



**MINUTES OF PUBLIC MEETING OF THE
PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
BOARD OF DIRECTORS | March 20, 2018**

A public meeting of the Phoenix-Mesa Gateway Airport Authority convened on Tuesday, March 20, 2018, beginning at 8:15 a.m. in the Board Room (Saguaro A & B) of the Gateway Administration Building, 5835 S Sossaman Road, Mesa, Arizona.

MEMBERS PRESENT

Mayor Jenn Daniels, Gilbert
Mayor Jeff Serdy, Apache Junction
Lt. Governor Robert Stone, Gila River
Indian Community
Mayor Gail Barney, Queen Creek
Councilmember Thelda Williams, Phoenix
Mayor John Giles, Mesa

AIRPORT STAFF PRESENT

J. Brian O'Neill, Executive Director/CEO
Scott Brownlee, Deputy Director/COO
Chuck Odom, CFO
Maria Gonzalez, Clerk of the Board

GUESTS PRESENT

Amy Arguilez, Town of Gilbert
Keith Belden, Morrison Maierle
Jamie Bennett, Town of Queen Creek
John Cox, Garver
Mike Griffin, Garver
Rene Guillen, Town of Gilbert
Chris Hacker, Mead & Hunt
Ken Halverson, KMH/Jetstrip
Fred Himovitz, HPI
Brian Howard, CEI
Manuel Johnson, Gila River Indian Community
Sandra Kukla, DWL Architects
John Lewis, East Valley Partnership

Marco Lopez, Intermetstic
Pearl Meza, City of Phoenix
Warde Nichols, ASU
Jackie Orcutt, CBRE
Jose Pablo, SkyBridge Arizona, LLC
Ariel Picker, SkyBridge Arizona, LLC
Jody Pokorsky, Snell & Wilmer
Carlos Puente, SkyBridge Arizona, LLC
Steve Reeder, Kimley-Horn
Ernesto Valdez, Seguritech
Q.P. Williams, GT Firm
Pete Wentis, CBRE

1. Call to Order at 8:18 a.m. (Mayor Jenn Daniels)

2. Motion to Convene into Executive Session (8:18 a.m.)

Pursuant to A.R.S. § 38-431.03(A)(3) and (A)(7), the Board of Directors may convene into executive session for the purpose of discussion or consultation for legal advice with the attorney or attorneys of the public body and to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property as it relates to the Master Lease with SkyBridge Arizona, LLC.

Mayor Gail Barney moved to convene into Executive Session. Councilwoman Thelda Williams seconded the motion. The motion was carried unanimously.

3. Motion to Reconvene from Executive Session (8:42 a.m.)

Mayor Gail Barney moved to reconvene into Regular Session. Lt. Governor Robert Stone seconded the motion. The motion was carried unanimously.

4. Call to the Public.

There were no public comments

5. Executive Director's Report - J. Brian O'Neill, A.A.E., Executive Director/CEO

The Board of Directors received information related to operational and passenger activity, noise summary, fuel sales, and financials. Fiscal Year-to-Date (FYTD) actual Net Income is \$1,283,720.

The Taxiway Alpha Reconstruction Project is complete. It is an important piece of infrastructure, adjacent to the 360 acres renamed to SkyBridge Arizona. The project completed on time and under budget.

South Sossaman Road improvements are delayed the implementation of the project due to significant increase in passenger activity. As we move into the July timeframe, we anticipate even more of an increase and if we are under construction, impeding traffic flows would cause significant traffic flows, therefore the project will commence in June.

The construction of a new air traffic control tower is a high infrastructure priority for the Airport. PMGAA completed a tower siting study and received environmental clearance from the FAA on the new tower location. PMGAA Director of Communications and Government Affairs Ryan Smith traveled to Washington, D.C. to work with the U.S. Senators and U.S. Representatives on the importance of removing the FAA AIP \$2M cap on contract air traffic control construction projects. This has been an ongoing project and we are simply asking for flexibility to use our AIP monies in the most efficient and prioritize way. We are hopeful that the Senate will follow the House version and remove the cap altogether.

Baggage Handling System Expansion is a critical project for the Airport, as the current system is limited. The interim solution and least expensive but efficient solution is to double the size of the conveyor belts to allow more customers access. The baggage delivery system behind the ticket counters for departing flights is a limited system that causes the Airlines to turn off the system when congested. The system in design has a continuous ring for continuous movement, thus eliminating the need to "shut-off" the system.

The 2018 Airport Master Plan is underway. Moving forward with structural meetings. Committees and meetings with member governments are in progress. This process is funded by the Federal Aviation Administration (FAA) and will be open and inclusive to move forward to develop a blueprint for the next 20-years.

The next airfield improvement project is the completion of Taxiway Charlie on the east side of the Airport, which will begin in early FY19. This project is a critical piece of infrastructure necessary to open-up the 70 acres on the northeast side.

6. Consent Agenda.

- a. **Minutes** of the Board Meetings held on **February 20, 2018.**
- b. **Resolution No. 18-06** - Authorizing a three-year contract, with two additional one-year periods at the sole option of Phoenix-Mesa Gateway Airport Authority, with **Mountain West Series of Lockton**

Companies, LLC for Insurance Broker Services in an amount not to exceed \$225,000 for a period of five years.

- c. **Resolution No. 18-07** - Authorizing an Amendment 1 to a facility lease agreement with **Allegiant Air, LLC** for property located at 6304 S Taxiway Circle, Mesa AZ 85212. The effective date of this Amendment 1 is April 1, 2018.
- d. **Resolution No. 18-08** - Authorizing a Professional Services Agreement with **DWL Architects + Planners, Inc. (DWL)** to provide Architectural and Engineering Design Services for Gateway General Aviation Center Improvements under CIP 954 in an amount not-to-exceed \$90,000.

Mayor Gail Barney moved to approve the Consent Agenda. Mayor Jeff Serdy seconded the motion. The motion was carried unanimously.

Consideration and Possible Approval of:

- 7. **Resolution No. 18-09** - Adoption of the **Operating Budget, Capital Budget, and Member Government Contributions** for the Fiscal Year ending June 30, 2019.

Mayor Jenn Daniels asked for clarification on the increase in insurance. Mr. Chuck Odom attributed the increase to increased environmental coverage for the fuel operation, which had previously been limited in coverage. Additionally, Workers Compensation was reclassified out of “Employee Benefits” and made part of the “Insurance package”.

Mayor John Giles moved to approve Resolution No. 18-09. Mayor Gail Barney seconded the motion. The motion was carried unanimously.

- 8. **Resolution No. 18-10** - Authorizing a Master Lease Agreement with **Mesa SkyBridge, LLC** for approximately 360 acres of property generally located at the Southeast Corner of Sossaman Road and Velocity Way. The effective date of this Agreement is April 1, 2018.

Mr. O’Neill introduced the Master Lease as the next critical step in the project that brings financial prosperity to the Airport and economic prosperity to the region. Mr. Shea Joachim recapped the process thus far and presented the Master Lease and associating Exhibits for the Board’s consideration. There were three agreements associated with this transaction, 1) the Master Development Agreement primarily established obligations that the Authority and Developer would accomplish; 2) establish minimum development requirements and obtain financial guarantee for both the Master Development Agreement and Master Lease.

The Master Lease is a unique 49-year agreement, with no extensions transferring control of the property to SkyBridge LLC, granting only horizontal development rights. The agreement also establishes a rent schedule. There is language that allows the FAA to review the agreement and if there are significant objections related to the terms and conditions within the agreement, objections that may result in monetary penalties to the Authority, that the parties agree to renegotiate to amend the agreement to satisfy any non-compliance issues that the FAA may identify.

Councilwoman Williams inquired about what other objections the FAA could have aside from financial. Mr. Joachim replied that there could be a series of objections relative to various business point within the agreement, one may be their sensitivity to the length of lease term. The remedies for non-compliance are solved through grant assurances and granting authorities they have, perhaps withholding of AIP or discretionary monies of the Airport, or another financial penalty for the Airport to address. Councilwoman Williams asked to clarify that a financial impact on almost anything the FAA agrees with? According to Shea, there are levels of objections with varying remedies for each objection depending on the severity. To be clear, not every objection has a monetary penalty. CM Williams asked for assurance that whatever is in the agreement, covers the Airport from more than just financial penalty.

Councilwoman Williams asked if there was anything in the contract that would protect both parties from new tariffs, regulations, and/or international commerce; what is the result and do we have a mechanism to address. Mr. Joachim replied that within the agreement, there are no commitments to changes occurring at the Federal level. The developer must comply with specific changes at the Federal level, and the risk in trade between countries can be inhibited by action at the Federal level; a risk that the developer is taking.

Mr. Ariel Picker confirmed that the risk is on SkyBridge and that they are ready to invest and have begun to invest for the last two-years to be a step ahead. He added that assuming the risk is balanced with possibility of developing the area. The United Cargo Processing Program represents 15-20% of the development in the area. Worst case scenario if it were to change, the project is strong enough to follow the right investments to continue growing and developing the area.

Mayor Daniels commented that although she is excited about the opportunity to work with SkyBridge, some added information was recently received, giving pause not to the agreement, but to the process in which the Airport used. She respectfully asked the Board to delay of vote by one-week as it is her personal desire to address the issues and to ensure the transparency and integrity of the Board and the Authority is intact; however, if asked to vote today, she will enter a “no” vote.

Mayor Giles echoed the excitement and expressed his appreciation of the hard-work put towards this opportunity. The terms of the deal have been negotiated well and professionally. In response to the information received recently, it was not critical of the deal points. There is no suggestion that the deal is not sound or thoroughly vetted through all levels. Mayor Giles indicated that he did not share in Mayor Daniels’ concerns to postpone a vote today.

Mayor John Giles moved to approve Resolution No. 18-10.

Mayor Jeff Serdy seconded the motion. The motion carried 5-1.

9. Discussion on the Phoenix-Mesa Gateway Airport Authority legal services contract.

Mr. O’Neill stated that in the best interest of the Authority, the legal services contract, with nine months remaining, has been terminated. PMGAA staff issued a Request for Proposal (RFP) to secure new legal services for the Authority. In the interim, a plan has been developed for legal services at our disposal until a new firm has been identified.

In response, Councilwoman Williams stated that it was premature for staff to issue an RFP without giving the Board an opportunity to decide or discuss the type of service and understanding of terms and conditions. Mr. Chuck Odom indicated there would not be an issue with cancelling the RFP and extending the services of Snell & Wilmer in the interim. Staff will provide the Board with the Scope of Work for legal services, and discuss expectations and misconceptions of the past.

Mayor Daniels inquired about the timeline for the RFP. Mr. Odom replied the RFP would take approximately 60-days to complete and present to the Board for approval of award. Mayor Daniels requested that staff coordinate a meeting before the April 17 Board Meeting to review and discuss the Scope of Work.

Mayor John Giles commented that on a short-term basis, the member governments could help and asked what the interim plans were. Mr. O'Neill and members of the Senior Staff group had discussions on the matter and that a negotiated agreement is in progress with Snell & Wilmer; contracted legal counsel for the SkyBridge project.

10. Board Member Comments/Announcements.

Mayor Daniels welcomed Lt. Governor Stone as the new representative of the Gila River Indian Community to the PMGAA Board of Directors.

11. Next Meeting: Tuesday, April 17, 2018 at 9:00 a.m.

12. Adjournment.

The meeting adjourned at 9:36 a.m.

Dated this 15th day of May, 20 18.



Maria E. Gonzalez, Clerk of the Board