



Roll Call Number

Agenda Item Number

58

Date October 13, 2008

Receive and File the Annual Report of the Des Moines International Airport for the year ended June 30, 2008

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 October 7, 2008, by Resolution No. A08-201, the Airport Board approved the FY2008 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:

That (1) the FY 2008 Annual Report be received and filed and (2) the letter from the Airport Board Chairperson be received and filed.

(Council Communication 08-615 is attached.)

Approved as to form: Moved by _____ to adopt.

David A. Ferree, Assistant City Attorney

Table with 5 columns: COUNCIL ACTION, YEAS, NAYS, PASS, ABSENT. Rows include COWNIE, COLEMAN, HENSLEY, KIERNAN, MAHAFFEY, MEYER, VLASSIS, TOTAL, MOTION CARRIED.

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

October 8, 2008

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

RE: FY2008 Airport Annual Report – Year in Review

Dear Mayor and Members of the City Council:

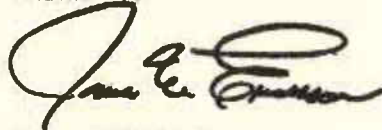
Section 2-362.03(ix) of the City of Des Moines Municipal Code, which establishes the Des Moines International Airport Board, requires the Board to:

"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 October 7, 2008, by Resolution No. A08-201. 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,



James W. Erickson
Airport Board Chairperson

JWE:trs

Enclosure

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



DES MOINES INTERNATIONAL AIRPORT
DEPARTMENT OF AVIATION
5800 FLEUR DRIVE, ROOM 201
DES MOINES, IOWA 50321-2454
(515) 281-5100

ALL-AMERICA CITY
1949, 1976, 1991
2008



MS

CROSSROADS

DSM

Year in Review

July 1, 2007 - June 30, 2008





Iowa Caucuses 2008 – An Exercise in Preparedness

Aviation Director Craig Smith wanted to prepare for the worst after the media, candidates plus their entourages, and campaign workers left Iowa in a mass exodus after following the Caucuses. The ball started rolling in 2007 with planning among all the entities involved to insure the Airport was equipped and ready for the departures in the 2008 post-Iowa Caucuses. The result was a DSM homerun in peak efficiency, dynamic results, and rave reviews from visitors and media.


Nearly 4,500 passengers boarded planes that day, compared to a normal day of 2,700. TSA reported a high of 581 passengers at the Security Checkpoint during a one-hour period with a wait-time of only around three minutes. During the time period from January 3rd to January 7th, over 16,500 bags were screened, with a one-day high of 4,102 bags on January 4th. The return of rental cars, that proved to be a bottleneck in '04, ran smoothly while doubling weekend numbers of 130 vehicles a day and a one-day total on January 4th of about 1,500 returns.



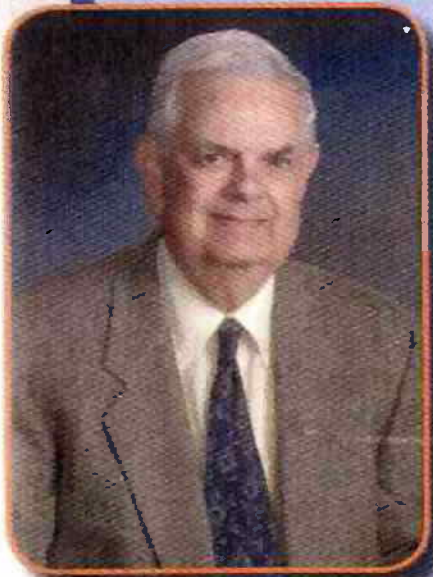
"It took many hours of staff and airport entities to plan, refine, implement, and monitor a flawless undertaking of this year's post-Caucus event here at DSM... all the while maintaining a business-as-usual appearance for travelers. We passed with flying colors and the results contributed to the best January on record for the Des Moines International Airport" – Aviation Director Craig Smith



"After 2004's impasse following the Caucuses, we were expecting the worst and looking for a story. The news is that there is no story and the airport is firing on all cylinders." – FOX News Correspondent



"We had prepared so diligently that when it came to the actual event, it was easy and rather anti-climatic." – Michael Pommier, Security Manager, Transportation Security Administration at DSM



A NEW ERA FOR THE DSM INTERNATIONAL AIRPORT BOARD

It is with mixed emotions that I pen my first address as Chairman of the Des Moines International Airport (DSM) Board. There are so many good and exciting things to cover, and one piece of sadness.

