDE COUNSEL SCHEDULES TO ACCOMMODATE THAT
[01:55:46] PROBABLY AROUND 4:00, 4:30, WHENEVER WE GET THROUGH THE
[01:55:49] COMMISSION MEETING. WONDERFUL. I DO WANT TO ADD THAT WE WERE
[01:55:52] EXPECTING PUBLIC TESTIMONY TO BE LIGHTER THAN WE ANTICIPATED
[01:55:55] TODAY. SO I THINK THAT THAT WILL OFFSET LATER EXECUTIVE
[01:55:59] SESSION A LITTLE BIT. COMMISSIONER CHO YOUR FEELINGS
[01:56:02] HERE.
[01:56:05] I DON'T FEEL STRONGLY. EITHER WAY. I'LL JUST GO WITH WHAT THE
[01:56:08] PRESIDENT FEELS IS APPROPRIATE. THANK YOU. COMMISSIONER
[01:56:11] FELLEMAN.
[01:56:14] I WOULD NOT HAVE MY SCHEDULE
[01:56:18] WEIGH IN ON THIS TOO MUCH. BUT I DO KNOW THAT THERE'S TWO
[01:56:21] BRIEFINGS ON THE COMMISSION AGENDA AND THAT THAT COULD
[01:56:26] ALSO BE SOMETHING FLEXIBLE. AND SO MY PREFERENCE WOULD BE TO
[01:56:30] CONTINUE WITH THIS BRIEFING AS WE GO BUT LIKE I SAID, I CAN
[01:56:33] GET PULLED OFF THE PHONE AT ANY TIME. SO NO OTHER THINGS
[01:56:38] PRESSING ON ME. THANK YOU COMMISSIONER STEINBRUECK. I'M
[01:56:40] HEARING THAT EVERYBODY WOULD LIKE TO CONTINUE THIS SESSION
[01:56:42] AT THIS TIME AND HOLD EXECUTIVE SESSION AFTER THE
[01:56:45] REGULAR MEETING. LET'S NOT TRY TO SQUEEZE EXECUTIVE SESSION IN
[01:56:48] BEFORE NOON. SO LET'S LET'S DO THIS AND FINISH UP. I THINK
[01:56:52] COMMISSIONER BOWMAN'S RIGHT, WE NEED TO STAY FOCUSED HERE.
[01:56:56] THANK YOU. PLEASE PROCEED. OKAY. THANK YOU.
[01:56:59] WHAT WE'RE LOOKING AT HERE IS OUR NON AERONAUTICAL REVENUES
[01:57:02] AND THE DIFFERENT COLORS ON THE LEFT BOX SHOW OUR BIG
[01:57:06] COMPONENTS. PUBLIC PARKING IS OUR LARGEST SOURCE THAT'S IN
[01:57:09] BLUE AND YOU SEE RENTAL CAR ABOVE IT IN ORANGE AND WE GOT

[01:57:13] GROUND TRANSPORTATION IN GREY AND AIRPORT DINING AND
[01:57:17] RETAIL AND YELLOW. SO YOU CAN KIND OF SEE THE TRENDS LOOKING
[01:57:20] BACK TO OUR 2019 ACTUALS, WHERE WE THOUGHT WE WOULD BE IN 2020,
[01:57:24] WHERE WE CURRENTLY ARE, AND WHERE WE'RE ANTICIPATING TO BE
[01:57:28] NEXT YEAR. AND THE GRAPH ON THE RIGHT REALLY TRIES TO PUT
[01:57:32] THIS IN RELATIVE TERMS. JUST LOOKING AT THE REVENUES PER
[01:57:36] ENPLANEMENT AND WHICH ONES ARE DOING RELATIVELY WELL. AND
[01:57:40] YOU KNOW THE GOOD NEWS IS THAT OUR TWO BIGGEST REVENUE SOURCE.
[01:57:44] IS ARE ACTUALLY HOLDING UP PRETTY WELL ON A PER EMPLOYMENT
[01:57:47] BASIS. YOU CAN AS YOU CAN SEE BY THE RELATIVELY FLAT LINES.
[01:57:51] RENTAL CAR IS IS DOWN BUT FROM 2020 TO 2021 WE SEE IT AT
[01:57:56] FLATTENING OUT.
[01:57:59] I THINK THE OTHER NOTABLE DROP IS GROUND TRANSPORTATION. IT
[01:58:02] DOESN'T STAND OUT A WHOLE LOT BUT IT IS A DOWNWARD SLOPE AND
[01:58:06] WE ARE SEEING LESS INTEREST IN AND PASSENGERS TO HAVE SHARED
[01:58:11] RIDES IN THAT RESPECT. SO THIS GIVES A LITTLE BIT OF A
[01:58:15] FLAVOR OF WHAT'S GOING ON WITH OUR WITH OUR DIFFERENT
[01:58:18] BUSINESSES. AND I WILL SAY IN THE APPENDIX OF THIS
[01:58:21] PRESENTATION. WE HAVE DETAILED SLIDES FOR EACH AND EVERY ONE
[01:58:25] OF THESE BUSINESSES. YOU CAN SEE WHAT IS REALLY HAPPENING IN
[01:58:28] EACH OF THEM. THERE'S A LITTLE BIT OF A STORY THAT GOES WITH
[01:58:31] EACH ONE BUT I THINK IN GENERAL LOOKING AT THIS THE KEY
[01:58:35] TAKEAWAY IS THAT PARKING IS HOLDING UP REASONABLY WELL AND
[01:58:40] AIRPORT DINING AND RETAIL IS HOLDING UP REASONABLY WELL, PER
[01:58:44] PASSENGER BASIS. SO THAT'S A GOOD SIGN AS WE AS WE MOVE INTO
[01:58:47] THE RECOVERY AND NEXT YEAR AND BEYOND. NEXT SLIDE, PLEASE.
[01:58:53] THESE ARE THE ACTUAL NUMBERS THAT CORRESPOND TO THE
[01:58:56] TO THE GRAPHS ON THE PREVIOUS PAGE. AND I THINK THAT
[01:59:01] THE NUMBERS AT THE BOTTOM THAT REALLY STAND OUT ARE THE NET
[01:59:04] OPERATING INCOME OF A HUNDRED AND FIFTY-FOUR MILLION WAS WHAT
[01:59:07] WE WERE EXPECTING AND OUR FORECAST FOR THIS YEAR IS A
[01:59:11] LITTLE OVER FOUR MILLION. AND OUR BUDGET FOR NEXT YEAR
[01:59:15] SUGGEST 85 MILLION. SO YES, WE'RE SEEING AN IMPROVEMENT BUT
[01:59:19] WE HAVE A LONG WAY TO GO TO GET BACK AND TO THE TO THE QUESTION
[01:59:22] BEFORE ABOUT DIFFERENCE BETWEEN AERONAUTICAL AND NON
[01:59:25] AERONAUTICAL, THE NON AERONAUTICAL IS OUR BIGGEST
[01:59:28] SOURCE OF CASH FLOW AND OUR MOST IMPORTANT SORT OF RESOURCE
[01:59:33] TO MAKE SURE THAT WE CAN GENERATE THE CASH WE NEED AND
[01:59:36] TO KEEP THE AIRLINE
[01:59:40] RATES FROM GOING UP TOO MUCH. NEXT SLIDE, PLEASE.
[01:59:47] SO THIS THIS SLIDE FOCUSES ON THE AERONAUTICAL SIDE OF THE
[01:59:50] BUSINESS AND THE COST DRIVERS. AND BECAUSE THE RATE BASIS
[01:59:55] AND THIS IS A COMBINATION OF ALL OF THE AIRLINE RATE BASIS
[01:59:58] PUT TOGETHER AS IF THEY WERE ONE, BUT IT DOES SHOW ON THE
[02:00:01] TOP WE SEE THE OPERATING AND MAINTENANCE COSTS AND THEY'RE
[02:00:04] GOING DOWN FOR NEXT YEAR, BUT THEN WE SEE THE OFFSET. THE
[02:00:08] CARES MONEY THAT HAS REDUCED THEM FURTHER. AND THEN WE LOOK
[02:00:12] AT THE GROSS DEBT SERVICE SO BEFORE I SAID, WHAT'S
[02:00:15] DRIVING THE AIRLINE COST? IT'S REALLY THIS GROSS DEBT
[02:00:18] SERVICE. IT WENT FROM A HUNDRED SEVENTY FOUR MILLION IN 2020 UP
[02:00:22] 293 MILLION FOR NEXT YEAR. YOU CAN SEE THE PFC OFFSETS THAT WE
[02:00:28] ANTICIPATED FOR 2020 ARE MUCH LESS. WE'VE BEEN ABLE TO
[02:00:33] SUPPLEMENT THAT WITH CARES MONEY AND THAT'S BEEN GREATLY
[02:00:36] HELPFUL. IN THE PREVIOUS SLIDE. I SHOWED THAT WE WERE
[02:00:39] RESERVING SOME CARES MONEY FOR 2021 SO THAT WE COULD ONCE WE
[02:00:45] MAKE SURE WE'RE HITTING OUR DEBT SERVICE COVERAGE TARGET
[02:00:48] AND ONCE WE'VE SORT OF MANAGE TO GET THE AIRLINE DEFICIT
[02:00:51] DOWN, THEN WE COULD APPLY SOME MONEY INTO 2021 TO REDUCE RATES.
[02:00:56] AND THAT'S REALLY WHAT WE'RE DOING. SO THE NET DEBT SERVICE
[02:00:59] IS STILL GOING UP BY 10 MILLION AND THAT'S REALLY, YOU KNOW,
[02:01:03] ONE OF THE DRIVERS. SO YOU CAN SEE OVERALL
[02:01:08] WE'RE SHOWING A REDUCTION IN AN AERONAUTICAL. REVENUES FROM
[02:01:12] 2020 BUDGET TO 2021 AND THAT'S IN SPITE OF THE FACT THAT WE'RE

[02:01:17] BRINGING ON NEW FACILITIES, HAVE HIGHER DEBT SERVICE, AND WE'VE
[02:01:22] ABSORBED THE INCREASED OPERATING COSTS FROM THE NORTH
[02:01:24] SATELLITE IN THE IAF AS WELL IN OUR REDUCED O&M COSTS. SO WE'RE
[02:01:29] DOING THE BEST WE CAN TO BE SENSITIVE TO THE AIRLINES. BUT
[02:01:33] SOME OF THESE COSTS ARE RATHER UNFORGIVING. WE
[02:01:37] HAVE TO PAY THE DEBT SERVICE. NEXT SLIDE, PLEASE.
[02:01:43] AND THIS IS LOOKING AT IT FROM A NET OPERATING INCOME
[02:01:46] STANDPOINT AND LOOKING AT EACH OF THE MAJOR COST CENTERS. AND
[02:01:49] THEREFORE YOU CAN SEE A LITTLE BIT WHAT'S GOING ON INSIDE THE
[02:01:52] AIRFIELD MOVEMENT AREA. THIS IS WHERE WE CHARGE THE LANDING
[02:01:54] FEE. APRON AREA IS A SMALL AREA SPREAD ACROSS ALL AIRLINES.
[02:01:59] THE TERMINAL RENTS IS A NUMBER OF DIFFERENT COST CENTERS AND
[02:02:02] THEN YOU SEE THE FEDERAL INSPECTION SERVICES
[02:02:05] AREA. SO THE OVERALL COSTS OF FIS WON'T BE GOING UP COMPARED
[02:02:11] TO 2020. BUT THE REASON THE RATES ARE GOING UP IS
[02:02:14] BECAUSE THE VOLUME IS DOWN SO MUCH. WE JUST DON'T HAVE AS
[02:02:17] MUCH INTERNATIONAL TRAFFIC AND IT'S BASED ON THE DEPLANING
[02:02:20] INTERNATIONAL PASSENGERS THAT ACTUALLY USE THE FACILITY. NEXT
[02:02:24] SLIDE. PLEASE WELL, WE'LL STAYING HERE FOR ONE MORE
[02:02:27] MOMENT, BUT IT GET ALL THE WAY DOWN AT THE BOTTOM LINE. GO BACK
[02:02:29] ONE MORE. SO THE BOTTOM LINE IS THE NET CASH FLOW ON THE
[02:02:32] AERONAUTICAL SIDE AND YOU CAN SEE THAT EVEN IN 2019 WE
[02:02:38] DIDN'T ACTUALLY MAKE MUCH AND THAT WAS THE LAST YEAR OF
[02:02:41] REVENUE SHARING. IF I SHOWED YOU THIS FOR 2018 THE CASH FLOW ON
[02:02:44] THE AERONAUTICAL SIDE WOULD HAVE BEEN NEGATIVE BECAUSE WE
[02:02:47] WERE SHARING MORE REVENUE AND YOU'D SAY THAT THEREFORE ALL OF
[02:02:50] OUR NET CASH FLOW WAS COMING ON THE NON AERONAUTICAL SIDE. WITH
[02:02:54] THE ELIMINATION OF REVENUE SHARING WE STARTED TO SHOW
[02:02:56] POSITIVE CASH FLOW IN 2019 AND 2020 BUDGET WAS SHOWING A LOT
[02:03:01] MORE.
[02:03:03] THE FORECASTS MORE OR LESS BREAK EVEN FOR THE YEAR
[02:03:06] AND NEXT YEAR WILL START TO GENERATE SOME POSITIVE CASH
[02:03:09] FLOW AGAIN. BUT AGAIN, THIS IS MUCH LOWER THAN WHAT
[02:03:13] WE'RE ANTICIPATING ON THE NON AERONAUTICAL SIDE. NEXT SLIDE
[02:03:17] PLEASE.
[02:03:20] AND SO JUST SOME OPEN ISSUES THAT WE'VE DISCOVERED SOME
[02:03:23] ITEMS THAT WE NEED TO ADD TO OUR BUDGET THAT WERE NOT PART
[02:03:27] OF OUR ORIGINAL BUDGET. WE HAVE GONE THROUGH AN EXERCISE IN THE
[02:03:30] LAST WEEK TO ABSORB THESE. KEEP THE OVERALL BUDGET WITHIN OUR
[02:03:35] TARGET OF 340 MILLION AND THEN WE HAD TO CUT AN ADDITIONAL 800
[02:03:39] THOUSAND TO ACHIEVE THIS. NEXT SLIDE, PLEASE.
[02:03:46] SO THE RISKS. YOU KNOW, MICHAEL DROLLINGER HIGHLIGHTED THE
[02:03:50] RISKS ASSOCIATED WITH OUR PASSENGER FORECAST AND OUR
[02:03:53] PASSENGER FORECAST IS REFLECTIVE OF THE SORT OF THE
[02:03:57] PATH TO RECOVERY AND OUR AIRLINE REVENUES AND MORE
[02:04:01] SPECIFICALLY ARE NON AIRLINE REVENUES, WHICH ARE SO
[02:04:03] IMPORTANT TO OUR OVERALL FINANCIAL PERFORMANCE. IN TERMS
[02:04:07] OF OTHER THINGS, JUST MANAGING THIS WHOLE RECOVERY AND HOW
[02:04:10] WE'RE GOING TO HANDLE THE PASSENGERS THAT COME BACK, WHAT
[02:04:13] WE'RE DOING WITH HEALTH SCREENING IN GENERAL, WHATEVER
[02:04:17] NEW REQUIREMENTS COME UP. WE RECOGNIZE THERE'S A LOT OF
[02:04:20] THINGS THAT WE DON'T KNOW NOW THAT WE WILL LIKELY NEED TO
[02:04:22] DEAL WITH NEXT YEAR. AND THE OTHER THING I WOULD HIGHLIGHT
[02:04:26] IS WHILE THE PORT IS NOT OFFERING ANY PAY INCREASES TO
[02:04:32] THE NON-REPRESENTED STAFF, WE HAVE BEEN BUDGETING UNDER THE
[02:04:37] ASSUMPTION THAT WE WILL ACHIEVE A SIMILAR SAVINGS ON THE
[02:04:41] REPRESENTED SIDE AND LABOR RELATIONS IS EMBARKED ON
[02:04:45] NEGOTIATIONS WITH UNIONS TO ACHIEVE THOSE SAVINGS, BUT
[02:04:48] THOSE SAVINGS ARE BUILT INTO THIS BUDGET. AND IN ADDITION TO
[02:04:51] HAVING NO CONTINGENCY WE ACTUALLY HAVE A NEGATIVE
[02:04:55] CONTINGENCY IN THE SENSE THAT WE HAVE A 1.5 PERCENT PAYROLL
[02:04:58] VACANCY. SO WE BASICALLY HAVE TO ACHIEVE PAYROLL SAVINGS OF
[02:05:02] OVER 2 MILLION DOLLARS JUST TO ACHIEVE OUR BUDGET. SO WE'RE

[02:05:07] STARTING WITH SOME RISKS. NO QUESTION. NEXT SLIDE, PLEASE.
[02:05:15] AND THEN HERE'S OUR FIVE-YEAR FORECAST.
[02:05:18] STATING IT AGAIN. THERE'S A LOT OF UNCERTAINTY OUT IN THE
[02:05:20] FUTURE. BUT WHAT YOU SEE IS THE CASH FLOWS AGAIN, THE
[02:05:25] AERONAUTICAL REVENUES ARE GOING UP RATHER SIGNIFICANTLY AND
[02:05:28] THAT'S BECAUSE WE'RE ADDING A LOT OF NEW FACILITIES AND THOSE
[02:05:31] COSTS GO INTO THE RATE BASE. THE NON AIRLINE REVENUES
[02:05:33] REFLECT THE REBOUND OF OUR BUSINESS. I WILL SAY THAT THE
[02:05:39] THE KEY LINE ITEMS HERE ARE CASH THAT'S AVAILABLE FOR DEBT
[02:05:42] SERVICE AND THEN WE SEE OUR NET DEBT SERVICE AND THEN WE SEE OUR
[02:05:46] NET CASH FLOW AND MUCH OF THIS CASH FLOW AS I SAID EARLIER IS
[02:05:50] GOING TO GO TOWARDS REBUILDING OUR CASH BALANCES SO THAT WE'RE
[02:05:54] IN A BETTER POSITION TO BE ABLE TO WITHSTAND SOME KIND OF A
[02:05:58] DOWNTURN LIKE WE ARE FACING NOW. BECAUSE IF WE HAD NOT HAD THE
[02:06:02] CARES MONEY WE WOULD BE IN A VERY DIFFERENT SITUATION.
