

Airport Employee Meeting Recap
of Questions from Employees
December 4th & 5th

Job Protections:

- *Will employees' jobs be protected? What kind of things will be in the agreement to protect employees? If the airport is privatized, what will happen to jobs?*

The City will work with a private operator on the development of an agreed upon plan and approach to offer employment to existing employees not covered by collective bargaining agreements and future protections as outlined in the contract with a commitment to inclusion and diversity and a focus on minority and disadvantaged hiring.
- *If the deal goes through, will employees be employed by the City or Civil Service?*

Airport employees are likely to become employees of the private operator. Private sector employees are not members of the Civil Service. The City will monitor compliance with the agreements executed in connection with any transaction.
- *Will employees have contracts, or will employees have to wait on the investors to determine if they will give employee contracts? Will employees have to start over, since privatizing means they will no longer be civil service employees?*
 - The details of the negotiations will be determined if the City agrees to move forward with this process.

If a P3 lease is approved, employees would operate under the new private operator unless the employees choose to seek available employment in other City departments.
- *Will employees remain in their same roles? What happens to the Rule of 85?*

The City will work with the private operator to help employees to maintain their jobs at the current level.

The Rule of 85 is governed by terms and provisions of the City's pension plan. Once an employee leaves the City's employment, the employee no longer accrues credits towards the rule of 85.
- *Will employees lose their rights regarding how decisions are made for disciplinary or firing actions?*

Once employed by the private operator, employees will no longer be under Civil Service.
- *What happens to STL Fire, Safety and EMS employees?*

Fire, public safety & EMS would also be subject to negotiation by the City and private operator.

- *The airport is suffering critical understaffing. Will that be taken into consideration as a part of this process?*

The private operator would review current staffing and identify ways to improve, attract and employ needed employees and retain the existing staff.

- *Can employees have access to information regarding the Midway deal? Are documents available for employees, particularly the part about protecting the employee's jobs?*

The Chicago City Council adopted an ordinance to approve the lease of Midway Airport on October 8, 2008, which is available at:

http://chicityclerk.s3.amazonaws.com/s3fs-public/document_uploads/journals-proceedings/2008/100808VIV.pdf , beginning at p. 41099.

As provided in the Midway ordinance and required by state law (50 ILCS 615), the airport private operator was required to offer employment, under substantially similar terms and conditions, to city employees employed at the airport. The airport private operator was also required to pay employees not less than the economic equivalent of the standard of wages and benefits enjoyed by those employees who previously performed the work.

The guiding principles of the Consultant Agreement for the STL process contains provisions to protect collective bargaining rights and for continuing employment. You can obtain a copy of the entire Consulting Agreement at:

<https://www.fly314.com/wp-content/uploads/2018/08/Final-Signed-Consulting-Agreement.pdf>.

- *Did Midway and San Juan have the same type of process as Lambert? Did they have a separate system for fire and police for city vs. airport?*

In the Midway and San Juan transactions, the airport owner (the City of Chicago and the Puerto Rico Ports Authority respectively) retained responsibility for providing police and fire services. Those police and fire personnel remained government employees.

- *What happened to the employees in Puerto Rico? Did they get a better deal under the new agreement?*

The airport private operator offered employment to many of the San Juan airport employees. Some employees chose to accept employment with the private operator, but most employees remained employed by the Ports Authority, taking on other responsibilities within the Ports Authority.

Pay/Pensions/Severance:

- *What happens under the rule of 85 if an employee wants to drop out 5 years early? If this program passes before employee's 5 years are up, will employees not be allowed to receive their vesting? Will there be any considerations for employees to continue to accrue creditable service towards retirement even after a private group takes over? If employees have worked for the City for 5 years or fewer, would they no longer be eligible to vest?*

The Rule of 85 is governed by terms and provisions of the City's pension plan. Once an employee leaves the City's employment, the employee is no longer accruing towards the Rule of 85. Any vested benefits accrued up to the date an employee leaves the

City's employment will be protected under the existing City pension plan. Once an employee leaves City employment, no new benefits will be earned or accrued.

- *We have a program called the "Drop" and once an employee reaches the rule of 85 they are eligible for the "Drop" which allows them to stay for an additional 5 years and basically double the amount put into their retirement for those 5 years...how will that be impacted?*

The City will work with the private operator to ensure protection of existing collective bargaining agreements and future protections as outlined in the guiding principles of the Consultant Agreement.

Any vested benefits accrued up to the date an employee leaves the City's employment will be protected under the existing City pension plan.

The drop is a part of the City's pension plan. Once an employee leaves the City's employment, no new benefits will be earned or accrued.

- *Would employees lose their benefits and/or pensions under a P3?*
Substitution of a pension plan may be negotiated between the City and the private operator. Any vested benefits accrued up to the date an employee leaves the City's employment will be protected under the existing City pension plan. Once an employee leaves the City's employment, no new benefits will be earned or accrued.
- *Would employees receive a severance package and if so, how will it work?*
This would be subject to negotiation between the City and private operator.
- *Should employees with only 1 ½ years left of service consider retiring now, before this program is approved?*
Any vested benefits accrued up to the date an employee leaves the City's employment will be protected under the existing City pension plan. Once an employee leaves the City's employment, no new benefits will be earned or accrued. Each individual's circumstances are different and therefore each individual needs to make their own retirement decision based on their circumstances.
- *It was stated that employees will not remain in the current pension plan, will employees receive a new pension plan? Could there be a dual pension plan for those that are about to retire?*
The City may negotiate with the private operator to determine such options. Any vested benefits accrued up to the date an employee leaves the City's employment will be protected under the existing City pension plan. Once an employee leaves the City's employment, no new benefits will be earned or accrued.
- *Employees have not had a cost of living increase in 15 months, what happens if the P3 is approved? How will this impact raises?*
The City and the private operator may negotiate employee compensation issues during the RFP process.
- *Is there a possibility that the pensions will be bought out and if so, explain?*
Any vested benefits accrued up to the date an employee leaves the City's employment will be protected under the existing City pension plan. Once an employee leaves the City's employment, no new benefits will be earned or accrued.

City Concerns:

- *If we can privatize the City, could we not also privatize the Board of Alderman?*
No, BOA is a political body. It is governed by our City charter, the Missouri Constitution, and Missouri statutes and cannot be privatized.
- *Why not invest directly in the City? What's the city's appeal of a P3?*
A P3 is a way to increase investment in the airport, improve the airport facility, realize a financial benefit to City that otherwise would not be available to City, and provide a regional economic development opportunity. Several elements of the City's Airport operations are currently under a P3, e.g. security, janitorial services, most food, beverage and souvenir sales, etc.
- *Is there an estimate on the amount of lump sum and monthly payments the City would receive for moving forward with this project?*
At this time, it is too early to provide an estimate of any net proceeds the City would receive up front and over time. Key inputs to a lease, including use agreement economics, lease tenor, and revenue/upside sharing, among other things, are important ingredients of value and have not yet been determined. In any case, we do not expect to publicly discuss any estimates of value during the process.
- *Will there be other considerations in achieving City's goals beside privatization?*
The City has not determined any other plans or additional considerations at this time.
- *Given the cost of running the City, where is the revenue going to come from to move forward with this process?*
From private investment.
- *How can residents be assured that the funds generated will be used to meet essential infrastructure needs, rather than to line the pockets of private developers?*
If the City of St. Louis, FAA and Airlines determine leasing the airport is the right approach, a use of proceeds will be outlined and governed by the Board of Alderman and the Board of Estimate & Apportionment.
- *Why is it assumed that the City can't achieve growth without a private operator, when the opposite is actually true?*

There is no assumption that the City cannot achieve growth. Monetizing the City's assets and thereby freeing up funds that are otherwise not available are major advantages for entering into a P3 for the airport.
- *Are there considerations to privatize other parts of the city? City Hall?*
No

St. Louis City and County:

- *Would the St. Louis County play a role in the decision making?*
St. Louis County's input will be received during the initial research process understanding citizens views via public opinion surveys, by engaging the general and minority business

communities and outreach groups.

Public Vote/ Approval Vote:

- *Why is the airport's employees input important to the City?*
Receiving employee's input helps the City to understand the needs and concerns of the airport employees. Information received from the employee's will be reviewed and considered when selecting bidders during the RFP process.
- *Why are not all members of the working group voting members?*
The Consultant Agreement was negotiated by the leadership of the City which specified the Working Group composition and respective roles.
- *Is it possible that this could go to a public vote?*
 - If the Board of Alderman passes a bill calling an election, there could be a public vote.
- *Who had the authority to approve the go ahead with the study?*
The Board of Estimate and Apportionment approved the Consultant Agreement.
- *Doesn't it appear that the City is selling the citizens short by not putting the P3 proposal for a public vote?*
See above answer to question regarding public vote. Additionally, there are two government bodies of elected officials that would need to approve any P3: The Board of Estimate and Apportionment and the Board of Alderman. In addition, the Federal Aviation Administration (FAA) and the majority of the airlines operating at St. Louis Lambert International Airport must also approve.