For Calendar Year 2007, the carriers at DSM enplaned 992,000 passengers, making that the second best enplanement year in the history of the Airport. January and February 2008 were the best respective months ever for enplanements. Then oil went over \$100 per barrel, and the entire commercial airline industry changed. By the end of the fiscal year, enplanements were only slightly ahead of last year's pace. I suspect some big changes are coming. While many small commercial airports have seen service completely pulled, so far we have been fortunate that only selective trimming has taken place.

Cargo handling at DSM is holding its own, but is still about 7% off last year's pace. Fuel prices and the weak economy are wreaking havoc with all areas of our industry.

Aviation Director Craig Smith has enacted a management reorganization plan that will lead to positive efficiencies. This Airport, and the functions that the personnel perform, have grown so tremendously over recent years that an adjustment was clearly needed.

The Board itself has a new composition. Besides my change in duties, we welcomed Elizabeth Ward, Roger Brooks and Nolden Gentry as new members. Ms. Ward is an entrepreneur selling children's books. Mr. Brooks is retired from the Insurance industry and Mr. Gentry is a managing partner with a local law firm.

Bad weather (snow, ice, fog, floods, and tornadoes) pounded Iowa the last three months of 2007 and the first half of '08. Airport staff worked many long hours over the winter keeping the airport open. When winter was finally over, we had to deal with floods, tornadoes and high winds. In June, we couldn't avoid a sudden downburst of wind (70mph) that brought down the structural steel that was in place for the Mesaba Regional Jet Maintenance Hangar. It was quite impressive how each entity worked together to get us back on track. The facility should be ready to occupy by mid-November.

Lastly, I am saddened to report that we lost our friend and former Board Chairman John Fitzgibbon. John had served as Chairman for 25 years. He retired last July and passed away in March. He was great man who will be dearly missed.

Regards,

Jim Erickson



CAPITAL IMPROVEMENT, PROJECTS & OPERATIONS ENHANCEMENT

New Terminal Paging System – Right after the first of the year in 2008 DSM officials announced the implementation of a new \$1.1 million paging system. The new system makes the Airport ADA (Americans with Disabilities Act) compliant. Audio announcements can be automatically programmed and the associated text appears simultaneously on the Flight Information Data Screens (FIDS). The system is programmed to monitor different sections of the airport for ambient noise and automatically adjust volume levels for the area.

South Access Road – By the end of the calendar year 2007, the paving of the South Service and Access Road was complete. The road is well-lit and will provide easier accessibility coming from and to the south portion of the airport. This is a key area to future development along Army Post Road and is the designated area for a future UPS Facility.

Airfield Vehicle Storage – By the end of the calendar year 2007, the completion of a much needed storage facility and a fuel island canopy for Airport Field vehicles was finished. The building is 46,400 sq. ft. and houses most of the snow removal equipment and vehicles.

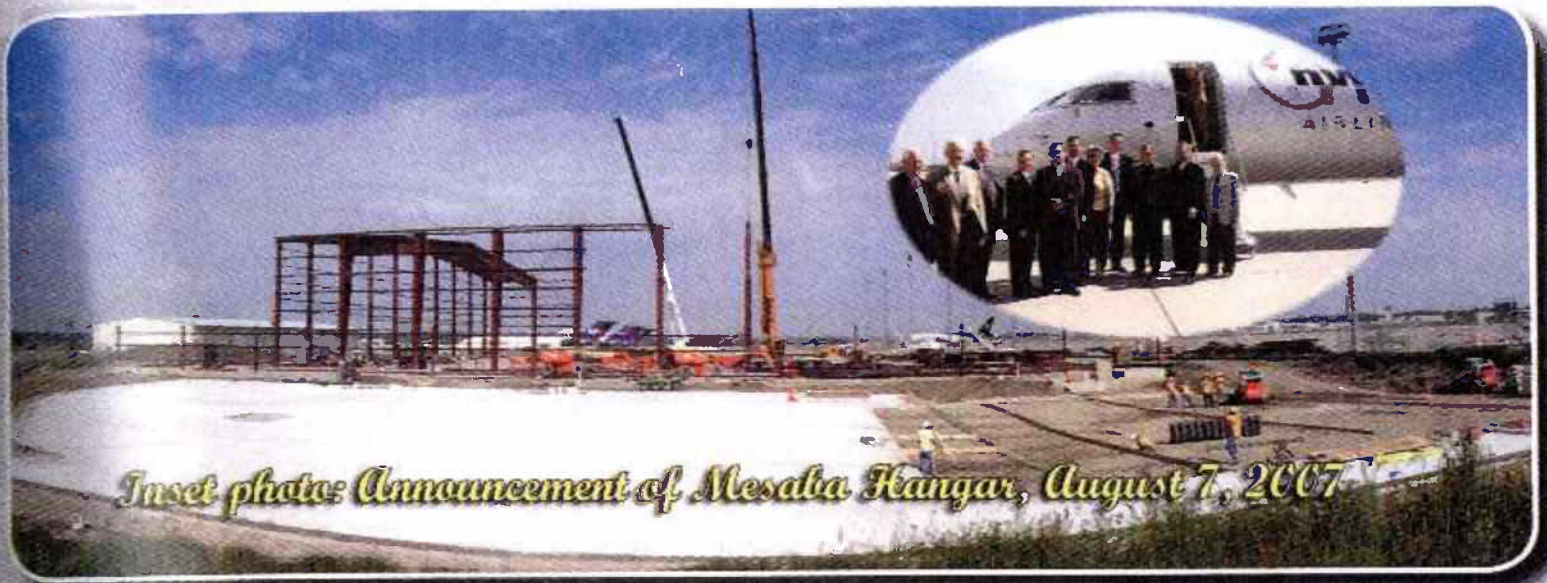
Terminal Basement Remodel/New Operations Center – The final piece in moving the Operations Center from the 2nd floor of the Terminal to the basement and a state-of-the-art operation was completed in June 2008. The security nerve cell looks like the helm of a starship and is fully operational now. The remodel also updated many tenant offices, provided a centrally located Scan Room for the Information Technology Department, and an expanded warehouse for the Paradise Gift Shops.

Elliott Aviation's NEW Facility & Northeast Service Road – Since 1958 Elliott Aviation has been a part of the DSM operation as a Fixed Based Operator (FBO). On May 15, 2008, they had an open house for their new 62,476 sq. ft. building which includes three 16,000 sq. ft. hangars. The building is evidence of the commitment that Elliott and DSM are making to have a premier general aviation facility here at DSM. The Northeast service road will provide a vital link and connect the FBO to the infrastructure of roads intertwining the Airport operation.

*Airfield Vehicle Storage
Building & Fuel Farm*



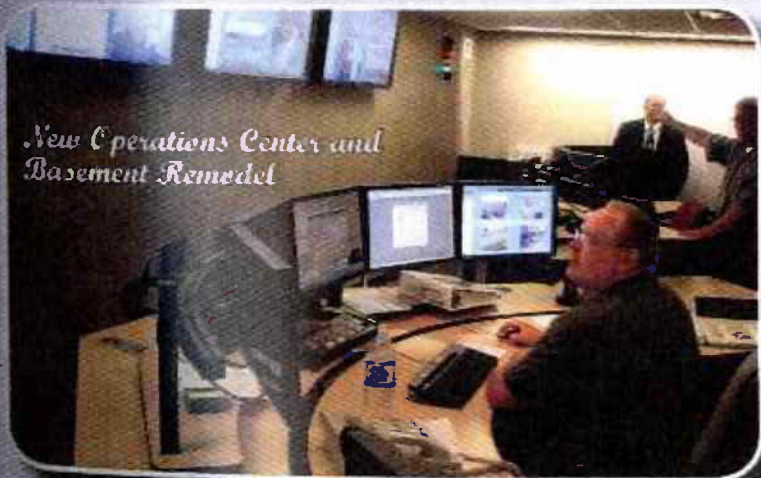
*New Elliott Aviation Facility &
Northeast Service Road Projects*



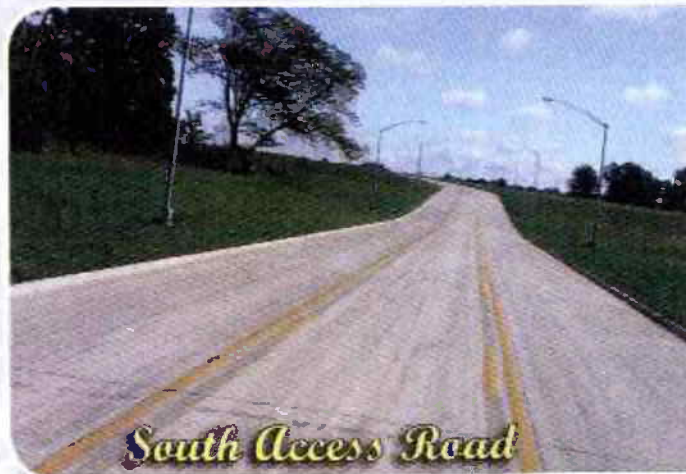
Inset photo: Announcement of Mesaba Hangar, August 7, 2007

Mesaba Maintenance Facility – On August 7, 2007, Mesaba Airlines (a subsidiary of Northwest Airlines) officials announced plans to build an \$11.8 million, 75,000 sq. ft maintenance facility for the carrier's fleet of 50-seat CRJ200 Regional Jets (RJ's), as well as the 76-seat aircraft here at DSM. On hand were Airport and Mesaba officials, Congressman Leonard Boswell, members of the Des Moines City Council including Mayor Frank Cownie, and many other prominent Des Moines business officials. The building will be located adjacent to the South Cargo apron, and upon completion will house four aircraft bays. It will provide employment for 30 employees, mostly technicians and managers.

On June 25, a major windstorm knocked down the original steel frame of the structure producing a minor setback in construction. Fortunately, all the original footings were intact, and the contractor was able to order new steel quickly to keep the project within a couple of weeks of the original completion date of late this fall or early winter 2008.



*New Operations Center and
Basement Remodel*



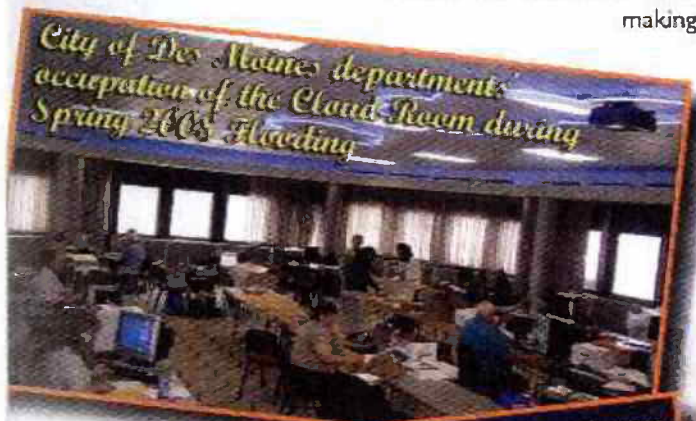
South Access Road

Parking Airport's 75th Anniversary



Events, Year's Highlights & Community Involvement

Central Iowa's Greatest Asset – A study commissioned by the Iowa DOT Office of Aviation revealed that DSM International Airport produces \$522 million worth of economic impact per year. Airport activities support more than 5,000 jobs which produce an annual payroll of over \$200 million. The health and vitality of the local commercial airport is always in the top three decision making criteria for organizations looking to expand or relocate business and commerce.



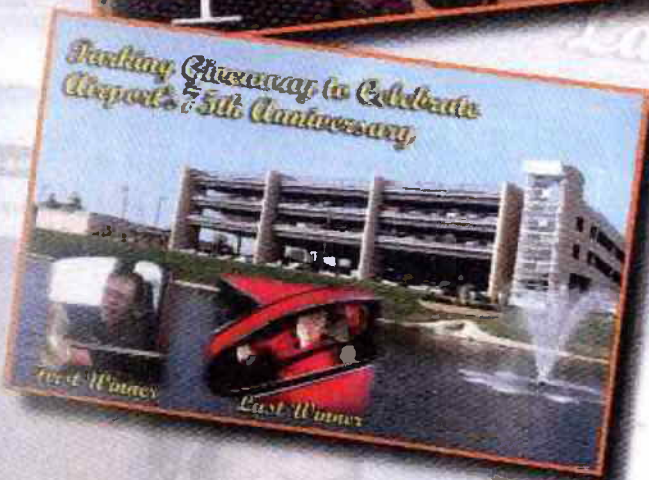
City of Des Moines departments occupation of the Cloud Room during Spring 2008 Flooding

2008 Spring Flood Affects City Operation - City officials, in the wake of a major flood impacting the City of Des Moines, decided to displace city employees to satellite locations due to the threat of City Hall flooding. City Departments of Engineering, Finance, and Human Resources took up residence in the Airport's Cloud Room for a few weeks. Other City staff were moved to the new Public Library and DM East High School.



New Massage Therapy

New Chair Massage Opens on Concourse – In November of 2007, a new massage amenity, "Touch and Go," opened for travelers to relieve traveling stress and help make the time waiting for flights "fly" by. Originally, Two Rivers Massage out of the Quad-Cities managed the DSM operation, adding to their list of three branches at Midwestern airports. Now the operation has been turned over to a local massage therapy company, MVK Massage, operating daily in accordance with flight departure schedules.



Parking Giveaway to Celebrate Airport's 75th Anniversary

75th Anniversary Parking Giveaway – In celebration of Des Moines Airport's 75th Anniversary in 2007, DSM officials decided to award free parking to a customer every day, starting on June 1, through the end of the calendar year 2007. A total of 214 winners were selected randomly at a different time every day. Winning amounts ranged from \$1 to \$117 and came to a total of \$4,358. In the accompanying picture, are the first winner, Dan Beran of Des Moines, and the last winner, Christine Keegan of Bloomfield, Iowa.

New Non-stop Air Service to

LAX and CLE – With two new daily non-stop destinations added to the DSM line-up the total is up to an all-time high

of 19 non-stop destinations.

United Airlines announced service from DSM

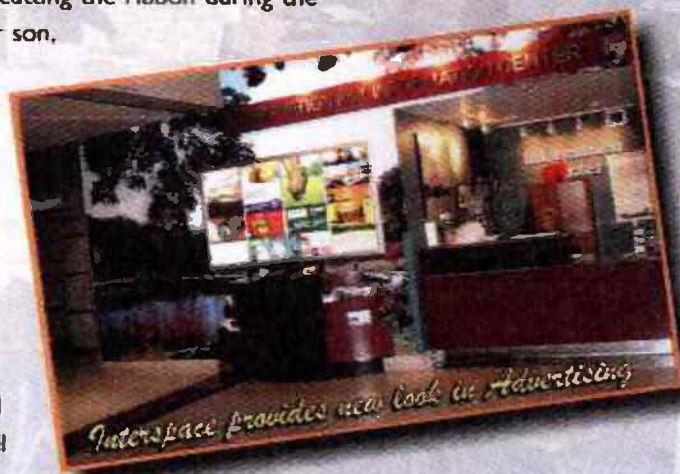
to Los Angeles International Airport (LAX) starting February 13, 2008. This was heralded as an opportunity for Central Iowans to have non-stop service to each of its top ten popular travel destinations.



In June of 2008, Continental Airlines started daily non-stop service to Cleveland, Ohio (CLE). Not only was this another new destination, but it would be a wonderful alternative for connections to the East and South. In the attached picture, a collage of photographs shows four of Continental Airline associates, the RJ to be used for the flights and in the far right corner a picture of Joe and Christine Blake, parents of Casey Blake of Indianola, Iowa, cutting the ribbon during the ceremony. The Blakes were given tickets to go watch their son, who played third base for the Cleveland Indians.

Interspace Advertising provides new look at DSM

– A fresh look in advertising displays is being exhibited around the DSM Terminal with the welcome of a new vendor for airport advertising, Interspace of Pittsburgh, PA. Some of the new treatments in the areas throughout the Airport include: an Accu-weather station area that has weather reports from the National Weather Service and a CNN 24-hour news feed; rotating displays that channel through numerous screens at one venue; and full-wall advertising murals.



DSM Hosts Tenant Job Fair – To assist Airport tenant operations in obtaining new full and part-time employees, the management of DSM sponsored the First Annual Airport Job Fair on November 8, 2007, in the airport's Cloud Room. Over 100 people participated in interviews or filled out applications with these Airport-based employers: United Parcel Service, Transportation Security Administration, Republic Parking, Airport Terminal Services, quite a few of the airlines, Signature Flight Support, The Paradise Gift Shops, and Creative Host Services.

New Massage Therapy



Airline Service & Marketing, Cargo Operations



Commercial Air Service – At the end of the fiscal year, the airlines at DSM offered almost 10,000 seats per day and the average roundtrip airfare for all of 2007 was \$371.

