

**ONTARIO INTERNATIONAL AIRPORT AUTHORITY
COMMISSION MEETING**

MINUTES

MONDAY, June 17, 2013

A special meeting of the Ontario International Airport Authority was held on Monday, June 17, 2013 in the City Council Chambers at Ontario City Hall, 303 East "B" Street, Ontario, CA.

Notice of said meeting was duly given in the time and manner prescribed by law.

CALL TO ORDER

Commission President Wapner called the Ontario International Airport Authority Commission meeting to order at 10:01 a.m.

ROLL CALL

PRESENT: Commissioners: Jim W. Bowman, Lucy Dunn, Gary Ovitt
and Alan D. Wapner

ABSENT: Commissioners: Ronald O. Loveridge

Also present were: Executive Director Chris Hughes, General Counsel John Brown, and Assistant Secretary Vicki Kasad.

CLOSED SESSION

Hearing no requests to speak from the public, President Wapner adjourned the meeting to Closed Session at 10:02 a.m., for discussion of the following:

- GC 54956.8, CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Property: Ontario International Airport, 2900 East Airport Drive, Ontario;
Authority Negotiator: Executive Director or designee; Negotiating parties: Los Angeles Mayor or his designee; Under negotiation: Price and terms of payment.

RECONVENE IN PUBLIC SESSION

The Ontario International Airport Authority Commission meeting was reconvened in public session at 10:27 a.m.

The Pledge of Allegiance was led by Vice Chairman Ovitt.

CLOSED SESSION REPORT

President Wapner advised that there was no reportable action from the Closed Session discussion.

PUBLIC COMMENTS

None.

DISCUSSION/ACTION ITEMS

1. Approval of Minutes

Approved the Minutes for the meetings of the Ontario International Airport Authority of April 1, 2013 and May 6, 2013, as on file with the Secretary/Assistant Secretary.

MOTION: Moved by Commissioner Bowman, seconded by Commissioner Dunn and carried by unanimous vote to approve the Minutes as presented.

2. Presentation (Update on Airport Performance and Outlook)

Nick Johnson, Johnson Aviation, provided an update on the airport's performance and the outlook for 2013. He showed a diagram depicting a comparison of passenger traffic activity and growth for medium hub airports across the U.S., noting that for the period from 2000 to 2007, Ontario was a leader for the region and the nation. He also noted that between 2007 and 2009 most airports showed minor drop offs, but in 2009 there were signs of recovery starting everywhere but Ontario. He stressed that ONT did not follow the trend as it was not part of the general economic recovery that had occurred in the City and the region overall. He further reviewed activity levels for competing airports in the region, noting that John Wayne Airport continued to grow in spite of passenger caps, Long Beach had a slight downturn but was living up to its market potential, and Palm Springs was coming along steadily. He also discussed that ONT and Burbank are seeing much the same lack of growth pattern, but Burbank is working hard to improve their situation and convincing carriers that their costs are competitive.

Mr. Johnson showed tables projecting that the annual passenger level at Ontario Airport will decline to below four million in 2013 while LAX, Long Beach and Palm Springs airports continue their growth trends. He explained that the projections were based on the number of seats available contrasted with the filled seats. He indicated that LAX is very close to reaching its high-water mark, Burbank is still a

little low, Long Beach is seeing a little bit of a decline, John Wayne is continuing to grow, and Palm Springs is staying about even. He further indicated that at ONT the number of seats available will continue to decline. He noted that looking back, the last time Ontario was in the black was in March of 2008. Mr. Johnson then showed the trends by carrier and noted Southwest was leveling off, but Delta, United and Aeromexico were continuing to cut service. He stressed the need for recovery by those carriers to provide a full service airport, noting that almost 70% of the flights have come off the airport since 2007.

Commissioner Bowman noted the breakdown of market share as of 1990 and commented that while Ontario's market share was at the 1990 level, LAX's market share had exceeded the 1990 level. He suggested that LAX had grown at the cost of the region.

President Wapner questioned the current cost per enplaned passenger, and whether it was still cheaper at LAX. Mr. Johnson indicated he could look it up, but the margin was narrowing.

