



Council Communication

Office of the City Manager

Date May 21, 2007

Agenda Item No. 52

Roll Call No. 07-

Communication No. 07-287

Submitted by:

Craig Smith, A.A.E. - Aviation Director

Allen McKinley - Finance Director

AGENDA HEADING:

Hearing on Fixed Base Operator Lease and Agreement with Elliott Aviation of Des Moines, Inc. for Services at the Des Moines International Airport.

SYNOPSIS:

The Airport is required by the Federal Aviation Administration (FAA) to provide certain services to its users. The Airport has historically contracted for those services that are typically provided by a Fixed-Base Operator (FBO). The Airport currently has two entities providing full FBO services. Elliott Aviation of Des Moines, Inc. ("Elliott") is currently providing such services under an agreement executed in 1982. The current agreement expires in 2012, but the Airport and Elliott are interested in a new, long-term agreement as a result of plans for significant investment on Elliott's part at the Airport.

FISCAL IMPACT:

Amount:

The agreement calls for Elliott to continue under the existing lease rate terms (\$69,058 annually) until December 31, 2011, and then pay \$220,000 annually beginning January 1, 2012. The base lease rate shall be adjusted for changes in the Consumer Price Index every two years thereafter.

Funding Source:

Revenue will be generated within the Airport Enterprise Fund and will be credited towards the Airport's general operating fund (Fund EN002, Org AIR040100) to offset ongoing expenses.

ADDITIONAL INFORMATION:

On February 1, 1982, by Roll Call, No. 82-444, City Council approved a twenty-year Lease Agreement with Elliott Flying Services for certain premises, facilities and rights at the Des Moines International Airport. The Agreement contained two (2), five-(5) year options that, as exercised, extends the Agreement until January 31, 2012.

On April 1, 1991, by Roll Call, No. 91-1318, City Council approved a First Amendment to the original Agreement modifying certain terms of the original Agreement.

On May 6, 1996, by Roll Call, No. 96-1666, City Council approved the assignment of the Agreement from Elliott Flying Service, Inc. to Elliott Aviation of Des Moines, Inc (“Elliott”).

On October 21, 1996, by Roll Call 96-3581, City Council approved a Second Amendment to the original Lease Agreement allowing for the construction of temporary above ground fuel storage tanks to comply with Federal and State regulations. Elliott ultimately installed underground fuel storage tanks in compliance with existing regulations.

Airport Staff and Elliott representatives have been working together for nearly two years to negotiate a new Agreement. While the negotiations on the Agreement took longer than anticipated, all parties were ultimately able to reach an agreement on all terms of a Fixed Base Operator and Lease Agreement. This new Agreement anticipates that Elliott will construct a new \$5.6 million FBO facility and hangar building.

In recognition of the substantial investment, the lease will continue for thirty years beyond the expiration of the current agreement until December 31, 2041. Additional options are available that could extend the expiration date until December 31, 2047. Due to the length of the proposed Agreement, it requires ultimate approval from the City Council.

As part of lease negotiations, Elliott has indicated a desire to finance the construction of the new improvements with bonds using the City’s status as a non-taxable entity. They have worked successfully to obtain this type of financing for their facility in Moline, IL. The City has agreed to participate if feasible, permissible under law, and action does not burden the City with additional liability or obligation. Under the proposed financing, Elliott will be responsible for all transaction costs and be solely responsible for payments. No liability will accrue to the City’s (Airport’s) financial positions as a result.

All the necessary documents which will outline the exact structure of the financing are being discussed and drafted, however, approval of this Lease Agreement does not require their completion. Rather, the financing documents are contingent on the Lease Agreement being in place.

If the financing mechanism described above is ultimately not acceptable to either party, the Lease Agreement allows for either 1) Elliott to complete the building project using its own financing sources, or 2) Elliott to decide against construction of the new building and the lease expires on its own accord at the end of 2011.

PREVIOUS COUNCIL ACTION(S):

Date: May 7, 2007

Roll Call Number: 07-866

Action: Set Date of Public Hearing for Approval of a Fixed Base Operator Lease and Agreement with Elliott Aviation of Des Moines, Inc for Services at the Des Moines International Airport.

Date: October 21, 1996

Roll Call Number: 96-3581

Action: Second Amendment to Lease Agreement with Elliott Aviation of Des Moines, Inc. allowing temporary above-ground fuel storage facilities at Airport Leased Premises. (Council Communication No. 96-449). Moved by McPherson to adopt. Motion Carried 7-0.

Date: May 6, 1996

Roll Call Number: 96-1666

Action: Reassignment of Lease Agreement with Elliott Flying Service, Inc., to Elliott Aviation of Des Moines, Inc. (Council Communication No. 96-186) Moved by Hensley to adopt. Motion Carried 6-1. Absent: Vlassis.

BOARD/COMMISSION ACTION(S):

Date: May 1, 2007

Resolution Number: A07-85

Action: Recommend Approval Fixed Base Operator Lease and Agreement with Elliott Aviation of Des Moines, Inc. for Services at the Des Moines International Airport.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

Proposed FBO Facility and Hangar Building:





