

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL BOARD AND EXECUTIVE AND FINANCE COMMITTEE MEETING
MINUTES
TUESDAY, MAY 28, 2013
SAN DIEGO INTERNATIONAL AIRPORT
BOARD ROOM**

CALL TO ORDER:

Chair Gleason called the Special Board Meeting and Executive and Finance Committee meeting to order at 9:00 a.m., Tuesday, May 28, 2013, in the Board Room of the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Board Member Robinson led the Pledge of Allegiance.

ROLL CALL:

Board

Present: Board Members: Alvarez, Boland, Cox, Gleason, Hubbs,
Robinson, Sessom, Smisek

Absent: Board Members: Berman (Ex Officio), Desmond, Farnam
(Ex-Officio)

Executive Committee

Present: Committee Members: Gleason, Robinson, Smisek

Absent: Committee Members: None

Finance Committee

Present: Committee Members: Alvarez, Cox, Hubbs, Robinson,
Sessom

Absent: Committee Members: None

Also Present: Thella F. Bowens, President/CEO, Breton K. Lobner, General
Counsel; Tony R. Russell, Director, Corporate Services/Authority
Clerk; Lorraine Bennett, Assistant Authority Clerk II

NON-AGENDA PUBLIC COMMENT - None

NEW BUSINESS

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the April 22, 2013, regular meeting.

ACTION: Moved by Board Member Robinson and seconded by Board Member Smisek to accept staff's recommendation. Motion carried unanimously.

FINANCE COMMITTEE NEW BUSINESS

2. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE TEN MONTHS ENDED APRIL 30, 2013:

Kathy Kiefer, Director, Accounting, provided a presentation on the Revenues and Expenses (Unaudited), for the Ten Months Ended April 30, 2013, which included, Monthly Operating Revenue, FY 2013, Operating Revenues for the Ten Months Ended April 30, 2013, Financial Summary for the Ten Months Ended April 30, 2013, Non-operating Revenues and Expenses for the Ten Months Ended April 30, 2013, and Balance Sheets.

RECOMMENDATION: Accept the report.

3. REVIEW OF THE AUTHORITY'S INVESTMENT REPORT AS OF APRIL 30, 2013:

Scott Brickner, Director, Financial Planning and Budget, provided a presentation on the Investment Report As of April 30, 2013, including Total Portfolio Summary, Portfolio Composition by Security Type, Portfolio Composition by Credit Rating, Portfolio Composition by Maturity Distribution, Benchmark Comparison, Detail of Security Holdings, Portfolio Investment Transactions, Bond Proceeds Summary, and Bond Proceeds Investment Transactions.

RECOMMENDATION: Accept the report.

ACTION: Moved by Board Member Robinson and seconded by Board Member Alvarez to accept staff's recommendation for Items 2 and 3. Motion carried unanimously.

4. ANNUAL REVIEW AND APPROVAL OF AMENDMENTS TO AUTHORITY POLICY 4.40 – DEBT ISSUANCE AND MANAGEMENT:

Vernon Evans, Vice President, Finance/Treasurer, and Scott Brickner, Director, Financial Planning and Budget, provided a presentation on the Annual Review and Approval of Amendments to Authority Policy 4.40, which included, Debt Issuance and Management Policy Overview, and Objectives, and Debt Policy – Amendments.

RECOMMENDATION: Forward to the Board for approval.

ACTION: Moved by Board Member Hubbs and seconded by Board Member Robinson to accept staff's recommendation. Motion carried unanimously.

5. ANNUAL REVIEW AND APPROVAL OF AMENDMENTS TO AUTHORITY POLICY 4.20 – GUIDELINES FOR PRUDENT INVESTMENTS, AND DELEGATION OF AUTHORITY TO INVEST AND MANAGE AUTHORITY FUNDS TO THE VICE PRESIDENT, FINANCE/TREASURER:

Vernon Evans, Vice President, Finance/Treasurer, and Scott Brickner, Director, Financial Planning and Budget, provided a presentation on the Annual Review and Approval of Amendments to Authority Policy 4.20, which included, Investment Policy Overview, Investment Policy Amendments, and Delegation of Investment Authority.

RECOMMENDATION: Forward to the Board for approval.

ACTION: Moved by Board Member Hubbs and seconded by Board Member Robinson to accept staff's recommendation. Motion carried unanimously.

EXECUTIVE COMMITTEE NEW BUSINESS

6. DIRECTION AND POSSIBLE ACTION REGARDING AN EMPLOYEE PERFORMANCE COMPENSATION PROGRAM:

Jeffrey Lindeman, Senior Director, Organizational Performance and Development, and Jeremy Anderson, Principal, Compensation Consulting, Barney & Barney, Inc., provided a presentation on a Proposal for an Employee Performance Compensation (Gainsharing) Program, which included, Proposed Gain Sharing Approach, and Financial Impact.

In response to concerns by Board Members Hubbs and Robinson regarding whether or not the bonuses would be pensionable, Breton Lobner, General Counsel, stated that the General Counsel's Office would provide a memorandum to the Board regarding this issue prior to the Board meeting.

Chair Gleason requested that staff provide additional information about other organizations in the jurisdiction who have similar bonus programs. He also requested that information be provided regarding a timeframe for addressing the proposed plan to the Authority's represented employee groups.

Mr. Lindeman questioned whether the three Board appointees would be included in the program. Chair Gleason stated that the appointees are subject to employment contracts that define the terms and conditions of employment, and therefore there would need to be discussion with the appointees and the Board.

RECOMMENDATION: Forward to the Board for approval.

ACTION: Moved by Board Member Robinson and seconded by Board Member Smisek to accept staff's recommendation. Motion carried unanimously.

Board Member Cox left the meeting at 9:45 a.m.

7. PRE-APPROVAL OF TRAVEL REQUESTS AND APPROVAL OF BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REQUESTS FOR BOARD MEMBERS, THE PRESIDENT/CEO, THE CHIEF AUDITOR AND GENERAL COUNSEL:

RECOMMENDATION: Pre-approve travel requests and approve business and travel expense reimbursement requests.

ACTION: Moved by Board Member Smisek and seconded by Board Member Robinson to accept staff's recommendation. Motion carried, noting Chair Gleason's abstention.

Board Member Robinson left the meeting at 10:04 a.m.

REVIEW OF FUTURE AGENDAS

8. REVIEW OF THE DRAFT AGENDA FOR THE JUNE 6, 2013, BOARD MEETING:

Thella F. Bowens, President/CEO, provided an overview of the draft agenda for the June 6, 2013 Board Meeting.

Chair Gleason requested that Item 18 be moved to New Business.

Ms. Bowens noted that Item 18, regarding award of a contract to construct an airport electrical distribution system, may be pulled from the agenda.

In regards to Item 18, Board Member Alvarez requested a summary from General Counsel regarding Board Member duties in terms of granting or denying bids.

In regards to Items 15 and 16, Board Member Hubbs requested clarification on the process for Board authorization associated with extensions to on-call electrical and consulting services contracts for the Authority.

In regards to the request by Board Member Hubbs, Chair Gleason requested staff to also provide a memorandum to the Board, delineating all on-call ready service contracts.

Chair Gleason requested that Item 20 on the Draft Board Agenda, Adoption of the Operating Budget, be moved to the first item of business under New Business. He also requested to add a new agenda item, titled, "Approval of a Memorandum of Understanding Between the San Diego County Regional Airport Authority and the San Diego Unified Port District Regarding Police Services Costs."

9. REVIEW OF THE DRAFT AGENDA FOR THE JUNE 6, 2013, AIRPORT LAND USE COMMISSION MEETING:

Thella F. Bowens, President/CEO, provided an overview of the draft agenda for the June 6, 2013, Airport Land Use Commission meeting.

ACTION: Moved by Board Member Smisek and seconded by Board Member Robinson to approve Agenda Items 8 and 9, as amended. Motion carried unanimously.

BOARD BUSINESS

10. DISCUSSION OF PROPOSED JOINT LAND USE STUDY FOR NAVAL AIR STATION NORTH ISLAND:

Angela Jamison, Manager, Airport Planning, provided a presentation on the Joint Land Use Study (JLUS).

Board Member Smisek stated that the Navy has provided no information to any local jurisdictions who are being asked to participate, including the Authority, of the breadth of coverage that the Navy is looking for in the study. He expressed concern participating in something that the Authority knows nothing about.

Board Member Robinson stated that he was not in favor of the JLUS.

Board Member Sessom questioned whether the Authority should participate in the process to see if it would conflict with the Authority's ALUCP.

Chair Gleason stated that he did not think the JLUS is necessary, and that he is not in favor of participating.

Board Member Sessom stated that the matter may not move forward if there are not enough interested stakeholders. She suggested involving the Authority only on issues that are covered by the ALUCP.

Chair Gleason stated that the Authority needs to be at the meeting on this matter to express our concerns. He requested that Staff memorialize the Board's concerns and that he would check with Board Members to see who could attend the meeting.

RECOMMENDATION: Provide direction to staff.

ACTION: No action taken.

Board Members Alvarez left the meeting at 10:38 a.m.

The Board recessed at 10:38 a.m. and reconvened at 10:45 a.m.

BUDGET WORKSHOP

11. DISCUSSION REGARDING THE FISCAL YEAR 2014 PROPOSED AND FISCAL YEAR 2015 PROPOSED CONCEPTUAL OPERATING BUDGETS AND CAPITAL PROGRAM (Continued from the May 23, 2013 Special Board Meeting):

In response to a prior request by Chair Gleason, regarding the source of cost recovery of major drivers, Vernon Evans, Vice President, Finance/Treasurer, provided a presentation on the Recovery of Major Drivers to distinguish the source of the cost recovery.

Bryan Enarson, Vice President, Development, provided a presentation on the Fiscal Year 2014-2018 Capital Program Budget, which included, Current/Proposed CIP Program – Project Location, Capital Budget Summary, Proposed FY 2014-2018 Capital Projects, Update Ground Transportation Permit Systems, Cargo Taxiways, Construct Apron Blast Fence at Commuter Terminal, Construct FAA Waterline, Construct Rental Car Center (RCC) Restaurant Warm Shell, Cargo Development Oversight, Sky Club Conversion, Terminal Flight Information Display System Update, Replace Passenger Loading Bridges in Terminal 1, Terminal 1 Baggage Claim Area Enhancements and Terminal 2 East Ceiling Upgrade, Wayfinding Signage and Directories (Terminal, Road, and Parking), Acquire Zero Emission Vehicle Buses, T2E Customer Use Passenger Processing System Expansion, North Side Additional Landscaping, Reconstruct Aprons at Cargo Terminal and Terminal 1, Pre-conditioned Air Installation in Terminal 1 West and Terminal 2 East, and, Acquire Rental Car Center Buses and Construct Bus Parking and Fueling Facility.

Vernon Evans, Vice President, Finance/Treasurer, provided a presentation on the Plan of Finance for Fiscal Year 2014 – 2018, which included, Uses of Funds by Location, Uses and Sources of Funds, Total Sources of Funds, Pre Fiscal Year 2014 – 2018 Total Sources of Funds, CIP Sources of Funds, Pre Fiscal Year 2014 – 2018 CIP Sources of Funds, Green Build/TDP Sources of Funds, Aggregate Debt, Coverage Ratio and Debt Per Enplanement, and Debt per Enplanement and Coverage Ratio.

Board Member Sessom left the meeting at 11:01 a.m.

Chair Gleason requested that staff provide an overview that reconciles the Rental Car Center use and source of funds.

Board Member Hubbs requested that staff provide information on the active contractual agreements for On-Call Consulting Services and Ready Service Agreements. He also stated that with the reduction in work load with wrapup of the Green Build, he did not see the need to add 11 new positions. Mr. Enarson stated that he would provide an overview of the new positions.

Chair Gleason requested that staff provide a list of CIP Program expenditures by year and by project.

Thella F. Bowens, President/CEO, presented the Conclusions of the Authority's Fiscal Year 2014 Proposed Budget and Fiscal Year 2015 Proposed Conceptual Budget, which included that it, provides necessary resources to accomplish the Authority's Strategies and Sustainability Goals, Continues to Support necessary infrastructure development, Enhances the financial position of the Authority, Demonstrates prudence during continued economic uncertainty, Meets mandated airport safety and security requirements, Honors the Authority's legislative and regulatory mandates, Supports regional transportation partnerships and community outreach, Maintains competitive rates for airline tenants and airport users, Addresses facility lifecycle maintenance costs, Is supported by airport users and includes no local taxpayer dollars.

RECOMMENDATION: Discuss the Fiscal Year 2014 Proposed and Fiscal Year 2015 Proposed Conceptual Operating Budgets and Capital Program. Presented by Vernon Evans, Vice President, Finance/Treasurer

ACTION: No action taken.

ADJOURNMENT

The meeting was adjourned at 11:20 a.m. The next meeting of the Executive and Finance Committee will be held on Monday, June 24th, 2013, at 9:00 a.m. in the Board Room at the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

APPROVED BY A MOTION OF THE EXECUTIVE COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 24TH DAY OF JUNE, 2013.



TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:



BRETON K. LOBNER
GENERAL COUNSEL