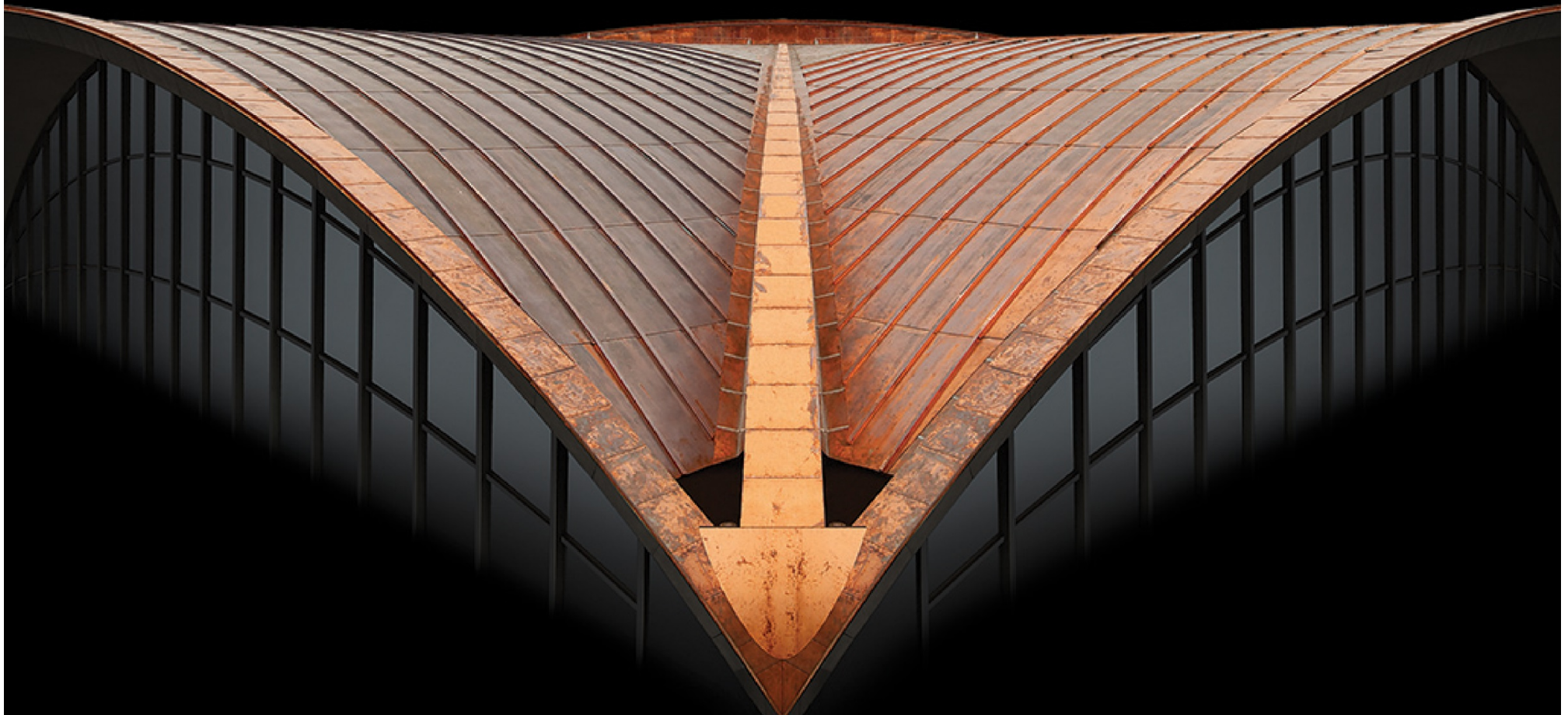


St. Louis Lambert International Airport Investment Partnership Program Exploration

Request For Qualifications Update

October 23, 2019

State of the America's Airports



Setting the Context

Airport Funding

- **It is a common misconception that airports are funded with taxpayer dollars or a general tax on all citizens. In reality infrastructure projects at U.S. airports are funded by:**
 - Airport-generated revenue from landing fees, tenant rents and terminal revenues.
 - Federal grants through the FAA's Airport Improvement Program (AIP)
 - Passenger Facility Charge (PFC) authorized by the FAA and available for specific capital improvements. In Lambert's case, most of the PFCs it collects are funding the new runway built in 2006.

Setting the Context

Airports are Terminally Challenged

- **In 2017, 1.7 billion passengers and 31.7 million metric tons of cargo traveled through U.S. airports. Airports contribute more than 7% to the U.S. gross domestic product.**
 - The national economic impact is \$1.4 trillion
 - Airports support over 11.5 million jobs around the country
- **America's airports face \$128 billion in infrastructure upgrades over the next few years and in order to meet the increasing capacity demands of passengers and cargo shippers, airports will need to provide increasingly safer, efficient, and modern facilities.**
- **Airports face almost \$92 billion in debt right now to pay off past projects.**
- **With increasingly shrinking federal commitment to infrastructure, airports will have to find predictable funding sources that keep pace with travel growth, rising construction costs, and inflation for these intensive capital projects.**

Setting the Context

City of St. Louis FAA Objectives which will need to be met in any lease transaction

1 Enhance and improve the STL Airport

**Improve operating revenues [metrics and overall customer experience]*

2 Generate **significant and meaningful proceeds** for the City

**Generate upfront and/or periodic payments that can be used for non-airport city purposes*

3 Expand **regional economic development** relationships

** Original objectives identified in Preliminary Application to FAA*

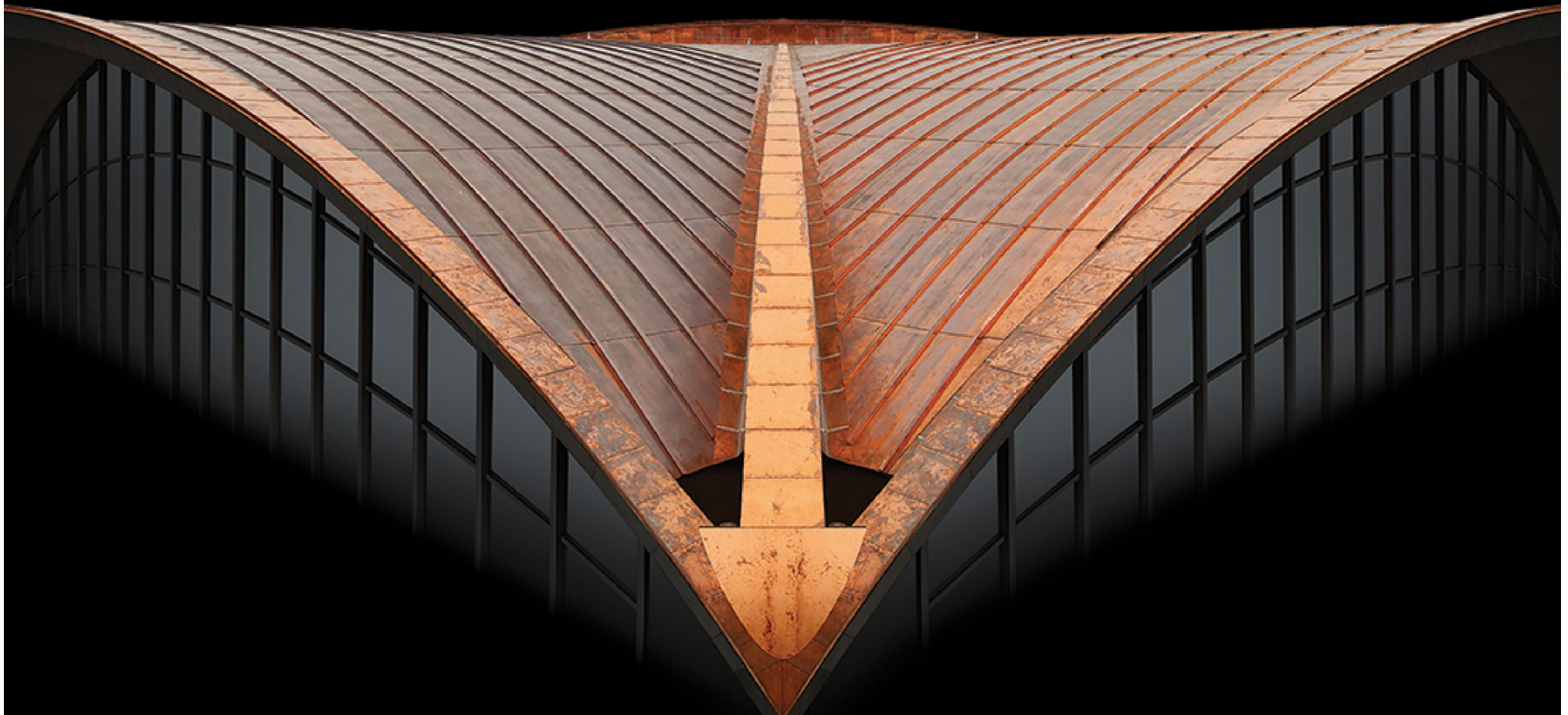
Setting the Context

The City's 11 Guiding Principles* for Exploring a Potential Airport Investment Partnership

1. Prohibition against sale of the Airport
2. Paying off all Airport-related debt in full
3. Assumption of existing leases and vendor contracts
4. Protection of existing collective bargaining agreements and future protections as outlined in the contract
5. 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 and a commitment to inclusion and diversity in hiring with a focus on minority and disadvantaged hiring
6. The pursuit of a better flying experience, additional national and international passenger flights, and more freight service that support job retention and expansion in the City and the region
7. Development of a plan for growth and development of the Airport and adjoining property
8. Prohibition against discrimination
9. A commitment to achieving long term improvements in the areas of inclusion, diversity and equality for all and the utilization of MBE/WBE contractors, subcontractors and vendors
10. Achieving the goal of improving Airport operations, eliminating bonded indebtedness of the Airport and evaluating options for a potential investment partnership
11. Using any net funds in a way that will have a dramatic and positive impact on the City and its citizens

*A public outreach project of Grow Missouri, Inc.

Airports and Infrastructure Funding



Airports and Infrastructure Funding
International Airport Public Private Partnerships

Region	Percent Private	Percent Government
Africa	11%	89%
Asia-Pacific	47%	53%
Europe	75%	25%
Latin America & Caribbean	66%	34%
Middle East	18%	82%
North America	1%	99%
World	43%	57%

Source: Airports Council International, 2018.

Airports and Infrastructure Funding

International Airport Public Private Partnerships

Airport Company	Global Rank	HQ Country	Main Airport(s)	2017 Revenue (\$M)	Privatization Status	2018 Skytrax Rank
Aena Aeropuertos	1	Spain	Madrid	4,582	Partial	43
Aeroports de Paris	2	France	Paris, CDG	4,112	Partial	37
Heathrow Airport Holdings	3	UK	Heathrow	3750	Full	8
Fraport	4	Germany	Frankfurt	3,337	Partial	10
New Kansai	12	Japan	Kansai	1863	Full	13
Airports of Thailand	15	Thailand	Bangkok	1648	Partial	36
Beijing Capital	16	China	Beijing	1422	Partial	33
TAV Airports	19	Turkey	Istanbul	1314	Full	
Sydney Airport Group	23	Australia	Sydney	1140	Full	20
Aeroporti di Roma	24	Italy	Rome	1136	Full	85
Manchester Airports Group	25	UK	Manchester	1094	Partial	
Malaysia Airports Holdings	26	Malaysia	Kuala Lumpur	1086	Partial	44
Flughafen Zürich	28	Switzerland	Zürich	1058	Partial	9
Gatwick Airport	30	UK	Gatwick	1022	Full	54
Guangzhou Baiyun	31	China	Guangzhou	1005	Partial	
Aeroportos de Portugal	35	Portugal	Lisbon	892	Full	57
Flughafen Wien	36	Austria	Vienna	856	Full	17
GMR Airports	37	India	Delhi	842	Partial	66
SEA Group	39	Italy	Milan	825	Partial	
Aeropuertos Argentina	43	Argentina	Buenos Aires	757	Full	
Copenhagen Airports	45	Denmark	Copenhagen	678	Partial	19
ASUR Aeropuertos Del Suresta	47	Mexico	Cancún	663	Full	

*Reasons Foundation: Annual Privatization Report: Aviation

Previous US Airports with P3 Applications

Table 3: Status of all Commercial Airports APPP Applications

Airport Name	Application Date	Status	Hub Type
St. Louis Lambert International Airport	2017	Preliminary application accepted	Large
Westchester County Airport	2016	Preliminary application accepted	Small
Chicago Midway International Airport	2006 and 2013	Preliminary application withdrawn	Large
Luís Muñoz Marín International Airport	2009	Final application approved	Medium
Louis Armstrong New Orleans International Airport	2009	Application withdrawn	Medium
Stewart International Airport	2003	Final application approved. No longer participates.	Nonhub
Rafael Hernández Airport	2000	Application withdrawn	Nonhub
Niagara Falls International Airport	1999	Application withdrawn	Nonhub

Source: FAA, "Airport Privatization Pilot Program," 2018.

Airports and Infrastructure Funding

US Airport Public Private Partnerships – Virtually all to date are for a portion of an airport

The FAA's Airport Investment Partnership Program (AIPP) allows for the leasing of an airport to a private operator as a means of generating access to various sources of private capital for airport improvement and development. While the program has seen few successful applications to date, with Luis Munoz International Airport in San Juan, Puerto Rico its most prominent, other forms of P3 projects aside from the FAA AIPP in the U.S. include:

Anchorage Seeking P3 for International Terminal

- Anchorage International Airport's (ANC) aim of the P3 would be to bring the terminal up to modern standards and assist in developing more international air service.

Phoenix Airport P3 RFPs Due Out This Fall

- Sky Harbor Airport is preparing requests for proposals for two P3 projects, both using the design-build-finance-operate-maintain (DBFOM) model.
- One to replace 3,000 surface parking spaces w/new parking structure; other to build and operate an upscale airport hotel.

LaGuardia Airport for new terminal B

- LaGuardia is now getting an \$8 billion overhaul.

New York's JFK Airport is seeking P3 for International Terminal

- Planning to spend \$13 billion incl. \$12 billion in private funding for improvements incl. two new international terminals.

Los Angeles International Airport is P3 for Airport Expansion

- Spending \$14 billion on a major expansion
- Public - private partnership design, build and operate the terminal's passenger train "automated people mover")

Types of Private Sector Involvement at St. Louis Lambert International Airport

Type of private involvement	Service contracts	Management contracts	Developer financing for capital investment	Long-term lease or sale
Example:	Janitorial services Landscaping Shuttle bus operations Concessions	Parking facilities Airport-wide management	Terminal development Fuel systems Cargo Solar	Airport privatization pilot program

Source: Tang, 2017

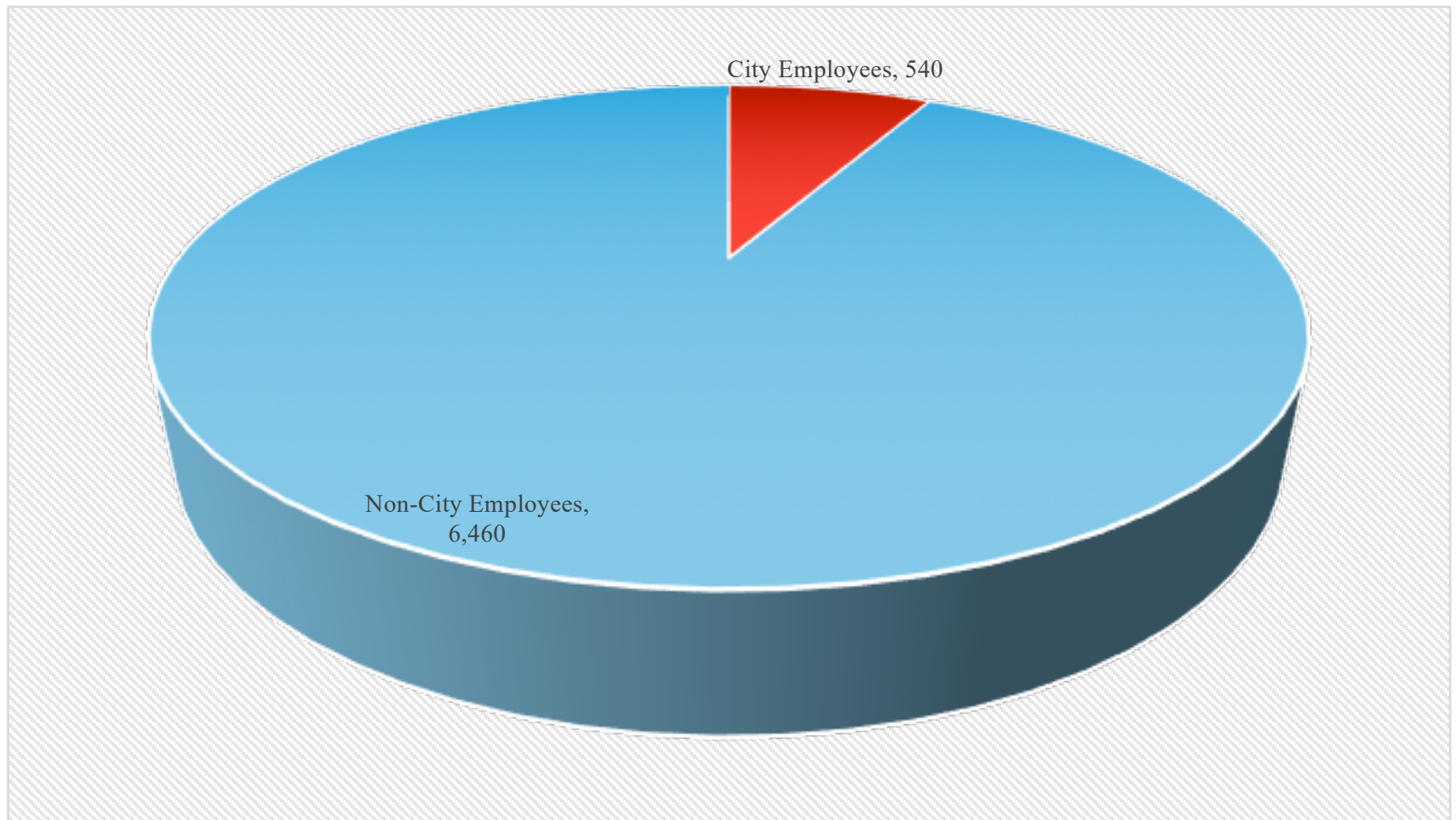
**Public Private Partnerships (P3s) in transportation are contractual relationships typically between a state or local government, who are the owners of most transportation infrastructure, and a private company. P3s provide a mechanism for greater private-sector participation in all phases of the development, operation, and financing of transportation projects.*

Airport Operations

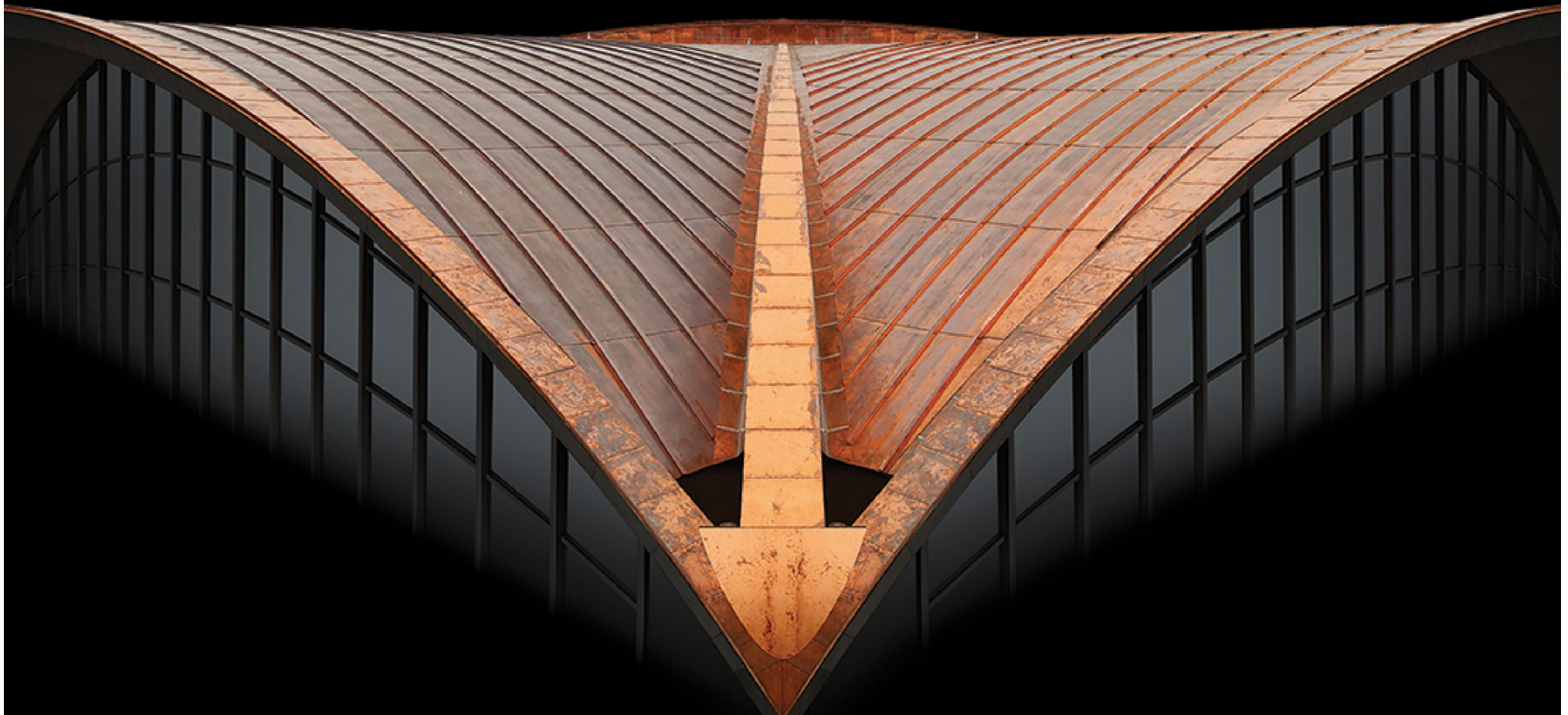
Current Employment in and around the Airport

- **7,000 employees employed at St. Louis Lambert International Airport, the Airlines and other related services**
- **540 City Employees are directly employed by the City (less than 10%)**
- **At Lambert, over 90% are third party P3 vendors and operators for security, maintenance, shoe shine, cleaning, food and beverage, retail and merchandise, rental cars, parking, etc.**

Airport Operations
Employment in Connection with Lambert Operations



St. Louis Lambert International Airport



Master Planning Requirements St. Louis Lambert International



- **FAA Master Plan updated every five to eight years**
- **Lambert is currently pursuing an Airport Layout Plan currently which addresses many of the issues required in an updated Master Plan**
- **Through the P3 process, the City has identified approximately one billion dollars of capital expenditures that it expects will be required over the next 15 years**

Needed Improvements
Needed Capital Improvements*

**Significant Capital Improvements (estimated at a billion dollars)
Estimated for next 15 years (beyond the terms of existing and next
Airline Use Agreement and beyond FAA Master Plan term) --**

Examples:

- **Taxiway paving, maintenance and improvements**
- **Stormwater infrastructure maintenance**
- **Major vehicle replacements**

(These improvements are what is required at the current service level - to increase capacity, additional capital improvements will need to be made)

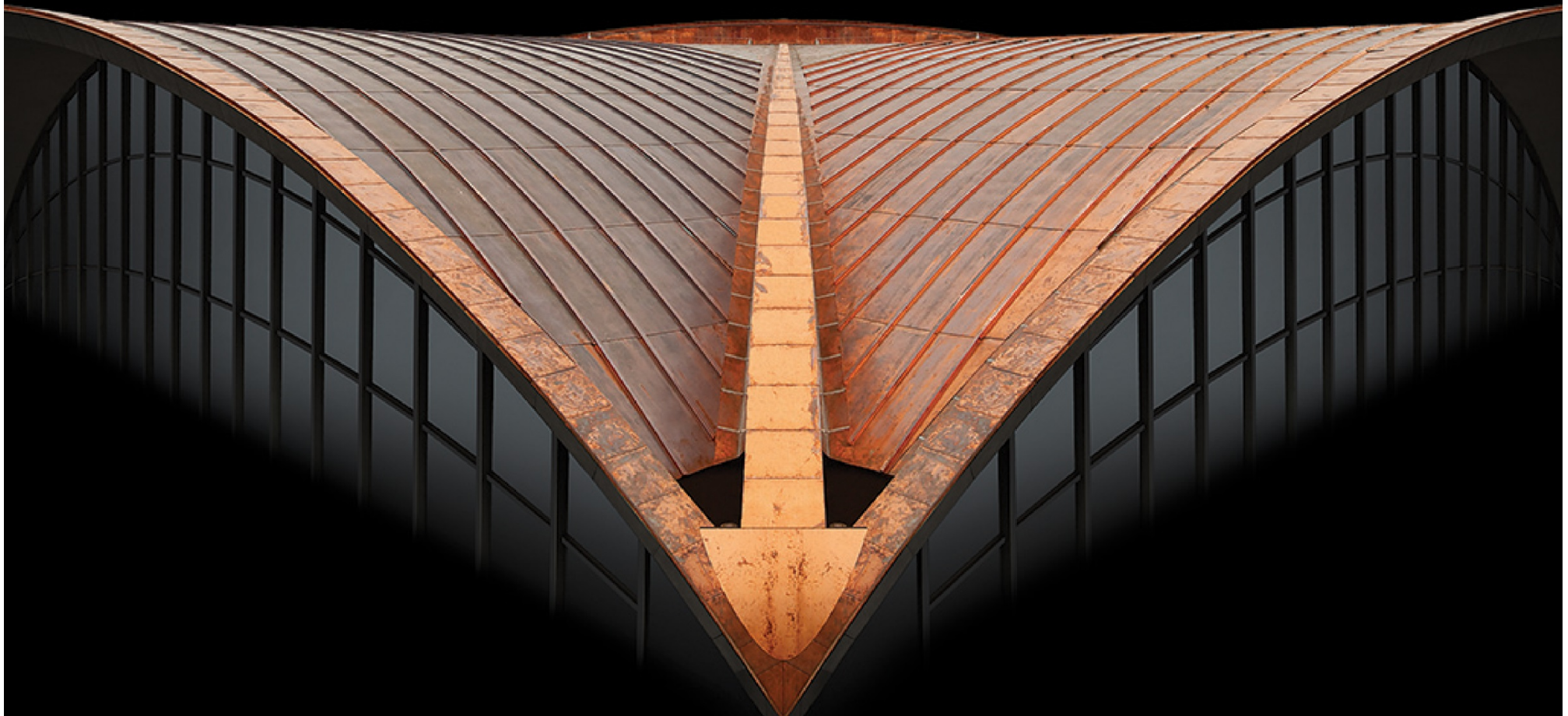
*** Needed Capital Improvements would be funded from adjustments to airline payments.**

