

Hillsborough County Aviation Authority
Board Workshop

Tuesday, 1:02 P.M.
April 18, 2017

(An audio recording of the Board Workshop is available by contacting the Aviation Authority Central Records Department.)

A Board Workshop of the Hillsborough County Aviation Authority was convened in the Boardroom, Main Terminal Building, Level 3 at Tampa International Airport, Tampa, Florida, on Thursday, April 18, 2017.

Members present were: Robert I. Watkins, Gary Harrod, Mayor Bob Buckhorn, General Chip Diehl and Commissioner Victor Crist.

Aviation Authority staff members present were Chief Executive Officer Joseph W. Lopano, General Counsel Michael Stephens, Al Illustrato, Damian Brooke, Chris Minner, John Tiliacos, Janet Zink, Scott Knight, Michael Kamprath, Jeff Siddle, Ed Haines, Elita McMillon, Ann Davis, Beth Zurenko, Violet Cummins, Laurie Noyes, Police Officer Jones, Lloyd Tillmann, Laura Tatem, Teresa Howell, Rob Porter, Randy Forister, Kari Goetz, James Taro and Danny Valentine.

Chairman Watkins welcomed everyone to the Hillsborough County Aviation Authority Board Workshop. He reminded everyone that the purpose of the Workshop was to review matters of interest that were properly noticed, and that notice had been given stating that the items to be discussed at the Workshop related to Phase 2 of the Authority's Master Plan. Chairman Watkins stressed the fact that no official action would be taken at the Workshop.

Joe Lopano informed the audience that Phase 2 was restudied for an entire year. Mr. Lopano began the presentation with slides on the Airport's Legacy of Innovation and Convenience. These slides discussed the history and philosophy of building the Landside and Airside Terminals at Tampa International Airport. He provided a recap of the work that was done with Phase 1 and discussed that Phase 2 would introduce new express lanes, a new real estate development section which will house an office building, hotel, and convenience stores along Spruce Street.

Al Illustrato spoke next and began by introducing the Authority consultants who have been involved in the Master Plan: Clay Paslay, Capital Program Advisor, Jim Drapp, Tom Rossback and Owen Curtis from HNTB, and Steven Henriquez, Domingo Noriega and Barbara Lopez from AECOM. Mr. Illustrato pointed out that the Authority has had about a 2.7% growth rate over the years and will see doubling of our traffic in the mid to late 2030 timeframe where the Authority will hit 34 to 35 million annual passengers. The Authority's Board of Directors approved the Master Plan in 2012 which includes Phase 1 Decongestion Plan, Phase 2 Enabling and Phase 3 Expansion.

The Decongestions Phase is at about \$971 million and is due to conclude next year. The Authority re-evaluated Phase 2 and Phase 3 in early 2016 to consider cost, convenience and core principles. As a result of this, the project became a lot more constructible, efficient and simplified. With help from the consultants, the Authority was able to get the numbers back down to \$1.6 billion. In Phase 2 the Red side garage will be demolished, Authority offices and the Central Energy Plant will be relocated, curbside and roadway expansion will take place, and a new Taxiway Alpha will be constructed to the north. As part of the Phase 3 refresh, a new Airside D will be constructed for around \$798 million.

Chris Minner next discussed that Airline seat capacity has grown more during the noon hour since 2012.

Al Illustrato proceeded to discuss curbside expansion from the 2012 Master Plan versus the 2016 refresh. In the 2012 plan, 4 additional curb lanes were going to be built for international arrivals. All other curb locations would have had 2 lanes. In the 2016 refresh, they looked at increased traffic levels and congestion due to no dwell time allowed at the curb, more flights and larger aircraft at peak periods, as well as more vehicle traffic due to TNC's. As such, a 4 lane expansion is needed at all locations as well as vertical circulation. Mr. Illustrato presented a curbside animation of what traffic would look like in 2023 with the expansion and without the expansion. The Central Energy Plant that serves the Main Terminal for power and air-conditioning also needs to be relocated to the cost of \$110 million. The Roadway Expansion will cost \$49.8 million.

Chris Minner discussed the new People Mover System that will open next year. He further explained that the Authority is not going to design and construct the new office building. The Authority is looking at procuring a developer who would build this office building and then lease several floors of the building to the Authority. In addition, the Authority is interested in developing space for a convenience store and gas station close to the Cell Phone Lot. There is also space for an upscale hotel. Mr. Minner informed the Board that the agreement with Stantec for the development of the South Gateway Development Area would expire in March of next year. Management will come back to the Board at a later date and ask approval to increase the not to exceed amount from \$2.6 million to a new not to exceed amount of \$18 million, as well as extend the contract from March 2018 to March 2021.

Gary Harrod inquired if there were going to be any improvements done to O'Brien Street. Consultant Domingo Noiega from AECOM addressed the question stating that the intersection is at a failing level of service and even with minor improvements it would still fail. Making the intersection work would be very difficult. Jeff Siddle commented that he was not aware of any plans from DOT to perform improvements. Mr. Siddle informed Mr. Harrod that all of the signage would direct motorists to use the Parkway.

Damian Brooke next discussed the funding portion of Phase 2 of the Master Plan. He introduced Mr. Bill Case, a Financial Advisor from PFM who has worked with the Airport's Finance Department to develop a plan of finance.

In Phase 1, the Authority was only responsible for \$150 million of the \$953 million worth of project costs. In Phase 2, the Authority will be funding approximately \$530 million of the \$667 million through a combination of new Senior Lien Revenue Bonds that are going to be issued towards the end of next year and through the small use of Authority reserves. Mr. Brooke went through a detailed discussion on the funding. He discussed the financial projections, operating revenues and operating expenses for the period of 2017-2025. Mr. Harrod inquired if the 2008 Bonds were due to mature and Mr. Brooke replied that they would mature in October of next year. Mr. Brooke explained that the Authority maintain a \$200 million line of credit with SunTrust, and the balance of \$15 million should be completely paid off by the end of next year.

Mr. Brooke then discussed the Authority's revenues. In the 2017 budget, there is a \$212 million revenue projection. By the end of the forecast period in 2025, the projected revenue base will be north of \$304 million. He discussed that the Authority is projecting O&M expenses to increase to \$186 million by the end of the forecast period. He also discussed that the Authority had been paying about \$50 million a year on the annual debt service for the last 16-17 years. Starting in 2021, the annual debt service payments on existing debt will drop off substantially and by 2022 the \$50 million number will be about \$20 million, which will drop off even more in 2024. During Phase 1 and Phase 2, the Authority will implement \$1.5 billion worth of development projects and the annual debt service will only go up \$18 million a year. The Authority is in a strong position to be able to afford the debt that is going to be issued next year for Phase 2. Total debt for the Authority once the monies have been issued will go from \$417 million on the first day of FY2018, which includes payments that will be made this year, to about \$1.1 billion on the first day of FY2019. By 2019 and 2022 the Authority will have payed that down to about \$100 million. There may be a small debt issuance which will take that amount to a little over \$1 billion by the first day of 2024.

Mr. Brooke reported that one of the things that has changed in the last 5-6 years is the focus on the bottom line. Back in 2010-2011 the Authority generated about \$18 million to its bottom line and it all went to the annual Capital Program. The bottom line has increased in the last 4-5 years and the Authority is now generating between \$35 - \$38 million a year, with \$25 - \$30 million going towards the annual Capital Program. It is projected that the bottom line will not change in the future from what the Authority is doing today.

From a cost per enplanement, the Authority has been one of the lowest in the country. The Authority has always been at about \$5 per enplane passenger, but once the debt hits the P&L's in 2024 and 2025, the cost per enplanement will increase to just over \$8. Even with the increase, the Authority will still be 25% cheaper than other airports.

Mr. Harrod inquired how the reserves will get replenished for the \$61 million that will be spent on Phase 2. There was also a brief discussion on how the rating agencies will be affected.

Commissioner Crist followed by inquiring if there would be a loss of revenues with the rental car companies due to TNC's and if any consideration was given to any potential federal or state contributions. Mr. Brooke replied that the Authority is assuming \$0 in federal aid. Typically between \$3 and \$7 million is received from the Federal Government for the AIP Program and those funds have already been allocated to other non-Master Plan projects.

A brief discussion ensued about the Authority Bond Ratings.

Commissioner Crist then asked Chairman Watkins for his opinion as a licensed CPA. Chairman Watkins replied that the Authority should proceed with caution and he has asked that this plan be given the same scrutiny as the previous plan.

Mayor Buckhorn stated that he was excited about Phase 2. His only trepidation would be that the Authority runs the best airport in the country and he would caution against getting into the development business. Mayor Buckhorn asked for Gary Harrod's opinion on the development of the Airport. Mr. Harrod responded that, for a developer coming in on this project where the site work and the roadways completed and there will be a land lease with terms worked out as well as a hotel and office building with access to a People Mover, is a real amenity. He anticipates the rents will be higher but to have an office building with an attached hotel adjacent to the airport is an A+.

Mr. Brooke continued with his presentation and talked about the 2017 Strategic Business Plan Update which provides guidance to the future direction of the Authorities airports. It contains projections of between 5-10 years and provides an overview of the 20 year capital program. Mr. Brooke stated that each Board Member has received a draft version of the Strategic Plan today and asked that they review it. At the May Board Meeting, Mr. Brooke would give a detailed presentation and would answer any questions the Board may have.

Jeff Siddle was next and he presented the plan for requesting the Board's approval for the Master Plan refresh. At the May Board Meeting, there would be a request to amend the Capital Improvement Budget for 2017 to include the Gateway Development Area.

Mr. Lopano commented that there will be a Public Meeting at the Airport at 6:00 p.m. on April 27th so that everyone can understand Phase 2. On May 4th Damian will provide an update on the Strategic Business Plan and the Stantec Agreement will be brought before the Board to be amended for \$18 million for the Gateway Development Area. It will also be requested at the May 4th Board Meeting that the Capital Improvement Program Budget be increased by \$132.4 million for the Gateway Development Area and the demolition of the Red Side Garage. Then in the August/September timeframe, management will come back with the final FY2018 CIP Budget for the remaining Phase 2 projects.

General Diehl questioned renovating the current Marriott and Mr. Minner stated that the existing agreement goes through 2036. The Marriott is one of the most successful hotels, from a commercial standpoint, in the Westshore Business District.

Chairman Watkins asked Chris Minner about the percentage of traffic that was tourist versus business and Mr. Minner replied in normal mode it is 80% leisure and 20% business; otherwise it is 25% business and 75% leisure. Chairman Watkins had further questions on the alleviating curb congestion with the modifications of Phase 2 and ridesharing which Al Illustrato addressed. Mr. Illustrato stated that AECOM looked at the traffic counts on the roadways and used a sophisticated modeling method in determining the congestion.

Mr. Lopano commented that in the 20 year look ahead, there are no new garages being built as there is not a lot of space on the campus to accommodate this. There may be a need in the future but this is not an anticipated need at this point. Mr. Lopano is hopeful that there will be other ways to get people to the Airport besides building parking garages.

With no other business to be brought before the Board, the Board Workshop was adjourned at 2:45 p.m.

Robert I. Watkins, Chairman

Victor D. Crist, Secretary