



Roll Call Number

Agenda Item Number

45

Date April 09, 2007

**Receive and File the Annual Report of the Des Moines
International Airport for the year ended June 30, 2006**

WHEREAS, on September 20, 1993, by Roll Call No. 93-3490, the Des Moines City Council approved Ordinance No.12,040, assigning certain rights and responsibilities pertaining to the Airport to the Des Moines International Airport Board (hereinafter called the "Airport Board"), including the responsibility to prepare and deliver to the City Council an Annual Report covering program activities and financial status within one hundred and twenty days after the end of the fiscal year; and

WHEREAS, on September 7, 1994, by Resolution No. A94-234, the Airport Board directed that an Annual Report be prepared in simple, easy to read format; and

WHEREAS, on March 6, 2007, by Resolution No. A07-50, the Airport Board approved the FY 2005/06 Annual Report and authorized its submittal to City Council;

WHEREAS, the Annual Report has been prepared and is complete: NOW, THEREFORE,

BE IT RESOLVED, BY THE CITY COUNCIL OF DES MOINES, IOWA:



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Date April 09, 2007

That (1) the FY 2005/06 Annual Report be received and filed and (2) the letter from the Airport Board Chairperson be received and filed.

(Council Communication 07-198 is attached.)

Moved by _____ to adopt.

Approved as to form:

David A. Ferree
Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				
MOTION CARRIED	APPROVED			

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

Mayor

City Clerk

45

March 12, 2007

The Honorable Mayor and Members of
the Des Moines City Council
400 Robert D. Ray Drive
Des Moines, IA 50309

RE: FY06 Airport Year in Review Report

Dear Mayor and Members of the City Council:

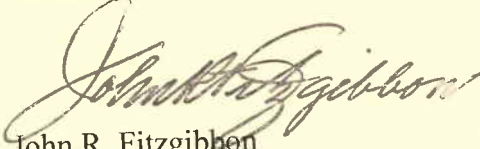
Section 2-362.03(ix) of the City of Des Moines Municipal Code, which establishes the Des Moines International Airport Board, requires the Board to:

"Prepare and deliver to the City Council an annual report covering program activities and financial status"

The operational, physical, and financial status of the Des Moines International Airport, as reflected in Airport records and City financial reports, are set forth on the following pages. The report was approved by the Airport Board on March 6, 2007, by Resolution No. A07- . Official records regarding the Airport Enterprise Fund are maintained by the City's Financial Department.

We hope you find this report informative. Should you have questions regarding this report, please contact me or Aviation Director Craig S. Smith.

Sincerely,



John R. Fitzgibbon
Airport Board Chairperson

JRF:trs

Enclosure

cc: Airport Board Members
Richard A. Clark, City Manager



DES MOINES INTERNATIONAL AIRPORT
DEPARTMENT OF AVIATION, ROOM 201
5800 FLEUR DRIVE
DES MOINES, IOWA 50321-2854
(515) 256-5100

ALL-AMERICAN CITY
1949, 1976, 1981
2003

Year in Review

July 1, 2005 - June 30, 2006



Cessna Airlift

As part of the 2006 Special Olympic USA National Games held in Ames, the Des Moines International Airport hosted one of the largest private airlifts in US history. Conducted on the Saturdays prior to and immediately following the games (July 1 and July 8), the Cessna Airlift provided landing and takeoff of over 230 Cessna Citations carrying athletes and coaches from all over the country. During each day, an aircraft landing or takeoff occurred every 60-90 seconds and more than 1,800 athletes were transported. The operating activity levels at DSM those days exceeded that of major U.S. airports such as New York's LaGuardia. The all-volunteer effort, led nationally by the Cessna Corporation and locally by Anderson-Erickson Dairy and others, was orchestrated to perfection by the a multitude of helpers, including Aviation Department staff and Airport tenants who relocated operations and assisted in numerous ways. Great planning by staff, volunteers, and administrators made for an event that literally went off without a hitch.

"There are not enough words in the dictionary to adequately express our appreciation for everything this team did to make the 2006 Citation Airlift a tremendous success. ... There is absolutely no question that this airlift was the best ever and will always be the best – unless, of course, we do it again in Des Moines."

- Marilyn Richwine, Cessna Corporation Event Coordinator



THE BEAT GOES ON

The Des Moines International Airport (DSM) recorded its second-best enplanement year ever in 2005. The carriers that operate from our Airport boarded 951,604 passengers for the calendar year. That is bested only by 2004's near-one million mark. Thus far in 2006, we are about 10,000 enplanements ahead of last year's pace. And the beat goes on.

Because of our impressive enplanement increases in recent years, central Iowa air travelers are being rewarded with enhanced commercial service. Comair, the Delta Connection, started flying to Salt Lake City again and American Eagle started service to New York's LaGuardia Airport. Both services are wonderful for our community and bring the non-stop destination total to 17 cities.

Cargo-handling took a significant uplift in 2005. Our airport cargo handlers moved more than 200 million pounds for the first time since 2002. DSM outpaced the rest of the nation by double digits.

We saw the expansion of the security screening checkpoint completed. With four lanes now available at our passenger screening checkpoint, and a renewed effort by our TSA partners, DSM now boasts some of the shortest wait times in the country. Not only is the expansion functional but very attractive as well. Our policy of making foot-covers ("booties") available for passengers who remove their shoes has landed us on the pages of *USA Today*.

We began construction on an expansion and remodeling of our airside restaurant and gift shop. Completion is a few months away, but travelers are going to be pleased with the results. We continue to move forward with obtaining the necessary land to build a replacement 5,500 foot parallel runway. Actual construction is a few years off, but our commitment to serve all the aviation needs of central Iowa in a safe and efficient manner is unwavering.

We have seen several staff changes in senior management. Often, these changes produce an obstacle for organizations. That is not the case here. This Airport continues to operate in a professional and efficient manner. That is a result of having very competent and reliable people.

Speaking of good people: we received accolades from across the Nation regarding our handling of the Cessna Airlift in support of the Special Olympics USA National Games. In a 12-hour period, more than 230 Cessna aircraft arrived and departed; one week later we duplicated the effort in the same amount of time. It went off without a hitch.

Lastly, I want to inform everyone that 2007 will be the 75th Anniversary of the Des Moines International Airport. We are planning to celebrate this achievement in grand style. I hope all of you are as proud of the progress we have made as I am. Enjoy the celebrations!

And the beat goes on.....



John Fitzgibbon
Chairman

Improvements and Enhancements

Passenger Screening Area Expansion – A total of 18,000 sq. ft. were added to the upper and lower levels of the passenger screening area. This expansion allowed the Transportation Security Administration (TSA) to staff and equip up to four lanes at the passenger screening checkpoint, doubling the previous capacity. As a result, the Airport saw a significant reduction in wait-times during the 2005-06 holiday season. Also added as part of this project were four new escalators, two new restrooms, training facilities and an employee break-room leased to the TSA, a new mid-concourse freight elevator, and expanded storage areas. All of these features provide the traveler a more efficient entrance to the airline hold room areas of the Airport, and allow for faster processing through the checkpoint. The \$4.7 million renovation was paid for through airline Passenger Facility Charge collections. The next phase of the concourse expansion includes an expanded Brew Pub Restaurant and Paradies Gift Shop to be completed in the Fall of 2006.

South Cargo Building – This project was finished during this fiscal year with tenants to move in the Fall of 2006. Federal Express and Evergreen are set to take up residency in the 27,500 sq. ft. building. The building's spacious floor plan and location provide for landside and airside access perfect for cargo handling operations.

Runway 13-31 Overlay – The entire length of the Airport's main runway was resurfaced, removing three inches of existing surface and replacing it with a seven-inch overlay. A new runway lighting system was also installed, and new paved shoulders provide improved drainage and more room for maintenance. Completion of this allows the Airport to fully implement its Preferential Runway Usage Plan. This plan allows air traffic controllers to route traffic to any runway configuration/sequence that facilitates airspace efficiency and minimizes noise exposure to area residents and businesses.



Passenger Screening Area Expansion



South Cargo Building



Runway 13-31 Overlay

Over 1.95 million people used Des Moines' International Airport last year

McKinley Road Relocation – This project was completed in two phases. The significant portion of the project entailed lowering McKinley Avenue 10 feet along the route of the Runway Safety Area and widening it to four lanes from Fleur to SW 26th Street. The aesthetics of the two corners of McKinley and Fleur were enhanced with new perennial landscaping and the addition of a new irrigation system.

New FIDS Airline Flight Status Encoding – Flight Information Display System (FIDS) are the monitors that passengers look at in the terminal for the latest arrival and departure information. DSM has implemented new software that intercepts flight data transmissions as they come to the Airport directly from the air carrier's headquarters and the FAA. This eliminates the need for manual entry on the local level and insures greater confidence in the data as the most current and accurate available.

New Fire Truck for ARFF Unit – The Airport purchased a \$580,000 state of the art fire truck for the Airport Rescue and Fire Fighting Department. This 690 horsepower unit can top out at 70-mph in less than 25 seconds providing for more reliable and faster response times. The unit was completely paid for with passenger facility charges. It offers a safer airport environment with features like: a generator that sustains its own power and lighting capabilities; independent water systems that maintain water flow, self-balancing to decrease rollover tendency, versatility in handling structural fires or aircraft emergencies, and infra-red camera operation to keep the firefighters out of harms way while locating hotspots.



McKinley Road Re-location



New FIDS Airline Flight Status Encoding



New Fire Truck for ARFF Unit

Events and Community Involvement

Master Plan Updating – “Every ten years an airport needs to take a snapshot in time of its airport’s status, where you are and where you want to be in the future, and determine from that assessment the means that it will take to get there.” - Shawn Arena, Deputy Aviation Director of Operations and Maintenance.

In the spring of 2006, DSM began working in conjunction with Coffman and Associates of Kansas City, Missouri, in an aggressive timeline to update the 1995 Airport Master Plan. This update, expected to be completed in March 2007, is a 3-part study with goals stated as follows: 1) Examine the footprint of the Airport as it exists and how it can be expanded and utilized more efficiently for business operations; 2) Review the noise compatibility contours established for induction of the Preferential Runway Usage Plan; and 3) Examine the benefit analysis and cost feasibility for replacing the Airport’s third runway. Updating the plan gives a blueprint for future Airport improvements and warrants appropriation of monies from the FAA. It will give Airport management and the general public an overall plan for growth over the near and long-term planning horizons.

Hurricane Katrina Aid – On August 29, 2005, the city of New Orleans was devastated by Hurricane Katrina. The Des Moines International Airport played a part in coming to the aid of evacuees seeking refuge from the affects of that storm. On September 9, a Delta B-737 brought 20 refugees from that devastation to a new life in the heartland of America. The people were taken to a temporary shelter set up at the Iowa State Fairgrounds. After receiving medical attention, many of them became acclimated to Des Moines and became citizens. One evacuee became an employee of Standard Parking, the Airport’s parking contractor.

All-Partners Reception – In June, 2006, we held our annual All Partners Reception to show appreciation to our travel agent community and corporate travel departments in booking flights in and out of Des Moines. This event has become a staple event every year with signatory airlines updating the public on new service, open discussion on TSA issues and travel guidelines, and Airport management touting new facility upgrades to enhance travel from DSM. This year’s event was highlighted with a surprise guest speaker, Iowa State Cyclone Head Basketball Coach Greg McDermott.



Hurricane Katrina



Hurricane Katrina



Coach Greg McDermott



1st Flight Contest

1st Flight Contest – The Iowa Space Grant Consortium (ISGC) in partnership with the Des Moines International Airport and the Eastern Iowa Airport sponsored a contest for Iowa school children from 3rd to 5th grade allowing them a chance to win a free ticket for their first flight aboard a commercial airliner. ISGC Director William Byrd came up with the contest to promote educational interest in aviation and opportunities in the field. On April 14, 2006, a reception was given in the Airport's Cloud Room honoring the fifteen winners and a ticket to Orlando, Florida presented to them on behalf of Allegiant Airlines. DSM officials and Allegiant Airlines also gave them a hands-on tour of the Airport.

Aviation Lab Provides Aviation Opportunities for Area Youth – Operating on the north side of the Airport is the Aviation Tech Lab sponsored by the Des Moines Public Schools, offering local students a unique opportunity to acquire skills in aviation maintenance and management. The school is the second-oldest such school in the Nation. This year, an AH-1S Cobra helicopter was donated for hands-on-training. The program has been at the Airport since 1974 and as a provider of job training skills in the area of aircraft maintenance, becomes a definite asset to the community. Jerry Bradley has been the Department Chair and Head Instructor for the past eight years.

Feature Story in National-International Aviation Magazine – DSM continues to grab the attention of the aviation industry as this marks the third article in as many years that we've been featured in a renowned aviation trade journal. In the November-December edition of *Airport Business*, a featured article journals the marketing efforts and facility upgrades that have translated into increased enplanements. The focus of attention by the industry is in something new going on at the Des Moines International Airport and it is making an impact.



1st Flight Contest



Aviation Lab



Aviation Lab

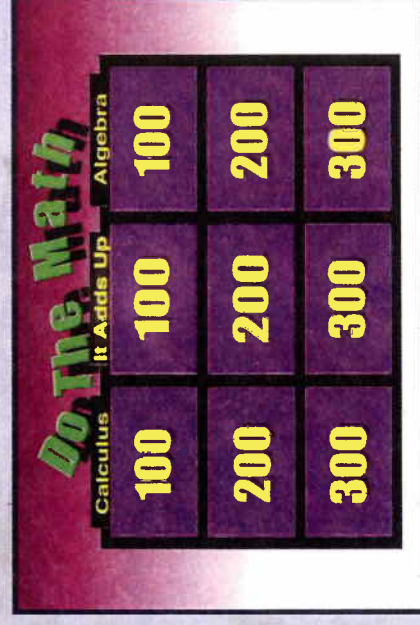
...Des Moines
Airport
brought 20
refugees
from
devastation.

Airline Service, Cargo and GA Operations

As evidenced by the statistics, it appears that more and more central Iowans are indeed "Doing the Math" and deciding to invest in DSM. These statistics show that the calendar year 2005 was the second-busiest year in the Airport's history (with 951,604 enplaned passengers). Continuing the trend, March 2006 saw record levels for the peak "Spring Break" month, and the Airport completed the fiscal year with 958,514 enplaned passengers.

What have these passengers received in return? Des Moines has recaptured non-stop service to Salt Lake City (offered by Delta affiliate SkyWest Airlines) and New York's LaGuardia Airport (offered by American Eagle). The New York service allows someone to go to New York, conduct a day's business and be home for a late dinner. The Salt Lake City service allows central Iowans to connect to popular West Coast cities by noon local time.

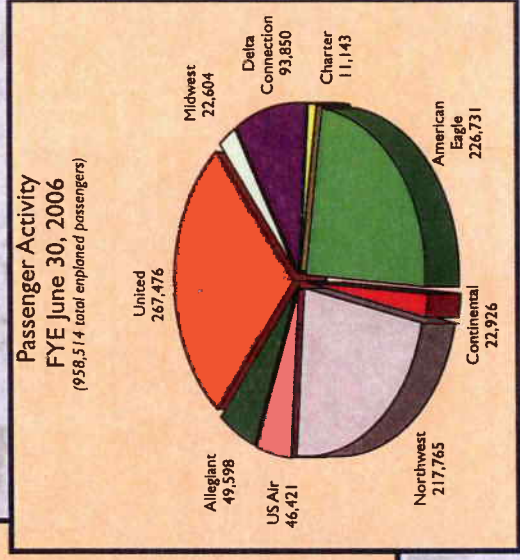
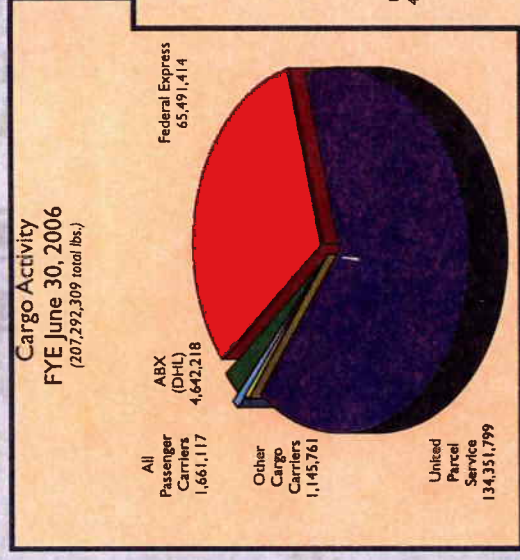
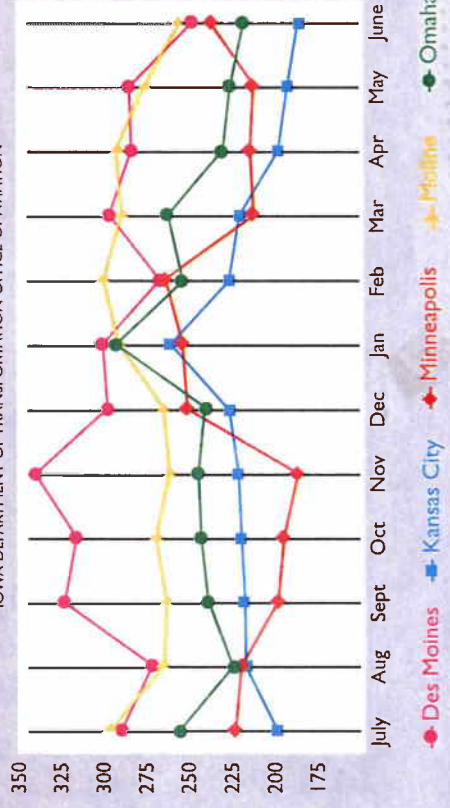
With the Airport's ability to offer 17 non-stop destinations, travelers have more destination and connection opportunities than ever before. Included among the 17 cities are nine of the top ten most popular end destinations for Central Iowans, a higher percentage than ever before.



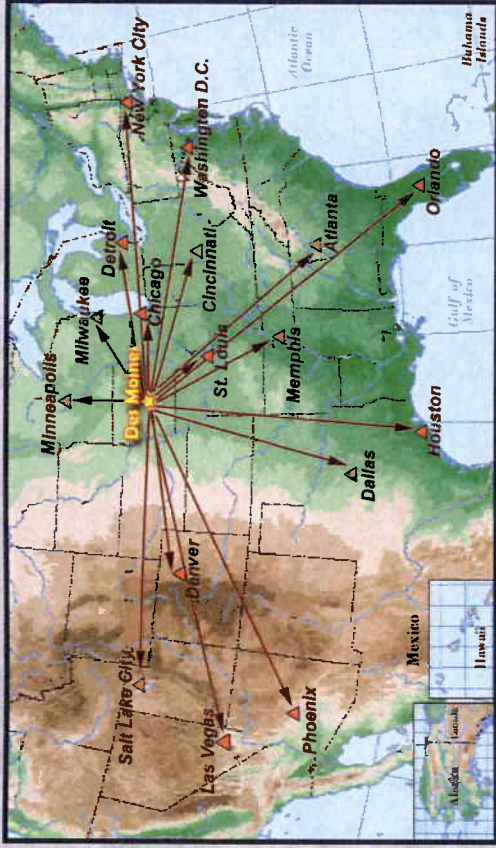
End of the Year Numbers

2005 - 2006 Average Leisure Air Fare Comparison

IOWA DEPARTMENT OF TRANSPORTATION OFFICE OF AVIATION



17 Non-Stop Destinations



Here is the biggest surprise: Increased traffic also has a marked effect on airfares, typically the highest-rated decision-making criteria for travelers. During 2005, the average one way fare out of DSM was \$160.90, which places airfares for Central Iowans within \$35 of the average fare of our two biggest regional competitors.