Commissioner Dunn questioned how much John Wayne airport had impacted Ontario. Mr. Johnson responded that the impact was de minimus as John Wayne has a passenger cap which has gradually ratcheted up. He indicated that from 2001 forward, John Wayne has been between ten and eleven percent of the market. Mr. Johnson indicated that considering the totality of all of the airports there is an equilibrium because there are not big changing factors as to who goes to which airport; it takes policy changes to make those things happen. Commissioner Dunn noted that John Wayne Airport just added international flights and are adding Washington, D.C. She also addressed slide three and questioned how Burbank is working "very hard" to get back their market share from LAX. Mr. Johnson indicated that Burbank has its own airport authority, shares a lot of the same catchment area with LAX, and is pretty price and travel sensitive. For that reason they have worked closely with the carriers to point out the cost advantages and directly with the travelers to point out the convenience factor as compared to using LAX. Commissioner Dunn inquired what we should be learning from Burbank. Mr. Johnson indicated that it takes market analysis and focus, along with tried and true points of working with the airports and carriers. Commissioner Dunn questioned the ownership of Burbank airport. Mr. Johnson indicated that Burbank owns and operates the airport, and offered to share the market analysis done by Burbank with the Board. Legal Counsel Brown inquired if Palm Springs was making similar efforts. Mr. Johnson confirmed, noting that very targeted marketing incentives are necessary in Palm Springs.

President Wapner suggested and inquired if both Burbank and Palm Springs have been beneficiaries of Ontario's lost passenger count. Mr. Johnson concurred. President Wapner commented that Ontario's capacity is twelve million and this year will dip under four million passengers. He questioned the minimum operating costs and the tipping point for survival of the airport. He stressed that people need to understand that the airport cannot survive the continuing steep downward spiral, and suggested that any day a decision by a carrier to leave could mean the demise of the airport. He inquired of Executive Director Hughes if it was known what the minimum operating expense is just to keep the lights on. Executive Director Hughes reminded the Board that at one point LAWA had suggested closing one of the terminals. He suggested that in the future that might make sense if the decline continues, but noted that at this time it was difficult to get anyone to give a drop dead number. President Wapner questioned using their reported operating costs and calculating the number for ourselves. Executive Director Hughes indicated that there were still steps LAWA could take, but he could look at the numbers cautiously while hoping for local control.

Vice President Ovitt inquired about the LA Charter and how it reads with regard to separating Ontario from LAX. He also questioned the convenience and cost factors between the various airports, noting that John Wayne is more appealing simply because it is not LAX. Mr. Johnson indicated that those are factors to be considered in an air service analysis. Vice President Ovitt commented that Orange County does well in controlling the airport and how much it can grow.

President Wapner noted that some airlines are trending toward reducing the size of the planes, and Southwest has been cancelling flights. He inquired about the impact if we were to lose the Palm Springs flights and if carriers would move the 737s to another airport. Mr. Johnson suggested that trends indicate air carriers would try to fill the unfilled capacity. President Wapner questioned the average load count at Ontario airport. Mr. Johnson replied that he could provide that information to the Board.

President Wapner thanked Mr. Johnson for the updated outlook on the airport.

COMMISSIONER MATTERS

President Wapner recalled the discussion at the last meeting regarding correspondence with the City of Los Angeles. He stated that he sent a letter to Los Angeles and requested that they consider meeting with this body, which was rudely declined as an opportunity for Ontario to put down Los Angeles. He clarified that this exchange of correspondence occurred before the City's lawsuit was initiated. He further noted that LA expressed no interest in coming to Ontario, but yet LA Mayor Villaraigosa met with the Chinese President in Ontario. President Wapner continued by discussing a letter from Mayor Villaraigosa indicating that he was interested in reopening negotiations for his last week in office, if Ontario dropped its lawsuit; to which Ontario responded that it would not drop the lawsuit.

Commissioner Bowman noted that he and Executive Director Hughes had been at the airport and observed a long line of people waiting to go through a TSA station that was abandoned and not staffed. He stressed that marketing and customer service are everything. He also noted that the outside of the airport is atrocious with weeds around Terminal Four, which does not make a good statement about the asset. He commented that this confirms that Los Angeles, so far away, does not care about Ontario.

Commissioner Dunn shared a recent conversation with Gary Toebben, CEO of the Los Angeles Area Chamber of Commerce and Paul Granillo, CEO of the Inland Empire Economic Partnership, noting that they will start meeting regularly to discuss business community support for the airport.

STAFF MATTERS

Executive Director Hughes recounted the discussion at the last meeting with regard to the local impacts of the federal sequester and FAA, and indicated that the issue had been cleared up and there was no further issue with the tower closing.

ADJOURNMENT

President Wapner adjourned the Ontario International Airport Authority Commission meeting at 11:13 a.m. to the next regularly scheduled meeting on Monday, July 1, 2013.

Respectfully submitted:



ASSISTANT SECRETARY

APPROVED:

A handwritten signature in black ink, appearing to read "Alan D. Wapner", is written over a horizontal line.

ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY