 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: January 10, 2011
	Agenda Item No. 54 Roll Call No. <u>11-0064</u> Communication No. <u>11-016</u> Submitted by: Richard A. Clark, City Manager and Donald Smithey, Aviation Director

AGENDA HEADING:

Resolution Closing Hearing on Proposal to Create Airport Authority

Adopting Ordinance Creating the Des Moines Airport Authority

SYNOPSIS:

Recommend closing hearing on creation of an Airport Authority and adoption of ordinance creating an authority as outlined herein.

FISCAL IMPACT: NONE

Amount: There would be little or no fiscal impact on the city.

Funding Source: N/A

ADDITIONAL INFORMATION:

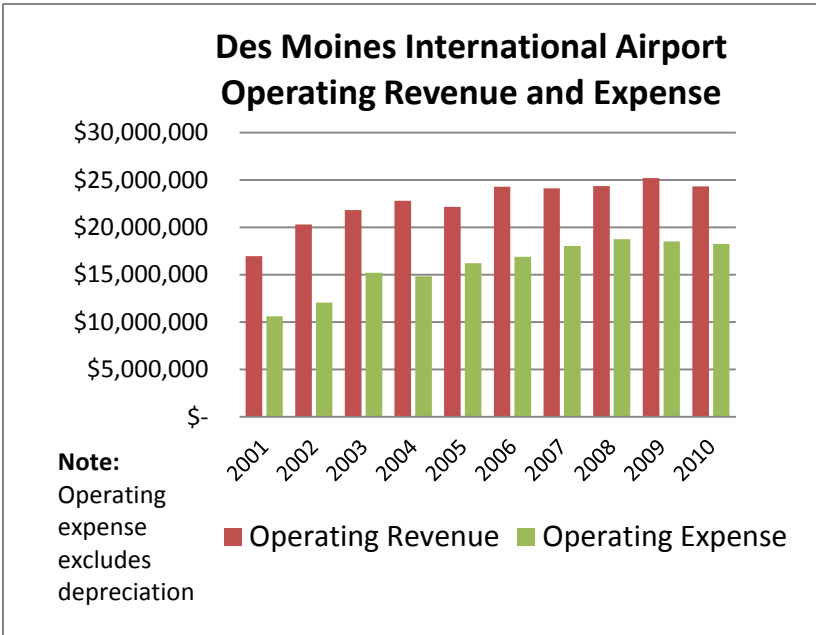
Authority Governance Benefits

A study conducted by the International City/County Management Association (ICMA) found that the number of commercial airports governed by authorities has been steadily increasing over the last 40 years. As reported in Airport Cooperative Research Program, “Airport Governance and Ownership”, *Legal Research Digest*, August 2009, airports changing to the authority governance have experienced many efficiencies by having a business principled operation.

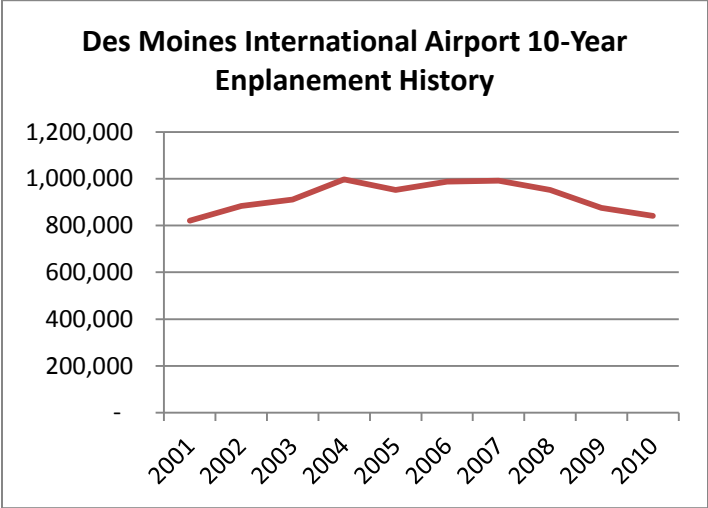
The establishment of an airport authority could positively impact the ability to improve services at the airport, including the recruitment of additional airlines. Currently, the Des Moines International Airport averages 60 departures per day with eight primary airlines. Attached to the roll call is a letter of support from Blaine Peters, Chair of the Airline/Airport Affairs Committee, regarding the airlines’ support of the creation of an aviation authority.

The focus of the authority would be to plan, operate, and develop air transportation facilities at reasonable costs for the benefit of the public. The authority would be able to act and react quickly to changes in the aviation industry, taking advantage of new opportunities that arise and react to fast changing security requirements. Included below is historical data regarding operating revenue and

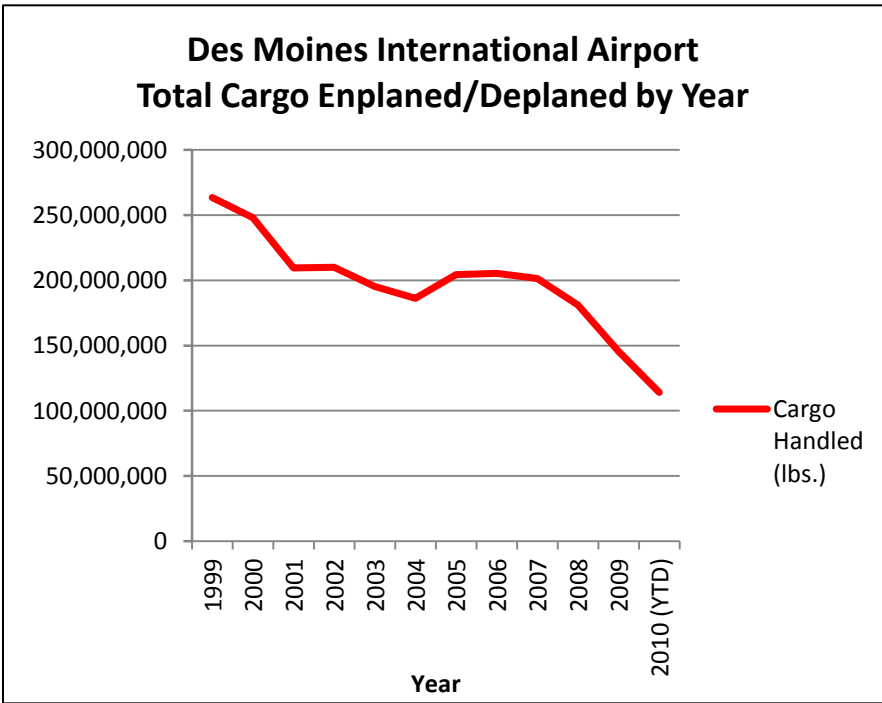
expenses, enplanements, cargo, and total aircraft operations at the Des Moines International Airport over the last 10 years. Attached to the roll call is information regarding airline fares for the most popular destinations out of the Des Moines International Airport in comparison to Omaha and Kansas City Airports.



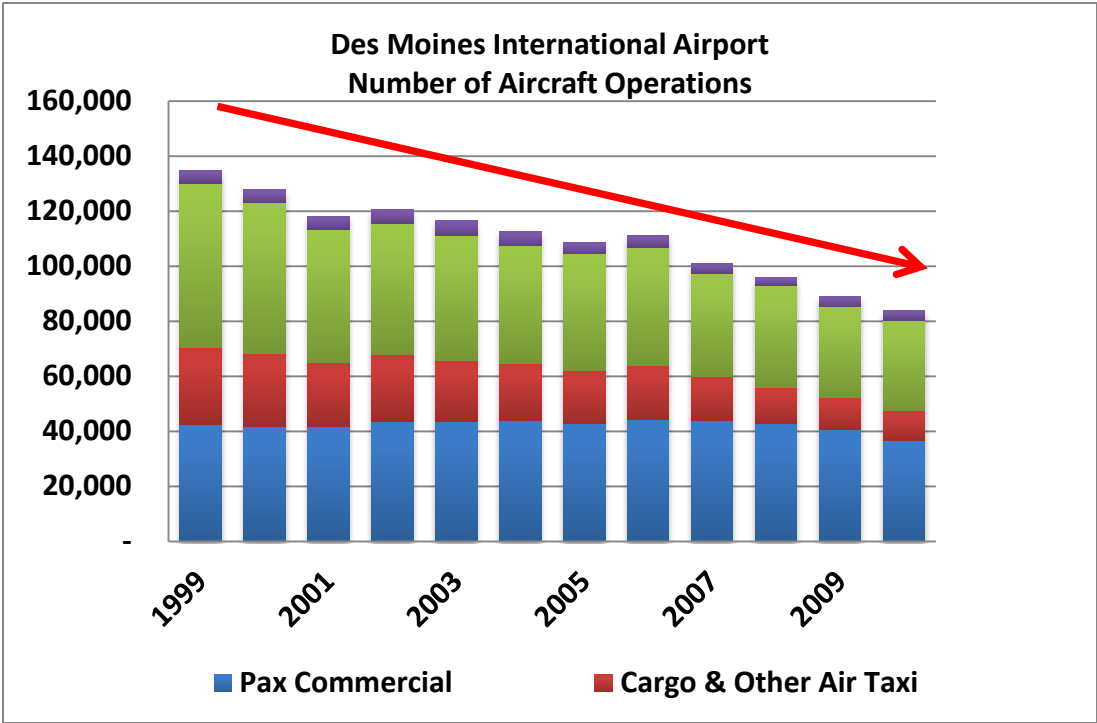
Fiscal Year	Operating Revenue	Operating Expense	Depreciation (included in expense)	Operating Expense (excluding Depreciation)
2001	\$ 16,960,611	\$ 15,891,434	\$ 5,261,977	\$ 10,629,457
2002	\$ 20,298,547	\$ 18,463,081	\$ 6,402,499	\$ 12,060,582
2003	\$ 21,848,472	\$ 22,060,572	\$ 6,850,506	\$ 15,210,066
2004	\$ 22,811,947	\$ 21,855,842	\$ 7,007,001	\$ 14,848,841
2005	\$ 22,167,875	\$ 23,214,191	\$ 6,996,014	\$ 16,218,177
2006	\$ 24,314,750	\$ 24,514,873	\$ 7,616,767	\$ 16,898,106
2007	\$ 24,134,010	\$ 27,413,599	\$ 9,381,011	\$ 18,032,588
2008	\$ 24,377,012	\$ 29,192,765	\$ 10,451,871	\$ 18,740,894



Year	Total Enplanements
2000	876,018
2001	820,741
2002	883,190
2003	911,063
2004	997,655
2005	951,604
2006	987,907
2007	992,059
2008	952,152
2009	875,625
2010	840,649



All Carriers	
Calendar Year	Cargo Handled (lbs.)
1999	263,491,798
2000	248,096,363
2001	209,518,314
2002	210,035,907
2003	195,328,517
2004	186,222,815
2005	204,369,161
2006	205,274,902
2007	201,526,176
2008	181,182,388
2009	145,495,008
2010 (YTD)	114,179,490



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Pax Commercial	42,247	41,723	41,497	43,601	43,628	43,704	42,734	44,214	43,918	42,738	40,557	36,501
Cargo & Other Air Taxi	27,977	26,483	23,459	24,397	22,018	20,988	19,341	19,789	16,069	13,186	11,801	11,010
General Aviation	59,847	54,889	48,418	47,316	45,360	42,742	42,402	42,754	37,326	36,967	32,768	32,866
Military	4,742	4,573	4,694	5,201	5,357	5,064	3,989	4,343	3,512	2,941	3,862	3,537
Total Operations	134,813	127,668	118,068	120,515	116,363	112,498	108,466	111,100	100,825	95,832	88,988	83,915

Recommendations

- The City Manager and Aviation staff recommend that the agreement between the City and the authority provide that the authority and the City Council meet in joint session at least once annually to exchange information and provide input on matters of mutual interest.
- An annual report to the Council would contain a description of finances, significant changes at the airport, and success indicators. These indicators would monitor progress of the airport under the Authority and would include: operating efficiencies and controlling costs, increased revenues, additional airlines and lower fares, and an update of the airport master plan. Specific items include:
 1. Aviation Director to continue pursuit of airline service improvements and lower fares for passengers.
 2. Update Master Plan for terminal and cargo areas.
 3. Realign airport management staff to improve efficiency to changing airport challenges.
 4. Increase and maintain cash reserves to provide flexibility and financial security.
 5. June 2013: Negotiate new airline lease and use agreements to be more compatible for airport and airlines. Reduce airports “cost per enplaned passenger“ to a lower level.
- The authority would act as a policy making entity and hire an executive to oversee day-to-day operations and all aviation staff. The City will need to assign its interests in all agreements, leases and contracts to the authority.
- The authority would continue to contract services from the City thus mitigating financial budget impact on City’s General Fund budget. It is anticipated that revenue payments to the City, including payments in lieu of taxes, would continue and would be in compliance with all FAA requirements.
- City of Des Moines would be the only participant of the authority and would appoint all board members in accordance with Iowa statutes. The Council will retain the right to abolish the authority.
 - The board shall consist of five members, nominated by the Mayor and appointed by Council. The terms of board members shall conclude on June 30 of the year in which their terms expire. It is recommended that the process retain qualifications of current City code §22-47 for board members; “Members should have expertise in aviation, business, accounting, finance, marketing, engineering, law, real estate development, management or other fields of value to the operation of the airport”.
 - The nomination process to establish the initial board would be for each Council member, including the Mayor, to submit two nominations creating a pool of 14 nominees from which the Mayor would make a nomination to the Council for appointment. To fill

subsequent board vacancies, each council member, including the mayor, would make one nomination creating a pool of seven nominees from which the Mayor would then make a nomination to the Council for appointment.

- The Mayor will be required to make a nomination to Council for appointment to the board at least four weeks prior to the expiration of the position. If the Mayor has not made a nomination within this timeframe, members of the City Council may make a nomination at the meeting prior to June 30th. If there is a vacancy that occurs outside of the terms of expiration, the Mayor will have 30 days from notice to fill the position on the board. If the mayor has not made a nomination within that timeframe, the City Council may make a nomination to the board at the next Council meeting.
- The authority would honor all employee union contracts. The authority would continue to use PamTechs; however, they will remain employees of the city.
 - The Aviation Director has met with bargaining group leaders representing airport employees to assure them that their agreements would be honored by the Authority and benefits would not change. Representatives from the Municipal Employees Association (MEA), Supervisory, Professional, or Management (SPM), Central Iowa Public Employees Council (CIPEC) and Teamsters Local 90 were in attendance.
- The authority would have no taxing power.

PREVIOUS COUNCIL ACTION(S):

Date: December 20, 2010

Roll Call Number: [10-2115](#)

Action: [Regarding](#) intent to create the Des Moines Airport Authority. ([Council Communication No. 10-741](#)) **Moved by Hensley to receive, file and refer to the City Manager to recommend criteria to be used to evaluate the Authority, and to recommend a process for all Council Members to submit names to be considered for appointments to the Authority. Motion Carried 6-1. Nays: Meyer.**

Date: October 25, 2010

Roll Call Number: Council Workshop

Action: Proposed Des Moines Airport Authority Presentation given by Aviation Director Donald Smithey

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Pass ordinance creating an airport authority pursuant to Iowa Code chapter 330A.

Approve documents transferring the airport to the authority and providing for purchase of City services for the authority.

Obtain FAA approval of all the above.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.