Cargo Record-breaking Numbers – The Des Moines International Airport (DSM) cargo handlers process 95% of the cargo needs for the State of Iowa. By the end of the fiscal year, cargo activity exceeded 200 million pounds for the first time since 2002.

With a 27-acre cargo apron that can house up to 23 large jets at a time, 3.25 acres of ground support equipment parking, a state of the art de-icing fluid collection system, immediate access to truck loading docks in newly constructed sort buildings, and a newly installed high mast lighting system, the cargo area is designed to fill the needs of our major cargo operators over the near-term and well into the future.

Future Parallel Runway Update – By the end of June 2006, the Airport will have acquired 18 of the required 22 residences and 6 of the required 11 unimproved properties necessary to construct the planned 5,500' replacement runway on the west side of the Airport. All property acquisitions have been made through the Hardship and Voluntary Land Acquisition program sponsored by the FAA. The Airport received two Airport Improvement Program (AIP) grants totaling \$5,753,983 that paid for 95% of the property acquired to date. The largest single property acquisition of about 268 acres was acquired under a purchase agreement with the Carlson Trust in July 2006. Due to cash flow restrictions from the FAA, Staff anticipates land acquisition to continue until 2008.

One of the unimproved property acquisitions planned for July 2006 is wetland mitigation property for this project along the Skunk River in northeast Polk County. Wetland mitigation is required to be completed before construction can occur. Current expectations allow for construction of the parallel runway to begin in approximately 2009.

Enplanements
up, airfares
down!

Financial Synopsis

During the year ended June 30, 2006, the Airport continued its operation as a business enterprise fund of the City of Des Moines, remaining financially independent from the City's general taxpayer fund. This arrangement means that the Airport relies solely on user fees and charges to meet all operating expenses. Because of such an arrangement, the Airport becomes largely reliant on the general health of the aviation industry.

The aviation industry continued to face major hurdles during the year, as labor issues and rising fuel costs delay the recovery of most major carriers. Record fuel prices strained all carriers, even low-fare carriers which had previously seemed immune to many of the industry's fluctuations. Amid this climate, DSM continued to strengthen its position as an efficient and customer-focused airport.

The eleven airline service partners of the Airport are critical to its continuing successes. Passenger Signatory Airline Agreements with United Airlines, American Eagle, Northwest, Comair (Delta), Express Jet (Continental Express), Allegiant Air, Mesa (US Air), and Skyway (Midwest Air), as well as Cargo Signatory Airline Agreements with United Parcel Service, Federal Express, and ABX Air (DHL), serve to govern landing fee rates and other charges to these airlines for the use of Airport facilities. Each agreement currently extends through June 30, 2008. The agreement provides that the signatory airlines pay landing fees in an amount that will make operating revenues (landing fees plus all other operating revenues) equal operating expenses plus 1.25 times the debt service on the Airport's long-term borrowings.

Under the agreements, the signatory airlines pay terminal rent, landing and apron area fees during the course of the year at rates calculated as part of the budget process. Then, at year-end, the signatory charges are adjusted to reflect any over/under collection of landing fees based upon the use agreement residual landing fee formula. In addition, operating net income of the Airport is shared on a 50/50 percentage basis with our partner carriers.

The Airport's financial statements indicate that the Airport generated additional operating cash of over \$9.5 million during the year. This additional cash allowed for the retention of operating reserves to levels well within bond-rating guidelines, positioning the Airport well for future borrowing needs. Reducing debt has been a focus over the past several years; during 2006 the Airport's overall liability was reduced by \$6 million, including a reduction in formal debt obligations of over \$1.5 million. The Airport's complete set of financial statements are available for viewing at www.dsmairport.com.

Foresight and responsible planning have enabled the Airport to successfully navigate the ups and downs of the aviation industry. Given the unprecedented challenges facing us today, it is imperative that we retain this ability to adapt. Our financial plan outlines a flexible approach to ensuring that DSM remains at the forefront of safety and efficiency while at the same time being responsive to the aviation needs of the community. In this way we can assure that DSM—and Central Iowa—remain positioned for the success and overall growth that a world-class airport provides.

People, Staff, Changes and Awards

Robert Hagener's Retirement – Bob Hagener retired December 29, 2005, from the Des Moines International Airport after 23+ years with the City of Des Moines. Hagener held the position of Director for the past two years. Prior to that he served as: Deputy Aviation Director of Operations and Maintenance; Assistant Aviation Director; Airport Properties Administrator; and Operations Supervisor after starting as an Airport Operations Officer in 1982.

Tim Stiles Appointment – Tim Stiles, CPA, was promoted to Deputy Director of Finance and Administration on January 11, 2006 after serving as Acting Director since November of 2005. Stiles served as the Airport's Contract Compliance Officer since January 2000. He has more than 15 years of financial management experience.

Shawn Arena's Appointment – Shawn Arena, A.A.E., became the Deputy Aviation Director of Operations and Maintenance at DSM in October of 2005. He came to Des Moines after holding key management roles for the City of Phoenix Aviation Department and Sky Harbor International Airport in Phoenix from 1994 through 2005. He formerly was Airside Operations Superintendent and Noise Abatement Officer. He also was General Aviation Director at Phoenix Goodyear and Phoenix Deer Valley Airports.

Awards and Honors – 2006 marked the second consecutive year the Airport's Operations and Maintenance team and the Airport's Aircraft Rescue & Fire Fighting (ARFF) unit achieved a perfect score following the Federal Aviation Administrations (FAA) Annual Safety Inspection.



Robert Hagener



Tim Stiles



Shawn Arena



Craig Forney, Field Maintenance Manager receives the certificate of commendation from Aviation Director Craig Smith (far right), Airport Manager Ken McCoy is on the left

Top 10 Destinations - DSM International Airport

(Passenger Totals & Average Fare Comparison to other Regional Airports)

From DSM to	DSM Total Passengers	DSM Avg. Fare	From MCI K.C.	From MSP Minn.	From Moline IL	From OMA Omaha
Las Vegas, NV	103,660	\$259	\$270	\$263	\$309	\$270
Phoenix, AZ	89,644	\$303	\$261	\$280	\$332	\$266
Orlando, FL	89,571	\$271	\$216	\$244	\$246	\$258
Chicago, IL	86,943	\$271	\$163	\$157	\$229	\$149
New York City	73,073	\$234	\$207	\$236	\$233	\$237
Washington DC	71,686	\$244	\$197	\$248	\$223	\$193
Los Angeles, CA	63,729	\$300	\$237	\$275	\$305	\$260
Denver, CO	61,247	\$272	\$228	\$173	\$321	\$251
Dallas, TX	56,137	\$291	\$221	\$195	\$270	\$300
Atlanta, GA	47,012	\$285	\$210	\$229	\$219	\$321

* Data from the Iowa Office of Aviation Department of Transportation Statistics - 7/01/05 - 6/30/06

* Passenger totals are both arrivals and departures = Total Passenger Activity

* Passenger totals are for total passengers to the city (destination), not necessarily to one airport

* Average fares are calculated on this chart for roundtrip, or both ways and two coupons

Mission Statement

To provide and maintain high quality aviation services and facilities for the transport of people and goods to benefit the community and region in a safe, convenient, and efficient manner on a self-sustaining basis as a part of a global air transportation system

City of Des Moines Aviation Department
Des Moines International Airport
Administration Office, Suite 201
5800 Fleur Drive
Des Moines, IA 50321-2854
Phone: 515-256-5100
Fax: 515-256-5025
airinfo@dsmairport.com
www.dsmairport.com

The Des Moines International Airport Management Staff:

Craig Smith, A.A.E.
Aviation Director
Shawn Arena, A.A.E.
Deputy Aviation Director,
Operations and Maintenance
Tim Stiles, CPA
Deputy Aviation Director,
Finance and Administration
David Ferree:
Legal Counsel

Airport Board:

John R. Fitzgibbon, Chairman
Brice Ashman
Nathan Brooks
James Erickson
Edgar Hansell
Sam C. Kalinov
Thomas G. Ross