[02:06:07] BUT BECAUSE OF THE CARES MONEY WE'RE GOING TO BE ABLE TO, IT
[02:06:09] APPEARS GET THROUGH THIS AND POSITION OURSELVES TO CONTINUE
[02:06:14] TO DELIVER ON THE FACILITIES WE NEED AND THAT THE
[02:06:17] REGION NEEDS. AT THE VERY BOTTOM YOU CAN SEE THE DEBT SERVICE
[02:06:22] COVERAGE AND THE CASH BALANCE LISTED IN TERMS OF MONTHS OF
[02:06:25] O&M. AND YOU CAN SEE OUR TARGET OF GETTING UP TO 18 MONTHS BY
[02:06:30] 2025 SO THAT WE HAVE A BETTER CHANCE OF WITHSTANDING A
[02:06:34] DOWNTURN.
[02:06:35] NEXT SLIDE, PLEASE.
[02:06:39] FINALLY JUST SUMMARIZING OUR OVERALL BUDGET.
[02:06:43] WE THINK THIS IS A CONSERVATIVE BUDGET MEANING WE HAVE CUT OUT
[02:06:47] AS MUCH AS WE CAN AND WE HAVE NOT ADDED BACK. WE'VE ONLY HAD
[02:06:51] IT BACK WHAT WE REALLY NEED. IT DOES PRESERVE JOBS. THERE'S NO
[02:06:55] LAYOFFS EMBEDDED IN THIS BUDGET. ALTHOUGH THE HUNDRED
[02:06:58] AND TWO FROZEN POSITIONS ARE REALLY OUR WAY OF REDUCING OUR
[02:07:03] PAYROLL COSTS AND REDUCING OUR HEADCOUNT. AS LANCE INDICATED,
[02:07:07] WE ARE GOING TO FUND OUR STRATEGIC PRIORITIES AND
[02:07:11] WE'VE DONE A LOT OF
[02:07:13] CALL IT ZERO-BASED BUDGETING TO REDUCE COSTS SO THAT WE COULD
[02:07:16] CREATE CAPACITY FOR NEW ITEMS WHILE BRINGING THE TOTAL COST
[02:07:20] DOWN APPROXIMATELY 10%. CONTINUE TO INVEST IN THE AIRPORT'S
[02:07:25] CAPITAL IMPROVEMENTS. WE FEEL THAT'S CRITICAL FOR THE REGION
[02:07:28] GOING FORWARD.
[02:07:31] AND FINALLY, YOU KNOW, AS I SHOWED IN THAT FUNDING SLIDE
[02:07:33] EARLIER, WE WILL BE DOING A BOND ISSUE IN 2021. WE REALLY
[02:07:38] WANT A POSITION OURSELVES FINANCIALLY TO DEMONSTRATE THAT
[02:07:41] WE'RE IN GOOD SHAPE AND CAN GO TO MARKET AND GET GOOD
[02:07:44] RATES. WE ALSO WILL HAVE AN OPPORTUNITY TO REFUND SOME
[02:07:49] BONDS IN 2021 AND THOSE SAVINGS ARE NOT BUILT INTO THE BUDGET
[02:07:54] BUT I ANTICIPATE WE WILL BE ABLE TO REALIZE SOME
[02:07:58] INTEREST RATE SAVINGS ON THOSE BONDS.
[02:08:01] NEXT SLIDE.
[02:08:07] ALL RIGHT. SO EVERYTHING ELSE IS IN THE APPENDIX, THERE'S
[02:08:10] DETAILS ON EVERY SINGLE ONE OF THE BUDGET REQUEST THAT ADD UP
[02:08:14] TO 18 MILLION. THERE'S 76 OF THEM AND THEY'RE ORGANIZED
[02:08:16] BY THOSE
[02:08:18] SAME STRATEGIC PRIORITIES. AND THEN AS I SAID BEFORE WE HAVE
[02:08:22] LOTS OF INFORMATION ON INDIVIDUAL NON AERONAUTICAL
[02:08:26] BUSINESS UNITS SO YOU CAN REALLY SEE WHAT'S GOING ON INSIDE EACH
[02:08:29] ONE OF THEM. BUT I'LL STOP HERE AND TAKE ANY QUESTIONS.
[02:08:35] THANK YOU. WE'LL START QUESTIONS WITH COMMISSIONER
[02:08:37] BOWMAN.
[02:08:47] VERY GOOD. THANK YOU. I ACTUALLY HAVE A LOT OF
[02:08:48] QUESTIONS BUT I'LL MAKE IT EASY AND SEND IT IN AN EMAIL.
[02:08:49] THANK YOU. COMMISSIONER CALKINS.
[02:08:54] THANKS, MICHELLE. MY FIRST QUESTION AND THIS MIGHT BE TO
[02:08:58] LANCE IS
[02:09:01] ON A SLIDE THAT YOU PRESENTED THE ON THE SWOT ANALYSIS.

[02:09:06] THE WEAKNESS AROUND PORT PROCESSES. I'M HOPING YOU COULD
[02:09:12] PROVIDE MORE INFORMATION ON THAT AND YOU KNOW, AS WE
[02:09:18] SUCCESS ISN'T DEFINED BY OUR CIRCUMSTANCES BUT HOW WE
[02:09:21] RESPOND TO OUR CIRCUMSTANCES. STRENGTHS AND
[02:09:24] THOSE ARE THINGS THAT WE CAN HAVE AN IMPACT ON SO I SEE THAT
[02:09:28] REALLY JUMPS OUT TO ME. I WANT TO KNOW HOW WE CAN ADDRESS THAT
[02:09:31] PARTICULAR WEAKNESS. I DON'T THINK THAT'S 30
[02:09:35] SECOND ANSWER. I THINK THAT PROBABLY MEANS US MAYBE THROUGH
[02:09:37] THE AVIATION COMMITTEE OR COMMISSION IS A WHOLE SITTING
[02:09:40] DOWN AND THINKING ABOUT IT. BUT COULD YOU GIVE US A LITTLE BIT
[02:09:43] OF A DEEPER UNDERSTANDING ON THAT? YEAH, AND THANKS
[02:09:47] COMMISSIONER CALKINS. THERE ARE SEVERAL THINGS THAT
[02:09:50] WE LOOKED AT WHEN WE DID THE ANALYSIS. THE APPROVAL PROCESS
[02:09:56] JEFF MENTIONED. ONE OF THEM THAT CAME UP IN THE PEER REVIEW
[02:10:00] FOR EXAMPLE, STEVE'S AUTHORITY OF HAVING ONLY ONE 300,000
[02:10:04] APPROVAL AUTHORITY THAT REALLY WHEN WE COMPARED TO OUR
[02:10:11] PEER AIRPORT WHERE SOMEONE IN STEVE'S POSITION OR EVEN MINE
[02:10:16] HAVE THE AUTHORITY TO APPROVE
[02:10:19] UP TO FOR EXAMPLE MILLION DOLLARS. AND JUST THE TIME THAT
[02:10:23] IT TAKES TO GO THROUGH THE COMMISSION CYCLE FOR
[02:10:27] APPROVAL. WHEN MORGAN SHOWED THE
[02:10:31] THE CAPITAL DEVELOPMENT PROGRAM AND ALSO THE QUESTION WAS ASKED
[02:10:35] IF WE GOT MORE CARES ACT MONEY. SOMETIMES WE COULD HAVE A
[02:10:39] BILLION DOLLARS. WE STILL COULDN'T EXECUTE THEM FAST
[02:10:42] ENOUGH BECAUSE THE PROCESS THAT WE HAVE HERE IS TOO
[02:10:46] TIME-CONSUMING. WE HAVE TO GO THROUGH TOO MANY STEPS TO GET
[02:10:51] APPROVAL TO GET CERTAIN THINGS DONE. SO IT WAS IT WAS A
[02:10:55] COMMISSION PROCESS, BUT IT WAS ALSO SOME OTHER PROCESSES THAT
[02:10:57] WE HAD INTERNALLY THAT YOU KNOW, WE HAVE LOOKED AT.
[02:11:01] IT'S JUST TOO CUMBERSOME AND IT TAKES TOO LONG FOR US TO GET
[02:11:04] STUFF DONE. AND MAYBE SOME OF THESE WERE PUT IN PLACE BECAUSE
[02:11:08] OF THE AUDIT THAT WAS DONE SOME TIME AGO. SO WE UNDERSTAND WHY
[02:11:12] IT WAS DONE. BUT WE'RE THINKING WE MAY HAVE TO RELOOK AT THESE
[02:11:15] BECAUSE WE JUST CAN'T EXECUTE FAST ENOUGH.
[02:11:32] [CROSSTALK].
[02:11:35] THERE'S TWO SIDES TO THE COIN, YOU KNOW, SO WE CAN ASK
[02:11:37] [INAUDIBLE] WE HAVE TO BE ALSO. OKAY, WHAT
[02:11:40] DO WE NEED TO DO TO ALLOW THE COMMISSION'S CONFIDENCE IN
[02:11:44] OUR ABILITY TO DELIVER PROJECTS.
[02:11:46] YEAH I THINK THAT'S REALLY
[02:11:51] THAT'S THE FUNDAMENTAL DILEMMA THAT WE'RE FACING RIGHT AND I
[02:11:53] THINK I WAS REMINDED IN A SEPARATE CONVERSATION OF
[02:12:01] THE STRUGGLES WE FACE IN TRYING TO WIN POTENTIAL TENANTS FOR
[02:12:04] INSTANCE
[02:12:06] WHEN WE'RE COMPETING AGAINST THE PRIVATE MARKET. THAT THE
[02:12:10] TIME IT TAKES FOR US TO GET A PROJECT APPROVED AND
[02:12:15] CONSTRUCTED MEANS THAT WE LOSE OUT ON OPPORTUNITIES AND THAT'S
[02:12:18] DEEPLY TROUBLING FOR ME PARTICULARLY AS WE ENTER INTO A
[02:12:21] PERIOD NOT OF ECONOMIC BOOM BUT AS COMMISSIONER BOWMAN WAS
[02:12:25] SAYING PROBABLY A PERIOD OF PROLONGED WEAKNESS IN OUR
[02:12:28] ECONOMY AND WHERE WE NEED TO BE ABLE TO COMPETE EFFECTIVELY.
[02:12:33] I'M THINKING IN PARTICULAR ABOUT SOME SPACE THAT COULD
[02:12:36] HAVE BEEN LEASED FOR AIR CARGO USES, BUT WE LOST THAT
[02:12:40] OPPORTUNITY BECAUSE YOU KNOW, WE HAD TO QUOTE THEM
[02:12:43] THREE TO FIVE YEARS BEFORE ANYTHING VIABLE COULD BE
[02:12:47] PUT IN PLACE. AND SO THAT BUSINESS WAS LOST. BUT I DO WANT
[02:12:51] TO ASK AND MAYBE THIS IS A SOMETHING EXECUTIVE DIRECTOR
[02:12:55] METRUCK AND I CAN TALK ABOUT IN OUR NEXT ONE-ON-ONE. BUT WHAT
[02:12:58] WOULD IT LOOK LIKE TO DO A REVIEW OF THE THESE PROCESSES
[02:13:02] AND FIND WAYS TO STREAMLINE THEM WITHOUT LOSING THE
[02:13:06] APPROPRIATE COMMISSION OVERSIGHT AND ALSO RECOGNIZING
[02:13:09] THAT WE DO HAVE
[02:13:13] PROCESSES LIKE THE AUDIT COMMITTEE THAT IN PLACE

[02:13:16] TO SERVE A LOT OF THESE FUNCTIONS AND SO WE AS A
[02:13:20] COMMISSION NEED TO BE CAREFUL NOT TO CREATE REDUNDANT
[02:13:22] PROCESSES THAT BOG DOWN SYSTEMS. SO THANK YOU FOR THAT.
[02:13:25] AND MY SECOND QUESTION
[02:13:28] IS MUCH MORE SPECIFIC.
[02:13:31] THE IDEA OF VIRTUAL QUEUING WAS MENTIONED AS ONE OF THE AREAS
[02:13:36] THAT WERE LOOKING AT. CAN YOU DESCRIBE WHAT THAT IS?
[02:13:42] WE ARE LOOKING AT TRAFFIC COMING BACK AND DUE TO
[02:13:45] RECOVERY PROCESSES WE ARE STILL REQUIRED TO HAVE SOCIAL
[02:13:48] DISTANCING WITHIN THE AIRPORT. JUST RECENTLY WE HAD A FEW DAYS
[02:13:54] WHERE WE HAD OVER 20,000 PEOPLE COMING THROUGH THE CHECKPOINT
[02:13:57] WHICH IS
[02:13:58] FAR FAR LESS THAN 60 TO 70 THOUSAND THAT WE HAVE SOME TIME
[02:14:02] DURING THE PEAK SUMMER. AND AFTER THE LINES WERE BACKING UP
[02:14:05] SIGNIFICANTLY. SO WE'RE SAYING EVEN IF WE GET BACK TO HALF OR
[02:14:09] TO TWO-THIRDS OF THE PASSENGERS THAT WE WOULD TYPICALLY HAVE, WE
[02:14:13] JUST DON'T HAVE ENOUGH SPACE FOR QUEUING RIGHT? SO WHAT
[02:14:16] WE'RE LOOKING AT IS CAN WE USE TECHNOLOGY? AND ONE OPTION
[02:14:20] IS VIRTUAL QUEUING AND THIS IS A CONCEPT THAT ORGANIZATIONS
[02:14:24] SUCH AS DISNEY USE IT. SO RATHER THAN YOU'RE IN THIS LINE
[02:14:27] WAITING YOU HAVE AN APP AND THE APP TELLS YOU WHEN IT'S YOUR
[02:14:30] TIME TO COME TO THE LINE. SO RATHER THAN HAVE PEOPLE, YOU
[02:14:34] KNOW BUNDLED UP IN THE COMMUNITY AREA, WHICH WE DON'T
[02:14:36] HAVE ENOUGH SPACE FOR, WE'LL NOT HAVE ENOUGH SPACE FOR IF
[02:14:39] SOCIAL DISTANCING IS REQUIRED, THERE'S AN APP AS AN EXAMPLE
[02:14:42] THAT YOU MIGHT DOWNLOAD AND YOU'LL BE NOTIFIED
[02:14:46] WHEN IT'S TIME TO COME TO THE LINE. SO YOU CAN BASICALLY
[02:14:48] BE ANYWHERE IN THE AIRPORT RATHER THAN BE IN THE LINE AT
[02:14:51] THE SECURITY CHECKPOINTS. SO THAT'S WHAT VIRTUAL THING IS.
[02:14:54] AND DAVE WILSON IS LEADING THAT EFFORT. I THINK
[02:14:59] TEN RESPONDENTS TO IT AND THEY'RE NARROWING IT DOWN
[02:15:02] TO LOOK AT MAYBE WHAT'S THE BEST SOLUTION GOING FORWARD?
[02:15:06] THANK YOU. AND THAT'S ALL I HAVE.
[02:15:09] THANK YOU. COMMISSIONER CHO.
[02:15:13] I'M GOING TO IN THE INTEREST OF TIME RESERVE MY QUESTIONS FOR
[02:15:17] LATER, PROBABLY VIA EMAIL. I'LL FOLLOW UP. THANK YOU.
[02:15:21] THANK YOU COMMISSIONER CHO. COMMISSIONER FELLEMAN.
[02:15:30] COMMISSIONER FELLEMAN. [INAUDIBLE]
[02:16:00] INDUSTRY AT LARGE AND I WAS JUST WONDERING
[02:16:04] BASED ON
[02:16:06] HOW CLOSE OUR PROJECTIONS ARE TO THEIR
[02:16:10] TO WHAT THEY'RE CURRENTLY FORECASTING AND THEN I JUST
[02:16:15] SAW AND I THINK IT'S PAGE 29 THAT YOU KNOW, THE LIST OF
[02:16:18] PROJECTS THAT ARE BEING DEFERRED.
[02:16:21] YOU KNOW, ONE OF THEM INCLUDES THIS LET ME JUST SEE THIS.
[02:16:28] ONE OF THE THINGS WAS WATER
[02:16:33] SYSTEM ALTERNATE SOURCE AND IT'S PUT IN UNDER THE CATEGORY
[02:16:38] OF FINANCIAL SUSTAINABILITY. AND THAT'S
[02:16:41] PROBABLY JUST THE TYPO. THAT'S IN IT PROBABLY AN ENVIRONMENTAL
[02:16:45] SUSTAINABILITY,
[02:16:47] BUT CORRECT ME IF I'M WRONG. SO ANYWAY, AS FAR AS THE PROJECT
[02:16:51] DEFERRED THAT THAT MIGHT JUST BE A WRONG LABEL BUT MORE MORE
[02:16:55] FUNDAMENTAL TO THE QUESTION AT HAND IS HOW MUCH DOES OUR
[02:16:59] FORECAST PARALLEL THAT WHICH BOEING JUST ARTICULATED?
[02:17:06] SO MAYBE I CAN JUMP IN HERE REAL QUICK AS I FORTUNATELY I
[02:17:10] WAS PART OF A PRESENTATION THAT BOEING DID YESTERDAY. I DO NOT
[02:17:15] HAVE THE SLIDES AVAILABLE BUT THEIR FORECAST WAS VERY
[02:17:20] VERY CLOSE TO THE FORECAST THAT MICHAEL PRESENTED. AND
[02:17:25] THEY THE OBSERVATIONS THAT THEY HAVE AS WELL WERE YOU KNOW
[02:17:30] WAS LEISURE TRAVEL AND DOMESTIC TRAVEL THAT WAS
[02:17:35] LEADING THE RECOVERY. BASICALLY RIGHT IN LINE WITH
[02:17:38] WHAT WE'RE DOING. THEY ALSO EXPLAIN WHY THEY LEFT AND IT
[02:17:44] REALLY HAD TO DO WITH. WITH COVID THEY HAD TO MAKE A

[02:17:46] DECISION AS
[02:17:49] TO WHICH LOCATION THEY WOULD THEY WOULD PRODUCE THEIR TRIPLE
[02:17:55] SEVEN AND MY UNDERSTANDING IS THE NORTH CAROLINA PLANT IS THE
[02:18:02] ONLY ONE THAT THEY COULD PRODUCE THE - 10. THAT WAS
[02:18:06] BECAUSE OF THE LENGTH OF THE FUSELAGE AND THAT'S THE REASON
[02:18:09] WHY THEY HAD TO DO IT. THEY HAD TO PICK ONE BUT THERE IS ONLY 1
[02:18:12] LOCATION THAT THEY COULD PRODUCE THE - 10 AND THAT'S THE
[02:18:15] REASON WHY. THERE WAS NO OTHER POLITICAL REASON. THAT'S
[02:18:19] HOW THEY EXPLAINED IT, BUT THEIR FORECAST WAS REALLY IN
[02:18:22] LINE WITH WHAT MICHAEL PROVIDED EARLIER.
[02:19:06] [CROSSTALK] I CAN'T HELP BUT THINK THE LABOR
[02:19:07] COSTS WEIGHED ON THEM TOO. [INAUDIBLE]
[02:19:09] CHINA DOMESTIC AIR TRAVELING IS JUST SKYROCKETING
[02:19:13] AGAIN, BUT APART FROM CHINA AND
[02:19:18] AFRICA WHICH IS THE TWO EXTREMES WE'RE PRETTY MUCH
[02:19:21] TRACKING ALONG WITH THE REST OF THE WORLD.
[02:19:26] ALL RIGHT. THANK YOU VERY MUCH.
[02:19:28] THANK YOU COMMISSIONER FELLEMAN. MOVING TO COMMISSIONER
[02:19:30] STEINBRUECK FOR QUESTIONS OR COMMENTS.
[02:19:33] I'M GOING TO ASK THAT COMMISSIONERS WORK WITH STAFF
[02:19:36] IF THEY'RE EMAILING QUESTIONS TO AIRPORT
[02:19:41] STAFF REGARDING THE BUDGET SO THAT THEY CAN BE SHARED AND SO
[02:19:45] AND SOCIALIZED. I THINK WE BENEFIT FROM EACH OTHER'S
[02:19:49] QUESTIONS AND THE RESPONSES SO LET'S TRY TO HAVE A
[02:19:52] COORDINATED APPROACH TO THIS AS WE'VE DONE IN THE PAST.
[02:19:55] I'M GOING TO
[02:19:58] STOP THERE AND I SEE METRUCK HAS HIS HAND UP. YES COMMISSIONER.
[02:20:03] YEAH. I'M JUST GOING TO ADD TO THAT, COMMISSIONER STEINBREUCK.
[02:20:05] WHICH IS WE'LL COLLECT THOSE, YOU KNOW, WE'LL PUT THEM ALL
[02:20:07] INTO ONE QUESTION AND WHEN WE RESPOND WE'LL COPY ALL THE ALL
[02:20:10] THE COMMISSIONERS WHEN WE GET RESPONSES TO THOSE. THANK YOU.
[02:20:13] APPRECIATE THAT.
[02:20:17] ANOTHER ROUND OF QUESTIONS OR ARE WE REACHING THE END POINT
[02:20:21] HERE? I CAN RUN THROUGH ONE MORE TIME IF YOU WOULD LIKE.
[02:20:24] LET'S JUST MAKE SURE EVERYBODY HAS OPPORTUNITY ONE MORE TIME.
[02:20:27] CERTAINLY. THANK YOU. COMMISSIONER BOWMAN.
[02:20:30] NOPE. I'M GOOD FOR RIGHT NOW. THANK YOU. THANK YOU
[02:20:33] COMMISSIONER CALKINS.
[02:20:35] NO FURTHER AT THIS TIME. THANK YOU. COMMISSIONER CHO.
[02:20:39] NO FURTHER. THANK YOU. THANK YOU COMMISSIONER FELLEMAN.
[02:20:44] I'M GOOD FOR NOW. THANK YOU. I BELIEVE WE ARE GOOD TO GO
[02:20:47] COMMISSIONER STEINBRUECK. WELL WITH THAT DIRECTOR METRUCK,
[02:20:51] DO YOU HAVE ANY CLOSING COMMENTS AT THIS AT
[02:20:54] THIS TIME? LANCE ANY FINAL COMMENTS?
