

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: September 12, 2011
	Agenda Item No. 32 Roll Call No. [_____] Communication No. <u>11-596</u> Submitted by: Don Smithey, Aviation Director

AGENDA HEADING:

Approve Iowa Department of Transportation’s Air Service Development Sustainment Program Grant in an Amount Not to Exceed \$20,000.

SYNOPSIS:

The Office of Aviation has created an Air Service Sustainment Grant Program (Project # 9I120DSM135). It calls for the State to match the Des Moines International Airport’s (DSM) (sponsor) 20% investment with an 80% match to a maximum of \$20,000. Therefore, DSM can receive \$20,000 in reimbursable funds by matching it with a \$5,000 investment. Education, advertisement and marketing are legitimate uses of the Sustainment Grant monies. The Grant-supported initiative would run approximately November 2011-June 2012.

FISCAL IMPACT:

Amount: The grant calls for the DSM Airport to make a \$5,000 matching investment.

Funding Source: Fund - EN002, Organization # - AIR 010100.

ADDITIONAL INFORMATION:

Commercial air service plays a key role in quality of life issues and economic development in the state of Iowa. The Des Moines International Airport (DSM) creates \$522 million in yearly economic impact, while supporting more than 5,000 jobs with an annual payroll exceeding \$210 million. Commercial air service from DSM connects Iowans with the rest of the world and drives the elements of commerce.

The Iowa Department of Transportation’s (IDOT) Office of Aviation commissioned the 2008 Iowa Air Service Study. That study found 500,000 Iowa passengers are traveling to out-of-state airports to start their air travel experience. The industry refers to this as “leakage”. The state of Iowa loses considerable revenue through leakage. Reducing leakage will not only return revenue but also assist in future commercial air service enhancements. Due to this leakage situation, the IDOT has a grant program in place to assist commercial airports with marketing and advertising monies to assist in sustaining enplanement levels.

The ability to expand an airport’s catchment area could very well lead to increased enplanements. During this volatile economic environment, low fares are the best way to attract passengers. DSM has four low fare carriers to market to passengers. In a continuing effort to attract what enplanements there are out there, the airport would use these funds to market DSM to potential passengers in all of central

Iowa. These are customers that historically may use out-of-state airports for low fares. If they were aware of the low fares, low parking rates and no-hassle experiences at DSM, they may be more apt to fly out of the Des Moines International Airport.

If enplanements do increase, it could lead to a positive fiscal impact on the City of Des Moines. As people travel here from out-of-town, they would buy fuel, possibly stay in hotels/motels, purchase food and spend money at the airport. The amount of fiscal impact is impossible to estimate. The average expenditure at the airport per enplanement is \$20-\$22.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Airport Board

Date: September 6, 2011

Resolution Number: A11-150

Action: Recommend Approval of the Iowa Department of Transportation (IDOT) Office of Aviation Air Service Sustainment Grant Program in an Amount Not to Exceed \$20,000 Moved by Mr. Hansell to adopt. Motion carried: 5-0-0-2

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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