Slay:

- *Is Slay working for one of the main privatization companies a conflict of interest?*
Francis Slay is a former mayor and a private citizen. Slay is not a part of the City of St. Louis' selection process. It has been reported that he works for a prospective bidder, which may or may not be considered after the RFP process. Slay is not currently on the City's working group or advisor team and will have no impact on the selection or recommendation process.
- *Slay started this application process. Did he get paid for it?*
The application was submitted when Slay was Mayor of the City of St. Louis. This application was filed while former Mayor Slay was a City employee and we are unaware that he was paid in any capacity beyond his salary as Mayor.
- *Is Slay still a part of the process and what is his ongoing involvement?*
Francis Slay is not a part of the process. It has been reported that he represents one of the prospective bidders. Because an RFQ has not been issued, the only process is that of the Advisory/Working group. No bidder is involved in the current process.

Advisors:

- *What was Oaktree's role in the San Juan deal and did they leave San Juan? Where are they now?*
The private operator at San Juan airport is Aerostar Airport Holdings. Aerostar was formed by two partners: ASUR, an airport operator; and Oaktree Capital Management (formerly known as Highstar Capital), an investment firm. Each partner owned 50% of

Aerostar.

In 2017, after 4 ½ years of operations, Oaktree sold its interests to ASUR and the Public Sector Pension Investment Board (PSP), a Canadian public pension system investor. Today, Aerostar is owned by ASUR (60%) and PSP (40%).

ASUR has provided the airport management experience since taking over operations in 2013. The Aerostar airport management team has remained intact throughout that period. The sale by Oaktree of its interests did not affect the management of the airport.

- *Is there a way to identify the advisors and how much they are getting paid?*
 - All the Service Provider contracts are public records, and, on a quarterly basis, a certification of payments is also filed with the City. Bios of the advisory team members can be found on the Fly 314 website.

- *What date did the advisors start?*
 - The Contract contains an effective date of June 13, 2018. The contract was finally executed on August 17, 2018.

- *Have any of the advisors ever ran an airport?*
 - No. The advisors have experience in precedent P3 transactions both in other airports and other infrastructure transactions, working with the FAA and other regulatory agencies, community communications, both general finance and airport finance experience, legal matters, etc. The advisory team works with the Airport Director for direction on current and potential future airport operations. If there is a transaction, the incoming private operator should have airport operation experience.

Bidders:

- *Are there any bidders based in the St. Louis area?*

We expect that private operators and infrastructure investors will form a consortium to pursue a STL airport lease transaction. While it is unlikely that any consortium leaders will have headquarters in the St. Louis region, it is possible that, if/when the process advances, regional pension funds or other local investors may join that consortium.

- *What guarantees will there be to ensure that the investors won't come and take over outlying properties and then leave the city, like Paul McKee did?*

The scope of any Airport lease would include airport-controlled property and interests only. A private operator's ability to generate value would be contingent on their continued stewardship of the Airport over the term of any lease – the Airport and the business of the Airport are the sole sources of value to a private investor. If the P3 entity fails to perform under the lease, it may be terminated and the City may take over operations of the Airport again; it is important to note that in connection with any lease, the P3 entity will pay off all Airport debt and will be making capital improvements. Should there be a termination, the Airport would be debt free and the capital improvements would remain with the Airport for future operations.

Environmental:

- *Who retains environmental liability? Is it the City?*
 - That has not been finally determined yet. Typically, however, the City would remain responsible for pre-existing liabilities (which arose during the City's ownership and operation of the airport), and the airport private operator would be responsible for any environmental liabilities arising under its lease and management of the airport. In both cases, there may be third parties who are responsible for certain environmental conditions, such as airlines or vendors, and those parties would remain responsible for their respective liabilities.
- *What would fall under an environmental assessment?*

The purpose of an environmental assessment is to determine existing environmental liabilities at the airport and whether remediation or other action would be needed, particularly if additional construction occurs. The City would use this information to make an informed decision about the allocation of responsibility for existing and any future environmental liabilities under a lease agreement.

Timeframe:

- *What is the length of the lease ?*

That has not been determined yet.

The San Juan lease was 40 years. When the City of Chicago considered a lease of Midway Airport in 2008, the term would have been 99 years; when it again considered a lease in 2013, the term would have been 39 years. In other recent international airport transactions for Lisbon and Osaka Airports, the terms have been 45 to 50 years.
- *If it takes 18-24 months to get to an RFP or to select an operator, what happens after the 18-24-month timeframe? What happened in prior transactions?*

The RFQ for interested participants in the San Juan airport was issued in August 2011, and the award of the lease to Aerostar Airport Holdings was approved by the Puerto Rico government parties in August 2012. The FAA then approved the transaction, and it closed in February 2013.

Between the approval in August 2012 and the closing in February 2013, the Port Authority, Aerostar, and the airlines worked on a transition of airport responsibilities in order to be prepared for the closing.
- *When are the key decisions to move forward with the process in the 18-24 timeline?*

The City will consider the issuance of an RFQ in early 2019. The City would then qualify certain teams and issue an RFP to those teams.

The RFP process would take several months, as the proposers conduct their diligence and develop proposals. If the City receives proposals, the City would consider whether to accept one of those proposals and negotiate a lease of the airport to that proposer. Thereafter the lease would be need to be reviewed and approved by the Board of Aldermen, the Board of Estimate and Apportionment, the FAA and a majority of the Airlines operating at the Airport.

Airport:

- *How can there be more airport involvement in the decision-making process?*

The Airport is actively engaged in the potential Public-Private Partnership (P3) process. The City Working Group evaluating and leading the project is comprised of seven members, one of whom is the Airport Director. The City's advisors have been working very closely with the Airport management team on all aspects of the potential P3 that could impact the Airport. The Airport management team continues to provide the City's advisors all relevant information about the Airport. Airport management has also reviewed all material information presented to the Working Group that involves historical information about the Airport and its operations and has been asked to review drafts of key P3 documents, such as any necessary capital expenditures and the potential terms being discussed with the airlines serving the Airport.

- *Are other large airports outside of St. Louis considering a P3? Have other airports gone through this and failed?*

P3 transactions have been successful at airports all around the world. In the U.S., they have tended to be used for large terminal projects, at airports such as New York Kennedy and LaGuardia, as well as Denver and now Kansas City. As opposed to such "partial P3" projects (meaning that not all of aspects of the airport were included in the P3), "full-airport" P3s in the U.S. have lagged those in Europe and elsewhere due to an U.S.-specific regulatory restriction on the use of airport revenues, which the FAA's Airport Investment Partnership Program was designed to relieve.

There is currently a total of four airports in the P3 program: St. Louis Lambert International Airport, Westchester County Airport in New York, Hendry County Airglades Airport in Florida, and Luís Muñoz Marín International Airport in San Juan, Puerto Rico. Of these, only Luís Muñoz Marín International Airport has completed the process; the others are still in the process of considering the P3 program.

The only other airport besides San Juan to have completed the program is Stewart Airport, a small airport in New York. That airport was returned to public operation without disruption when the private operator decided not to continue in response to a change in its business strategy. There are other airports that previously considered, but never completed, the P3 program: Brown Field Municipal Airport (San Diego); Niagara Falls International Airport (New York); Rafael Hernandez Airport (Aguadilla, Puerto Rico); New Orleans Lakefront Airport; Louis Armstrong New Orleans International Airport; Chicago Midway International Airport; and Gwinnett County Briscoe Field (Lawrenceville, Georgia). These airports did not complete the program for various reasons, including the 2009 recession, failure to find a suitable private operator, or lack of support by the local community or airlines that served the airport.

Among these airports, the most significant attempt was at Chicago Midway in 2008, where a P3 transaction for the airport was all but finalized when the 2009 recession undermined the chosen bidders' ability to fund the deal, causing it to fail. All of the steps to close that P3 were otherwise in place when the market correction undermined

it.

Note that in October of 2018 Congress modified the FAA airport P3 program to enhance the ability of U.S. public entities to obtain the operational and financial benefits of private airport management by leasing airports to private airport operators. For example, under the new P3 program, an airport lease transaction approved by the FAA will automatically obtain exemption from the requirement that the airport owner repay prior federal government grants to the airport. As a result, more U.S. airports may decide to explore the possibility of entering into a long-term lease with a private operator.

- *Who would manage the overall operation of the private entity?*

The P3 program envisions a long-term lease of the Airport from the City to a private operator. If a transaction were to proceed to closing, the City would have certain obligations to monitor the operations of the private operator and ensure that the Airport is managed and operated according to the terms of the lease, along with rights to monitor the operator's performance. The exact means by which the City will exercise its rights to monitor the operator's running of the Airport have not yet been determined, but if the City decides that moving forward with a transaction is in the best interest of the City, the Airport, its users and the community, the City will need to establish a monitoring mechanism to perform its role for the term of any lease of the Airport.

Such private operator would also become subject to all of the applicable federal regulations, by FAA, TSA, and DOT, among others, that govern airport operators in the U.S. and with which the Airport currently complies. These requirements – both statutory and regulatory – are designed to ensure that operators of airports in the U.S. meet the requisite standards of safety, security and operational competency.

In addition, the private operator would be bound by the terms of the New Use Agreement entered into between the private operator and the airlines serving Lambert International Airport, which is expected to contain numerous covenants by the private operator to ensure that it maintains, operates, and modernizes the Airport to the highest standards.

Lastly, based on precedent P3 projects, it is expected that both the long-term Airport lease (between the City and the private operator) and the Airport Use and Lease Agreement (between the private operator and the airlines serving the Airport) would include detailed Operating Standards with which the private entity must comply. These Operating Standards, to be approved by the airlines and the City if a transaction goes forward, are a set of detailed requirements in the areas of safety, security, airfield operations, maintenance, and ground access, designed to ensure that all aspects of the Airport are operated at highest levels. It is expected that both the City and the Airlines will have contractual rights to enforce these Operating Standards over the term of the agreements.

- *What is the contingency plan if the private company discontinues running the airport?*

The Federal P3 program, now known as the Airport Investment Partnership Program (AIPP), requires that airport operations will not be interrupted if the original operator

discontinues operations. The governing statute provides that the FAA cannot approve any lease transaction unless it finds that there is an adequate plan in place for continued operation of the airport in the event of bankruptcy of the private operator. Moreover, if a transaction moves forward, the Airport lease between the City and the private operator will include many financial standards, designed to ensure that the winning bidder is financially stable. The private operator will also likely make certain financial commitments to its lenders that are beyond those required in any Airport Lease.

If, despite such protections, the private operator nonetheless decides to discontinue operations, the City may choose to allow the Airport to revert back to City management, just as is currently the case. Should that occur, the Airport will not be burdened by any financial debt incurred by the previous private operator. In addition, the City will retain all of the funds and financial benefits it received in connection with the P3 project, including the defeasance of all outstanding Airport debt/bonds in existence prior to the P3 project. To simplify, the City could take back the Airport debt-free and with any installed capital improvements and retain the proceeds of the P3 transaction that it had received to date.

Alternatively, if the City decides to replace the departing private operator, the new operator – based on the terms of precedent transactions that the City expects to mirror in any P3 transaction for Lambert International Airport, if one occurs -- would be required to comply with the same qualification standards met by the departing operator, both federally mandated and as determined by the City. The new private operator would have to be approved by the FAA, TSA, and the City. Finally, the airlines serving Lambert International Airport would have certain approval rights over any replacement operator in their agreement. All of these parties would have to be convinced that the proposed replacement operator would continue to meet the FAA’s statutory requirements to “maintain, improve, and modernize the facilities of the airport through capital investments” and meet the needs of the City of Saint Louis, the airlines that serve the Airport, airport users and the community.

- *What is a MOU?*

A Memorandum of Understanding (MOU) is an agreement between two or more parties outlining the terms of an understanding, including each parties' requirements and responsibilities. An MOU is often the first stage in the formation of a formal contract and is typically a non-binding expression of the establishment of the general terms of a future potential agreement between the parties.

The City and its advisors are currently discussing a potential MOU with the airlines serving Lambert International Airport. This MOU would set forth the main provisions of a potential New Use Agreement that would govern between the private operator and the airlines at the Airport should a transaction move forward. If the City chooses to request bids from potential private operators of the Airport, it will provide qualified bidders (subject to non-disclosure agreements) with such pre-arranged terms and

expect them to bid accordingly. Ultimately, the MOU will drive the key terms of the New Use Agreement to be signed between the selected private operator and the airlines serving Lambert International Airport, if the transaction moves to that phase.