[02:20:59] YEAH, WELL, I JUST WANT TO SAY THANKS TO BORGAN
[02:21:04] AND THE TEAM AND ALL THE DIRECTORS. IT'S A LOT OF WORK
[02:21:07] AND BUSINESS INTELLIGENCE AND THIS THE ENTIRE TEAM HAS JUST
[02:21:10] REALLY RALLIED AROUND US UNDER THESE UNPRECEDENTED
[02:21:14] CIRCUMSTANCES TO COME UP WITH A 2021 BUDGET. IT WAS EXTREMELY
[02:21:18] DIFFICULT. BUT, YOU KNOW I SAT THROUGH MANY SESSION WITH A
[02:21:22] TEAM AND YOU KNOW, THEY'VE TAKEN THIS THING SERIOUS TO TRY
[02:21:24] TO CUT AS MUCH AS POSSIBLE THE EXPENSES. I KNOW SOME OF THE
[02:21:28] THINGS THAT WE'RE DOING IN OTHER AIRLINES ARE DEPENDENT ON
[02:21:31] AIRLINES YOU SPEAK TO MIGHT HAVE A DIFFERENT OPINION IN TERMS OF
[02:21:34] FOR EXAMPLE, HOW WE USE PSC'S, WE USED CARES ACT MONEY. BUT
[02:21:38] WE'RE REALLY TRYING TO FIND A BALANCED APPROACH AND TRY TO
[02:21:41] PRESENT A BUDGET THAT IS THAT IS FAIR TO ALL OUR
[02:21:46] TENANTS WITHIN THE AIRPORT BUT ALSO RESPONDS TO
[02:21:50] THE DIRE CIRCUMSTANCES THAT WE'RE FACING WITH THIS
[02:21:53] PANDEMICS. I JUST REALLY WANT TO SAY THANKS TO THE STAFF FOR
[02:21:56] ALL THE WORK THAT THEY'VE DONE IN GETTING THIS BUDGET AT LEAST
[02:21:59] THE PRELIMINARY BUDGET COMPLETED.
[02:22:02] COMMISSIONER, I'D LIKE TO THANK LANCE ON FOR HIS

[02:22:05] LEADERSHIP OF HIS TEAM IN DOING THIS EFFORT. AND I THINK THAT
[02:22:08] YOU KNOW, ONE OF THE BIG THINGS THAT WAS REFLECTED HERE IN BOTH
[02:22:11] LANCE'S REMARKS AND BORGEN'S REMARKS, WHICH IS THE
[02:22:14] UNCERTAINTY GOING FORWARD, ESPECIALLY IN THE SHORT TERM.
[02:22:16] AND DOING THAT CONSERVATIVE APPROACH TO DO THAT BUT THEN
[02:22:21] MAKING SURE THAT WE KEEP THAT LONG VIEW IN MIND. WHERE THEY
[02:22:23] WANT TO END UP. WHERE WE WANT TO END UP, YOU KNOW, BEYOND 21 AND
[02:22:27] 22, I THINK. THAT WAS ONE OF THE THINGS ESPECIALLY UNDER
[02:22:30] FORECASTING THAT MICHAEL TALKED ABOUT LONG RANGE
[02:22:33] FORECAST. WHERE THOSE ARE, YOU KNOW, THAT THERE'S GOING TO BE
[02:22:36] RECOVERY WITHIN THAT. THERE MAY BE UPS AND DOWNS AND
[02:22:38] UNCERTAINTIES WITH AND THAT AND HIS LANCE IS LOOKING AT
[02:22:42] THAT. HE'S GOING TO CONTINUE TO
[02:22:44] MONITOR THIS AND HAVE THOSE
[02:22:45] TRIGGERS AND BE ABLE TO RESPOND TO IT, IF SOMETHING
[02:22:49] DRIVES THAT WHICH IS DIFFERENT THAN WHAT WE EXPECT. SO
[02:22:52] THERE'S LOTS OF UNCERTAINTY OUT THERE, BUT THE TEAM CONTINUES
[02:22:56] BOTH IN AVIATION ACROSS THE PORT TO LOOK AT THAT
[02:22:58] UNCERTAINTY AND BE PREPARED TO ADJUST TO IT
[02:23:00] BECAUSE WE DON'T KNOW.
[02:23:03] WE HAD SOME THOUGHTS WHERE WE WOULD HAVE BEEN 7 MONTHS AGO
[02:23:06] NOW, BUT WE'RE NOT. WE'RE IN SOME PLACE THAT'S PROBABLY
[02:23:09] DIFFERENT THAN WHAT WE THOUGHT SEVEN MONTHS AGO. SO THERE'S
[02:23:12] CONTINUES TO BE UNCERTAINTY GOING FORWARD, BUT THE TEAM IS
[02:23:15] CONTINUING TO ANALYZE THAT AND ADAPT TO THAT.
[02:23:20] OKAY, VERY GOOD. AND I WANT TO ON BEHALF OF THE COMMISSION
[02:23:24] I'M SURE EXTEND GREAT THANKS TO AIRPORT STAFF FOR ALL OF
[02:23:30] YOUR WORK AND PRESENTING
[02:23:32] THESE BUDGET ISSUES AND CHALLENGES .THAT IT TRULY IS AN
[02:23:36] EXTRAORDINARY TIME WHICH WERE OPERATING UNDER THE UNCERTAINTY
[02:23:40] PRINCIPLE AND WILL PROBABLY CONTINUE TO HAVE TO MAKE
[02:23:47] ADJUSTMENTS AS WE GO FORWARD. THIS ITERATIVE PROCESS AS WELL,
[02:23:51] BUT IT'S GOOD TO BE PLANNING. IT'S GOOD TO BE CONSERVATIVE.
[02:23:54] IT'S GOOD TO TAKE ALL THE INFORMATION WE CAN GATHER AND
[02:23:59] TRY TO
[02:24:01] FORECAST AS BEST AS POSSIBLE WHAT THE FUTURE MAY HOLD. BUT NO
[02:24:05] QUESTION THAT THERE'S PLENTY OF UNCERTAINTY IS STILL REMAINS. WE
[02:24:09] HAVE I THINK CONCLUDED THIS SESSION IF THERE'S NO
[02:24:14] OBJECTION, I WILL CALL THE MEETING ADJOURNED. WE WILL
[02:24:19] RECONVENE AT NOON FOR THE FULL COMMISSION PUBLIC MEETING AND
[02:24:24] THEN WE WILL ADD TO THAT AFTER THE PUBLIC MEETING EXECUTIVE
[02:24:29] SESSION. SO I HOPE COMMISSIONERS CAN BE AVAILABLE
[02:24:33] LATER IN THE AFTERNOON SO THAT WE CAN GET THROUGH THE
[02:24:37] EXEC SESSION. OKAY. MEETING IS NOW ADJOURNED.
[02:24:43] THANK YOU.

END OF TRANSCRIPT