Airline Operations

St. Louis Lambert International Airline Use Agreement (AUA)

- **Sets financial and use terms for use by the Airlines of gates, terminal, etc.**
- **Approves scope of capital expenditures, i.e. the Capital Improvements Plan (CIP), that will be funded by grants, PFC's and the Airlines**
- **In the current AUA approved in 2016, the CIP that was approved was \$170M - at this time, that number has already been increased with the approval of the Airlines to \$220M**
- **Increases in CIP require approval by a Majority in Interest (MII) of the Airlines**

**Request for Qualifications-St. Louis Lambert International Airport
Public-Private Partnership Lease**



Request for Qualifications vs Request for Proposal

Request for Qualifications (RFQ)	Request for Proposal (RFP)
<ul style="list-style-type: none">• RFQ precedes RFP• Screening process used to narrow down potential vendors• Allows vendors to show their credentials and past performance regarding their financial capabilities and previous ability to run an airport• Does not included how the work will be performed• Does not include project cost	<ul style="list-style-type: none">• Comes after RFQ• Explains project in details and the work needed• Vendor responses will include cost• Explains how the work will be completed• Will include details such as minority participation and local preferences

Request for Qualifications-St. Louis Lambert International Airport Public-Private Partnership

The RFQ consist of the following seven sections:

1. Letter from the city of St. Louis
2. Executive summary
3. The St. Louis region
4. St. Louis Lambert international airport description
5. St. Louis Lambert international airport lease process
6. RFQ submission requirements and procedure
7. Appendix - conflict of interest

Request for Qualifications-St. Louis Lambert International Airport Public-Private Partnership

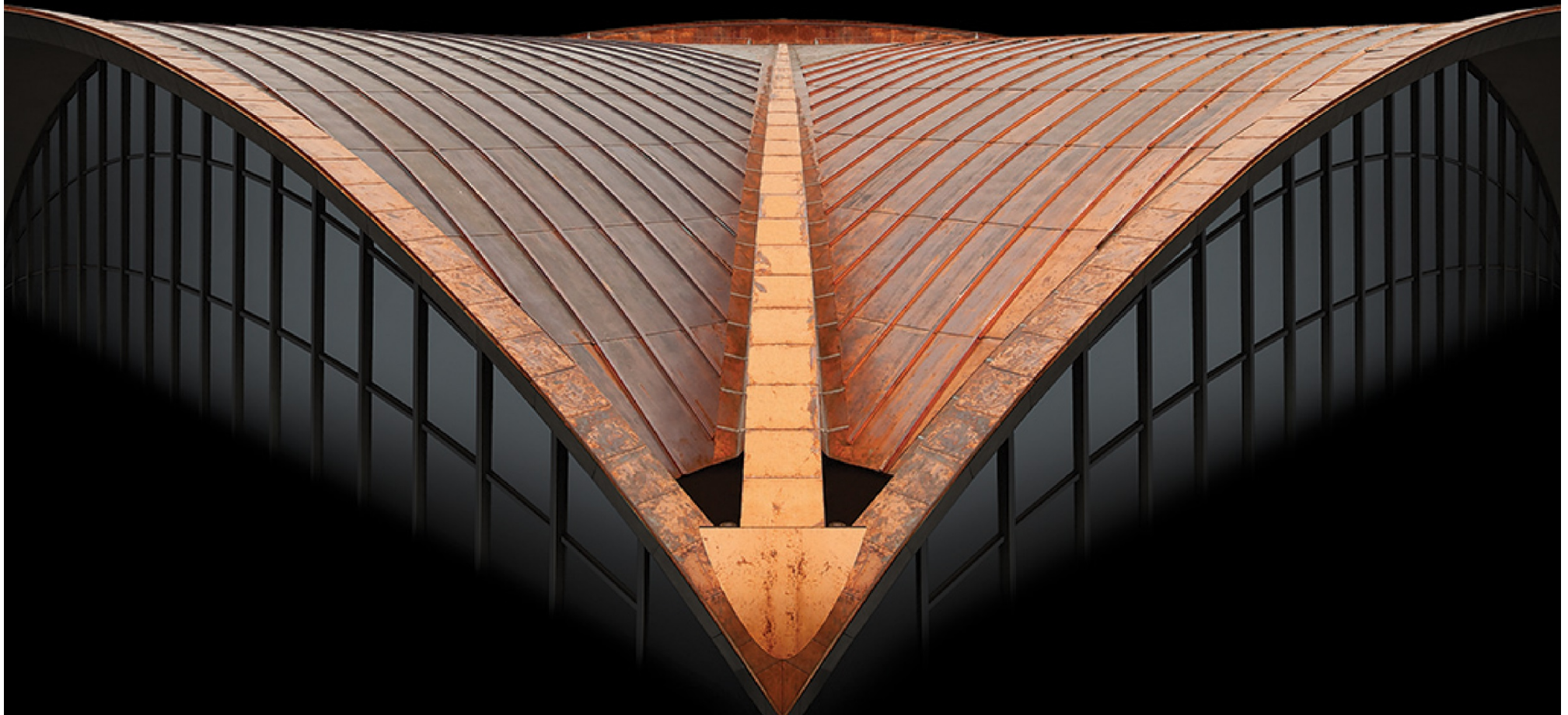
Vendor responses to RFQ will consist of the following eleven sections:

1. Cover page (to include identification of all Team members)
2. Executive summary and strategic rationale (2 pages maximum)
3. Description of Bidder
4. Operational and Management Capability
5. Financial Capability
6. Contacts and Advisors
7. Disclosure of Conflicts
8. Comparable Projects
9. Acknowledgment of the City's Priorities
10. History, summary description, case number, jurisdiction, involved parties, and resolution, if any, of any claims and litigation within the last 5 years.
11. Certification of professional and general liability insurance coverage and limits per claim and in aggregate – specify any self-insured amount and minimum coverage of \$10 million per claim, \$70 million in aggregate

How do we ensure standards remain the same at the airport?

- Creation of Airport Operating Standards
- Terms of legally enforceable Lease
- Airline enforcement
- City enforcement

Proceeds That Are Transformative to the City



Possible Use of Lease Net Proceeds ?

Proceeds for non-Airport purposes should be significant and transformative in their impact; providing the City with an opportunity to address its many service, development and capital infrastructure needs. Examples include:

1. Community and Economic Development Opportunities
2. Public Safety
3. Blight Removal
4. City reserves
5. Capital Infrastructure (bridges, streets, public buildings, etc.)

Any allocation of proceeds would still require normal appropriation process, (e.g. approvals by Board of E&A, Board of Aldermen)

SURVEY

1

What Do You Think Will Result in Transformational Change for the City?

**Fill in the Blanks*

2

What are the Top 5 Areas You Would Like to See Improved at the Airport

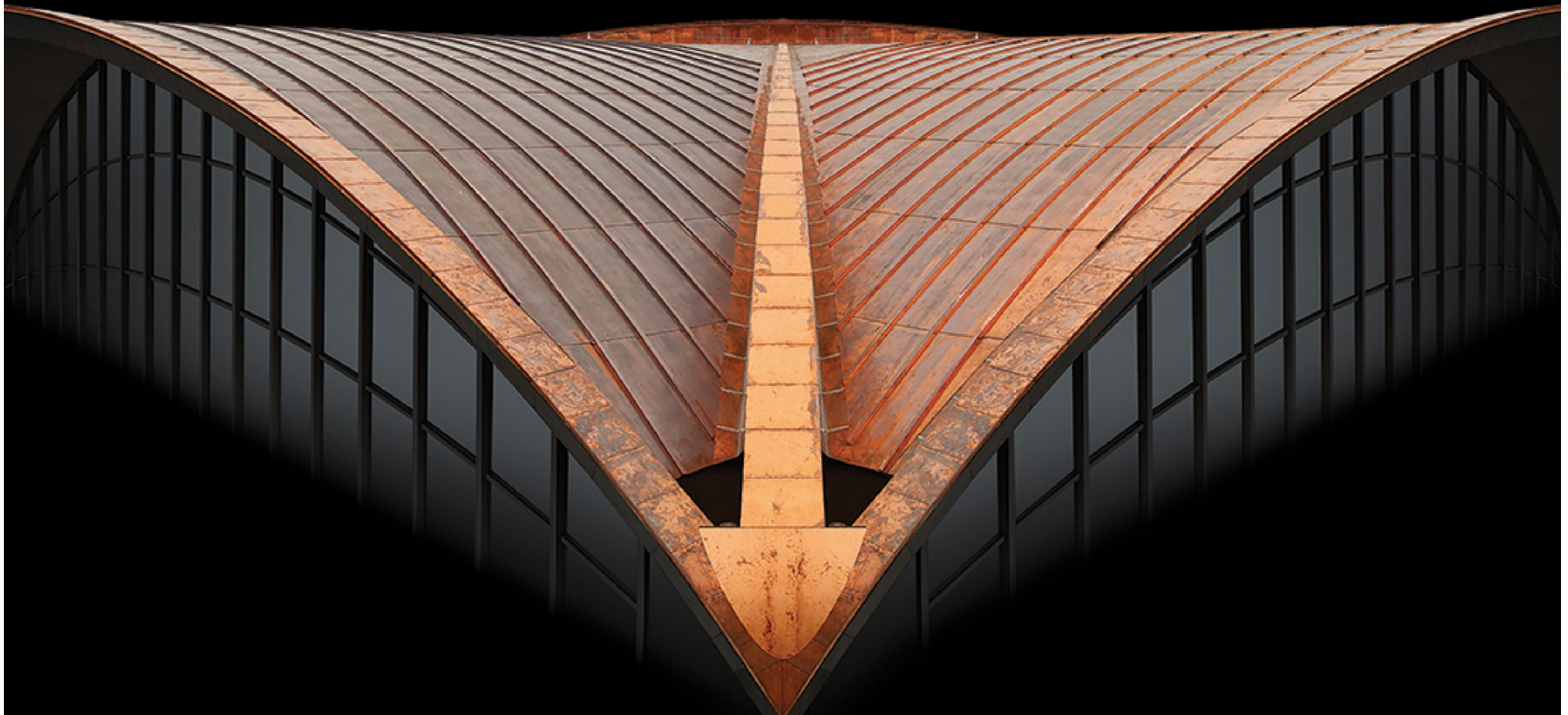
**Fill in the Blanks*

3

How should we use the 1,000 acres of vacant land to create jobs in the region?

Survey to be given in Community Meetings and Online

Process Approvals and Updated Timeline



Who Is The Working Group?

The Working Group is comprised of seven City officials assembled to manage the process and guide an advisory team in exploring a potential investment partnership between the private sector and the City of St. Louis.

- 1 Linda Martinez, Deputy Mayor for Development (Mayor's designee) *
- 2 LaTaunia Kenner, Accounting Manager (Comptroller's designee)*
- 3 Gerard Hollins, *Financial Analyst for the Board of Aldermen (President's designee) **
- 4 Paul Payne, *Director, Budget Division (Working Group designee/chair) **
- 5 Rhonda Hamm-Nieubruegge, *St. Louis Lambert International Airport Director*
- 6 Marlene Davis, *Ward 19 Alderwoman*
- 7 Mike Garvin, *Deputy City Counselor*

** Designates voting member*

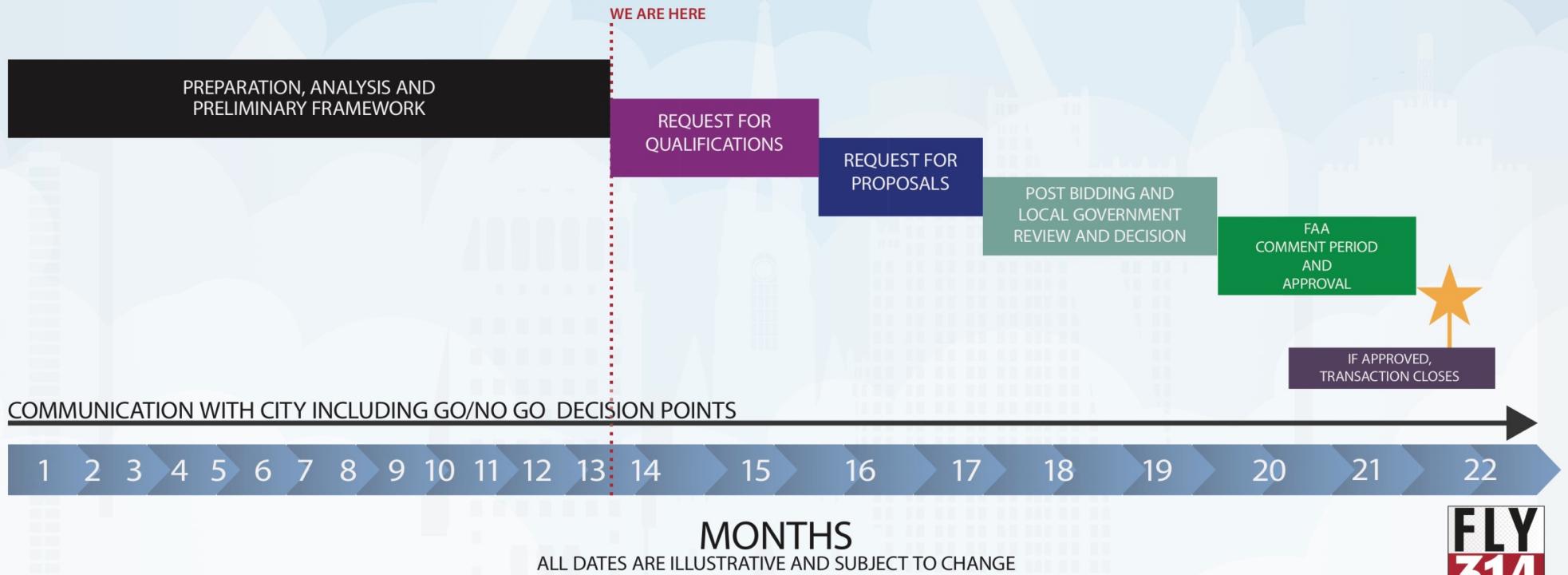
Who Approves The Process?

Any final agreement that allows a private entity to manage and operate the airport would require approval from:

- The Board of Estimate and Apportionment
- Board of Aldermen
- Federal Aviation Administration (FAA)
- A majority of operating airlines at St. Louis Lambert International Airport

OVERVIEW OF NEXT STEPS

ESTIMATED TIMELINE FOR ST. LOUIS LAMBERT INTERNATIONAL AIRPORT



Q & A

