

Metropolitan Airports Commission



Full Commission

Regular Monthly Meeting Minutes

Monday, June 21, 2010

1:00 pm

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**METROPOLITAN AIRPORTS COMMISSION
FULL COMMISSION MINUTES
REGULAR SCHEDULED MEETING**

Monday, June 21, 2010, 1:00 p.m.

Room 3040 Lindbergh Terminal

Wold Chamberlain Field

Minneapolis-St. Paul International Airport

Call to Order

A Regular meeting of the Full Commission, having been duly called, was held Monday, June 21, 2010 at Room 3040 Lindbergh Terminal, Wold Chamberlain Terminal, Minneapolis-St. Paul International Airport. Chairman Lanners called the meeting to order at 1:00 p.m. The following were in attendance:

Commissioners: Geisler, Harris, Landy, McKasy, Monaco, Nelson, Peilen, Rehkamp, Sigel, Westerberg, Williams, and Chairman Lanners

Staff: S. Busch, J. Hamiel, D. Probst, T. Anderson, T. Anderson, J. Nielsen, J. Felger, A. Irish, P. Hogan, M. Kilian, E. Johnson, J. Greer, B. Schauer, K. Schafer, T. Gangnon, J. Laurent, D. Kowalke, J. Courteau, P. Rivet, G. Schmidt, B. Rineer, M. Wacek, B. Hoyt, P. Burke, D. Ruch, P. Rasmussen, K. O'Rourke

Others: Ben Henderson, Chris Leverett, Kimley-Horn & Assoc.; Bob Carter, Kraus Anderson; Clyde Terwey, Adolfsen & Peterson Const.; Matt Cramer, SRF; Paul Nielsen, MBA; Colin Wilson, ZEAG; Tom McCarver, Clear Channel; Kim Hedges, IAM; Todd Dahlstrom, SEIU; Tom Eggerud, Enterprise Holdings; Joe Olivera, DTAG; Doug Link, Allied Waste; Joel Carlson, Van Wagner; R. Hudson, MBS

OPEN FORUM

No one requested to speak

OATH OF OFFICE

Chairman Lanners administered the Oath of Office to Police Officer Jennifer Hobbs.

AWARDS

1. Award of Merit for Design and Function of the Orange Parking Ramp

Chairman Lanners presented the Award of Merit for Design to Arlie Johnson, Asst. Airport Director Landside and Dennis Kowalke, Airport Development Project Manager. This award recognizes the Orange Ramp as one of the top parking facility designs nationally and reaffirms MAC's leadership in airport parking programs and facilities.

2. Minnesota Public Relations Society of America "Classics Award"

Chairman Lanners presented the Minnesota Public Relations Society of America "Classics Award" to Arlie Johnson, Jeff Courteau, Rick Decker of Landside Operations, and MAC's continuing consultant John Anderson of Padilla Speer Beardsley, for a video promoting MSP Value Parking.

3. Minnesota Safety Council - Governor's Safety Award

Tim Gangnon, Asst. Manager Loss Prevention, presented to Chairman Lanners, the Minnesota Safety Council - Governor's Safety Award which was the highest award issued at the Minnesota Safety Council Conference.

CONSENT ITEMS

The following Consent items were approved by roll call vote as indicated.

COMMISSIONER LANDY MOVED AND COMMISSIONER WILLIAMS SECONDED APPROVAL OF THE CONSENT AND COMMITTEE AGENDA ITEMS AS LISTED BELOW. The Motion carried on the following roll call vote:

Ayes: Twelve: Commissioners Geisler, Harris, Landy, McKasy, Monaco, Nelson, Peilen, Rehkamp, Sigel, Westerberg, Williams and Chairman Lanners

Nays: None

Abstain: None

Absent: Two Commissioners Boivin, and Stenerson

Reports

1. Passenger and Operations Summary

Staff addressed a question regarding Delta's inability to provide passenger and operations figures for June.

Financial Report - Board File No. 13329

Approval of the total amount of \$13,616,506.50 for payment and transfer, subject to audit.

Airport Leases - Board File No. 13330

Minneapolis/St. Paul Int'l Airport

Approval of an airline operating agreement and terminal building lease and 2007A amendment with Shuttle America Corporation. Approval of a lease agreement with Delta Air Lines for use of the Kelley Property lot for Park and Ride. Approval of an airport joint use agreement with the USA, acting by and through the Commander, Air Force Reserve and the Chief, National Guard Bureau and the State of Minnesota, acting by and through its Adjutant General for the purposes of delineation of responsibility of operation and maintenance of the flying facilities jointly used in common with others at the airport. The term of the agreement is five years. Approval of a memorandum of understanding with the U.S. Air Force to document crash, fire, and rescue standards and manning at MSP. Approval of a counter space lease agreement with DTG Operations for 42 sq. ft. of counter space in support of its on-airport rental auto concession. Approval of a Post Road Parking Space Lease Agreement with DTG.

St. Paul Downtown Airport

Approval of a lease amendment for 3M South Riverside Hangar to add responsibility for the portion of the watermain loop located outside of the leased area and an easement for that loop.

Flying Cloud Airport

Approval of a lease transfer from Robert Jondahl, Lot 461 (West) to Thomas Wanner, Mound, Minnesota.

Crystal Airport

Approval of a storage lease transfer from James Schumacher, Lot 80E to Dale Lotts, St. Paul, MN.

Anoka County-Blaine Airport

Approval of a lease transfer from Patrick Moenkhaus, Lot 45B-1 to Max Segler, Shoreview, MN.
Approval of a lease transfer from Raymond Bautch, Lot 98E to Stephen Campbell, Arden Hills, MN.

Lake Elmo Airport

Approval of a lease transfer from Paul Hamel, Lot 27F to Mark Kedrowski, Hugo, MN. Approval of a storage lease transfer from James Lund, Lot 14C to Dennis Davidson, Afton, MN.

Airlake Airport

Approval of a temporary road agreement with Ames Construction for the installation of a temporary roadway which would provide access to airport users off Cedar Avenue while the main entrance to the airport is closed for installation of a 20 inch sanitary sewer main interceptor along 215th Street as part of a project by the Metropolitan Council.

APPROVAL OF THE ABOVE TO AUTHORIZE THE LEASES, CONSENT TO TRANSFERS, AMENDMENTS, ASSIGNMENTS, CONSENT TO SUBLEASES, LICENSES AND OTHER ACTIONS AS INDICATED.

ALL SUCH APPROVALS ARE SUBJECT TO PAYMENT OF ALL RENT OR MONEY OWED THE COMMISSION, COMPLIANCE WITH THE TERMS OF ALL EXISTING AGREEMENTS AND PAYMENT OF APPLICABLE ADMINISTRATIVE FEES, IF ANY,

AUTHORIZE THE EXECUTIVE DIRECTOR OR A DESIGNATED REPRESENTATIVE TO EXECUTE THE NECESSARY DOCUMENTS.

Approval of Minutes

Approval of the Minutes for the Regular Scheduled May 17, 2010 Meeting.

Finance, Development and Environment Committee - Board File No. 13326

- A1 Reports
 - a. Budget Variance Report - April 2010
 - b. Accounts Receivable Summary
 - c. Change Management Policy and Project Status Report
- A2 Final Payments - MAC Contracts
 - a. Taxiway P. Reconstruction & Taxiway C-D Complex Phase 4
 - b. 2008 Fiber Net Modifications - Plumbing
 - c. Humphrey Terminal 2008 Tenant Improvements
- A3 Bids Received - MAC Contracts
 - a. 2010 Miscellaneous Construction
 - b. Xcel Electrical Improvements
 - c. Lindbergh Terminal Fire Protection Phase 4
 - d. Lindbergh Terminal South Baggage Screening BP#2 - Building Shell
 - e. 2010 Lindbergh Terminal Valet Garage Flammable Waste Trap Replacement
 - f. Passenger Screening Improvements 2010 - Phase 2
 - g. Lindbergh Terminal Upper Level Guardrail Support Replacement
 - h. Humphrey Terminal Passenger Boarding Bridge Replacement
 - i. Anoka County-Blaine Airport Pavement Rehabilitation
 - j. Anoka County-Blaine Airport Security Gate Replacement
- A4 Continuing Consultant Selection - MSP Transportation Engineer
- A5 Request for Qualifications - Continuing Consultant - Construction Coordinator
- A6 DISCUSSION: FAA Review of MSP Runways 12L, 12R and 17 RNAV Departure Procedures
- A7 Ratification of 2009 Expenditures
- A8 Preliminary 2011 Operating Budget

- A9 DISCUSSION: Approval of Bond Documents Including Adoption of Resolution No. 2130
- A10 DISCUSSION: 2011 Budget Targets
- A11 Project Budget Adjustments
- A12 Reliever Airport - Long Term Comprehensive Plan - Final Adoption
 - a. Anoka County-Blaine Airport
 - b. Flying Cloud Airport
 - c. St. Paul Downtown Airport
- A13 DISCUSSION: 2009 Audit Reports - BKD, LLP

Management and Operations Committee - Board File No. 13327

- B1 Request for Approval to Renew the Maintenance Agreement for the Public Parking Revenue Control System
- B2 Recommendation for Award of On-Airport Towing and Vehicle Assistance Services Contract
- B3 Recommendation to Renew Trash & Recycling Services Agreement with Allied Waste
- B4 2010 Property and Minnesota Risk Management Fund Renewal
- B5 Request Authorization to Issue Request for Proposals for an Outdoor Advertising Concession
- B6 DISCUSSION: Request Authority to Amend the Wellness Center Concession Agreement
- B7 Recommendation Regarding Rental Auto Agreement
- B8 Air Cargo Security Screening
- B9 Taxi Advisory Committee Update
- B10 Concessions Update

Human Resources & Affirmative Action Committee - Board File No. 13328

- C1 Ratification of Labor Agreements
 - a. North Central States Regional Council of Carpenters
 - b. International Brotherhood of Electrical Workers Local 292
 - c. Painters and Allied Trades, Local 386, and District Council 82
 - d. United Association, Plumbers Local 34

DISCUSSION ITEMS - Board File No. 13331

Finance, Development and Environment Committee

A6 FAA Review of MSP Runways 12L, 12R and 17 RNAV Departure Procedures

Jim Spensley, SMAAC, requested to speak on this issue. He stated it would be useful to publicize the conditions under which the RNAV procedures might in practice be used. The FAA conditions are that they would be permitted only under unusual circumstances and only if the airlines elected to use them. At this point the Noise Oversight Committee is not required to report the use of these RNAV procedures much less has anyone agreed that there is a requirement to use them.

Chad Leqve, Manager of Aviation Noise and Satellite Programs, stated the Noise Oversight Committee has been working over the last two years on leveraging the RNAV technology to reduce impact at MSP. As Mr. Spensley stated, as part of those deliberations, NOC has developed these procedures for review and approval by the Commission. We are waiting now to receive the FAA's review and approval on those procedures. The request is that the Commission send a letter to the FAA to encourage the FAA to move forward in an expeditious manner to review these procedures and approve them for implementation given the unique circumstances from which the procedures were developed.

COMMISSIONER MCKASY MOVED AND COMMISSIONER GEISLER SECONDED APPROVAL TO RECOMMEND TO THE FULL COMMISSION THAT A LETTER BE SENT TO THE FAA

EXPLAINING THE UNIQUE CIRCUMSTANCES SURROUNDING THE RUNWAYS 12L, 12R, AND 17 RNAV DEPARTURE PROCEDURES, AND REQUESTING THE FAA'S EXPEDITED REVIEW AND APPROVAL OF THESE PROCEDURES. The Motion passed by unanimous vote.

A9 Approval of Bond Documents Including Adoption of Resolution 2130

Steve Busch, Deputy Executive Director-Finance and Administrative Services, reported that the following bond documents associated with the Senior General Airport Revenue Series 2010 A-D Bond issue including Resolution No. 2130 were contained in the Committee package:

- Resolution No. 2130
- Eighth Supplemental Trust Indenture
- Preliminary Official Statement
- Continuing Disclosure Certificate
- Bond Purchase Agreement

Mr. Busch stated that at the request of Bond Counsel that this be a brief discussion item at the full Commission meeting so that MAC abides by all the full disclosure requirements. Staff is still consulting with Bond Counsel regarding the pros and cons of Build America Bonds.

Chairman Lanners requested that staff report back on the final savings, interest rates and whether Build America Bonds were used or not.

COMMISSIONER PEILEN MOVED AND COMMISSIONER GEISLER SECONDED APPROVAL TO ADOPT RESOLUTION NO. 2130 AND APPROVAL OF THE FOLLOWING DOCUMENTS ASSOCIATED WITH THE SENIOR GENERAL AIRPORT REVENUE SERIES 2010 A-D BONDS:

- **RESOLUTION NO. 2130**
- **EIGHTH SUPPLEMENTAL TRUST INDENTURE**
- **PRELIMINARY OFFICIAL STATEMENT**
- **CONTINUING DISCLOSURE CERTIFICATE (APPENDIX F-PRELIMINARY OFFICIAL STATEMENT)**
- **BOND PURCHASE AGREEMENT**

The Motion passed by unanimous vote

Ayes: Twelve: Commissioners Geisler, Harris, Landy, McKasy, Monaco, Nelson, Peilen, Rehkamp, Sigel, Westerberg, Williams and Chairman Lanners

Nays: None

Abstain: None

Absent: Two Commissioners Boivin, and Stenerson

A10 2011 Budget Targets

Steve Busch, Deputy Executive Director - Finance and Administrative Services, reported that at the May meeting of the FD&E Committee, staff recommended targets for development of the 2011 Budget. The Committee and staff discussed the following targets for the 2011 Budget development process and provided the information to the public for comment.

1. Maintain a coverage ratio of 1.4x on General Obligation Revenue and Senior General Airport Revenue Bonds.
2. Maintain six month reserve in the Operating Fund.
3. The Airline Cost/Enplaned Passenger will be in the lower one third of large hub airports.

Mr. Busch stated that no public comments have been received and that Delta has no issues with the budget targets.

Commissioner Rehkamp stated he would like the Commission to consider a fourth Target as follows:

- That Staff strive to have a balanced budget for 2011.

The following questions and comments followed by Staff and Commissioners:

- Uncomfortable voting for a deficit budget and would need substantial reasons for doing so.
- The budget in 2011 will be operating revenues and operating expenses excluding depreciation which is the cash basis and that number will be positive. That figure is used to cover MAC's debt service and transferred to a construction fund. Staff doesn't show depreciation anymore from a budgetary standpoint because depreciation does not factor into rates and charges. Net cash is the important number. In order to have a balanced budget everything has to go into it including PFC's, Federal aid, non-operating income, etc. It distorts the entire picture. The purpose of the budget is to show money from operations and money spent for operations.
- Staff has changed its accounting structure to reflect the actual cost of MAC's operation. This proposed goal can be passed today knowing full well that a balanced budget will not be achieved until passenger levels increase significantly and additional revenue is brought into the organization.
- Would rather support a statement that says, "MAC will have a balanced operating plan." Troubled by the idea of staff fighting against accounting rules.
- Are there any unforeseen ramifications for adding this target that haven't been thought through such as the impact on rating agencies?
- Instead of making a target - move a Resolution that the Commission urges staff to move as quickly as possible towards a balanced budget.
- There would be no ramifications from rating agencies. Their interest is in the preliminary operating budget submitted.

COMMISSIONER REHKAMP MOVED AND COMMISSIONER PEILEN SECONDED APPROVAL OF AN AMENDMENT TO ADD A FOURTH 2011 BUDGET TARGET AS FOLLOWS:

4. **THAT STAFF STRIVE TO HAVE A BALANCED BUDGET FOR 2011.**

The Motion passed by majority vote.

COMMISSIONER LANDY MOVED AND COMMISSIONER PEILEN SECONDED APPROVAL FOR THE ADOPTION OF THE FOLLOWING BUDGET TARGETS FOR 2011:

1. **MAINTAIN A COVERAGE RATIO OF 1.4X ON GENERAL OBLIGATION REVENUE AND SENIOR GENERAL AIRPORT REVENUE BONDS;**
2. **MAINTAIN SIX MONTH RESERVE IN THE OPERATING FUND;**
3. **THE AIRLINE COST/ENPLANED PASSENGER WILL BE IN THE LOWER ONE THIRD OF LARGE HUB AIRPORTS;**
4. **THAT STAFF STRIVE TO HAVE A BALANCED BUDGET FOR 2011.**

The Motion passed by majority vote.

A13 2009 Audit Reports - BKD, LLP

Commissioner Nelson brought this item down for discussion due to his absence at the FD&E Committee meeting. He questioned whether staff has heard from Deloitte & Touche regarding the results of the BKD audit. Steve Busch, Deputy Executive Director of Finance and Administrative Services, responded that there have been a number of communications between MAC, BKD and Deloitte & Touche and Deloitte has requested a significant amount of information relating to the restatements. As of today, staff has not heard from Deloitte regarding an update on the status of their evaluations. They have requested a conference call.

Commissioner Nelson asked whether staff has the resources to follow through with what the BKD auditors have requested as to the deficiencies that were found. Mr. Busch replied that staff is in the process of starting an in-depth study of the Finance Department by an outside firm in order to determine if the department can comply with the controls and separation of duties that BKD has requested.

Commissioner McKasy stated that he has confidence that BKD made good faith efforts to have a dialogue with Deloitte to reach some agreement on the audit. BKD audits about six airports and he believes they are very experienced and has a high degree of confidence in them.

Commissioner Geisler stated Generally Accepted Accounting Principles (GAAP), is not always black and white and there are differences between firms on how to interpret what GAAP requires. He believes staff agreed with the way the accounting was recommended by BKD and that it is an acceptable accounting methodology. He is a little concerned that Deloitte hasn't come back with an answer yet and will be interested in hearing what they have to say.

COMMISSIONER LANDY MOVED AND COMMISSIONER WILLIAMS SECONDED ACCEPTANCE OF THE 2009 FINANCIAL STATEMENTS, SINGLE AUDIT AND PFC AUDIT. The Motion passed by unanimous vote.

Management and Operations Committee

B6 Request Authority to Amend the Wellness Center Concession Agreement

Eric Johnson, Director-Commercial Management and Airline Affairs, stated staff is requesting authority to terminate the current Wellness Center Concession Agreement with XpresSpa MSP Airport, LLC and create two separate agreements which, combined, would provide all of the same services as those included in the original Agreement: 1) a full service spa/salon, and 2) a medical clinic with pharmacy. Mr. Johnson stated it is staff's intention to create an agreement with XpresSpa to operate a full service spa/salon only. The medical clinic with pharmacy has faced many obstacles and staff is working with Airport MD (XpresSpa's proposed subtenant) to operate the medical clinic with pharmacy.

Mr. Johnson stated that MAC and XpresSpa have been participating in good faith discussions to get construction completed and the wellness center open and operating. To date, XpresSpa continues to face many challenges under its current lease agreement. XpresSpa has requested that MAC separate the medical clinic and pharmacy from the Agreement due to the uncertainty of this concept and renegotiate the term and rent. Staff believes this action is necessary in order to get both companies up and running in 2010. Two issues that staff will need to address are the 10% DBE requirement for this proposal and the outstanding \$430,000 of construction debt owed to Morcon Construction.

Staff is recommending to separate the current Agreement into two direct agreements: a full service spa/salon with XpresSpa and a medical clinic with pharmacy with Airport MD. The Commission action requested is as follows:

1. AUTHORIZATION FOR STAFF TO TERMINATE THE WELLNESS AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC AND NEGOTIATE AND FINALIZE TWO SEPARATE AGREEMENTS:
 - A. FULL SERVICE SPA/SALON AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC.
AND;

- B. MEDICAL CLINIC WITH PHARMACY AGREEMENT WITH AIRPORT MD IN ACCORDANCE WITH THE PROVISIONS DESCRIBED HEREIN;
2. NEGOTIATE A RESOLUTION OF THE MORCON CONSTRUCTION ISSUE, TO INCLUDE A MAC PAYMENT SUBJECT TO THE APPROVAL OF THE EXECUTIVE DIRECTOR AND;
3. THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

Joe Montgomery, Morcon Construction, stated the debt owed to Morcon by Airport MD is \$430,000.

Jim Witten, Airport MD, stated that MAC staff had just met with him and that the parties had worked out a payment plan where Airport MD will pay Morcon Construction \$200,000 between now and the first week of July and then the remainder owed would be paid to Morcon over the next six months. Airport MD is requesting to separate the current agreement between XpresSpa and Airport MD and that both parties be treated as a separate entity with a separate agreement. Airport MD's goal is to get the facility up and running in the next 60 to 90 days.

Comments and questions by Commissioners and staff were as follows:

- Is XpresSpa currently the responsible party in the lease?
- Under what conditions would MAC be releasing XpresSpa is the question the Commission is dealing with for both the construction and operation of this half space. Timing of this is critical until it is understood who will stand behind the obligations.
- If Morcon is willing to give MAC a lien waiver that would enable staff to move forward with a separation of the documents and whether Morcon is willing to give MAC a lien waiver is dependent upon Morcon's idea of where and how much they will get paid by their clients.
- XpresSpa indicated a willingness to provide \$100,000 backup support to this agreement pending the ability of Airport MD to finalize and make the final payments.
- Staff is looking to go forward with the action as proposed but to make it contingent that the two \$100,000 payments are made by Airport MD. Once the issue of the lien waiver is taken care of then staff would go forward with the separation of the lease.
- Who is responsible for the construction debt?
- Has the DBE 10% been resolved?
- Is staff in agreement that XpresSpa owes MAC some MAG?
- XpresSpa is responsible for what is going on with Airport MD. In the RFP they agreed to be legally bound. Suggest that XpresSpa be responsible for guaranteeing the \$430,000 and leave MAC out of it and allow them to remove Airport MD from the proposal.
- Would MAC be participating in a legally binding contract between two private parties by this guarantee? What is the impact of this on other tenants?
- Will Airport MD under this proposal make their payments?

COMMISSIONER LANDY MOVED AND COMMISSIONER PEILEN SECONDED APPROVAL OF THE FOLLOWING:

1. **AUTHORIZATION FOR STAFF TO TERMINATE THE WELLNESS AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC AND NEGOTIATE AND FINALIZE TWO SEPARATE AGREEMENTS:**
 - A. **FULL SERVICE SPA/SALON AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC. AND;**
 - B. **MEDICAL CLINIC WITH PHARMACY AGREEMENT WITH AIRPORT MD IN ACCORDANCE WITH THE PROVISIONS DESCRIBED HEREIN;**
2. **CONTINGENT UPON \$200,000 BEING PAID BY AIRPORT MD TO MORCON CONSTRUCTION BY JULY 6, 2010.**

3. **THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS. The Motion passed by majority vote on the following roll call vote:**

Ayes:	Eight	Commissioners Harris, Landy, McKasy, Monaco, Nelson, Peilen, Westerberg, Williams and Chairman Lanners
Nays:	Two	Commissioners Geisler and Rehkamp
Abstain:	None	
Absent:	Two	Commissioners Boivin, Sigel, and Stenerson

NEW BUSINESS - Board File No. 13332

There was no New Business

OLD BUSINESS - Board File No. 13333

There was no Old Business

ANNOUNCEMENTS

Commissioner Landy stated he had the opportunity to meet with CSO's from the Police Department in May with respect to public service. The meeting went well and Commissioners were invited to ride along with them or walk along with them as they would like Commission members to join them and see what they do. If Commissioners wish to do this, please contact Tim Anderson.

Commissioner Rehkamp stated the Airport Foundation MSP Golf Tournament was well represented by Commissioners McKasy, Boivin, Westerberg and himself. The tournament was won by four members of the MAC staff.

Chris Roy, MnDOT Representative, stated there is an RFP going out for the Statewide Aviation Plan Update in the next 30 days. That is a plan that MnDOT does on a periodic basis and it is done in such a way to address the needs of all airports in Minnesota.

Chairman Lanners adjourned the meeting at 3:16 p.m.

**Materials for this meeting are available at the following website:
<http://www.metroairports.org/mac/meetings/fc.aspx>**