Top 10 Destinations – DSM International Airport

From DSM to	Total Passengers	DSM Avg. Fare	From MCI K.C.	From MSP Minneapolis	From Moline, IL	From OMA Omaha
Las Vegas, NV	111,090	\$275	\$251	\$307	\$267	\$289
Phoenix, AZ	105,870	\$317	\$291	\$282	\$319	\$272
Orlando, FL	85,900	\$270	\$197	\$248	\$277	\$275
Chicago, IL	81,720	\$409	\$152	\$163	\$334	\$148
New York City	77,340	\$374	\$223	\$268	\$214	\$300
Washington DC	70,910	\$319	\$266	\$272	\$271	\$282
Denver, CO	62,720	\$193	\$153	\$248	\$390	\$239
Dallas, TX	56,850	\$374	\$138	\$219	\$288	\$245
Los Angeles, CA	48,470	\$315	\$277	\$295	\$359	\$260
San Francisco, CA	40,900	\$300	\$272	\$308	\$420	\$258

(Passenger Totals & Average Fare Comparison to other Regional Airports)
 • Data from the Iowa Office of Aviation Department of Transportation Statistics 7/1/07 - 6/30/08
 • Passenger totals are both arrivals and departures = Total Passenger Activity
 • Passenger totals are for total passengers in the city/destination, not necessarily in one airport
 • Average fares are calculated on this chart for roundtrip, in both ways and two coupons

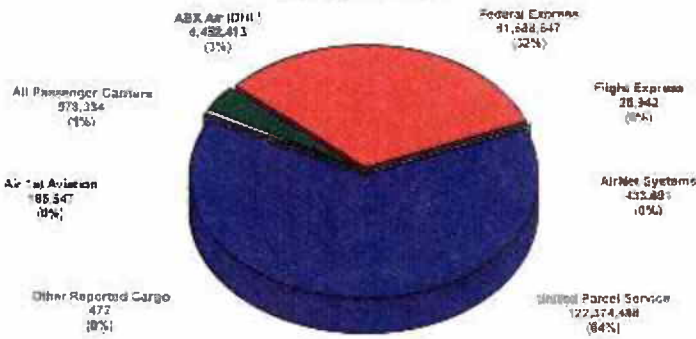
Airline Leisure Fare Averages for Fiscal Year July 1, 2007 through June 30, 2008

	Des Moines DSM	Kansas City MCI	Minneapolis MSP	Moline MLI	Omaha OMA
JUL '07	326	222	264	303	272
AUG '07	313	221	236	276	267
SEP '07	303	218	233	289	245
OCT '07	303	211	252	298	247
NOV '07	287	222	224	294	252
DEC '07	350	230	266	321	266
JAN '08	271	209	223	274	239
FEB '08	341	212	246	289	262
MAR '08	340	189	227	273	239
APR '08	426	285	271	434	397
MAY '08	413	256	318	335	292
JUN '08	440	259	358	346	306
FY AVG.	\$343	\$228	\$260	\$310	\$274
Difference from DSM		- \$115	- \$83	- \$13	- \$69

© From Dept. of Transportation Data (DOT) & compiled by the Iowa Office of Aviation

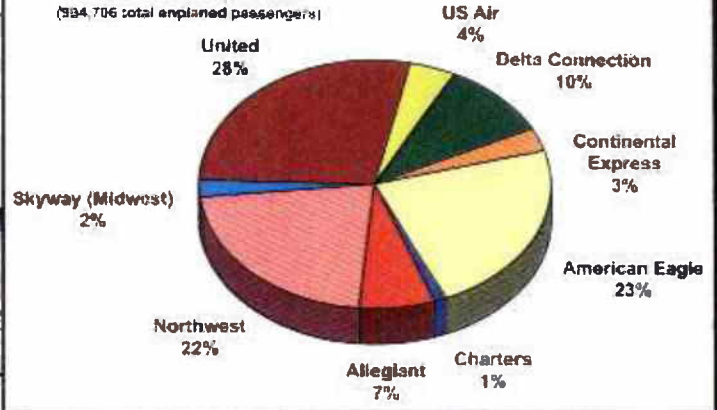
Cargo Activity FYE June 30, 2008

(192,739,539 total lbs.)

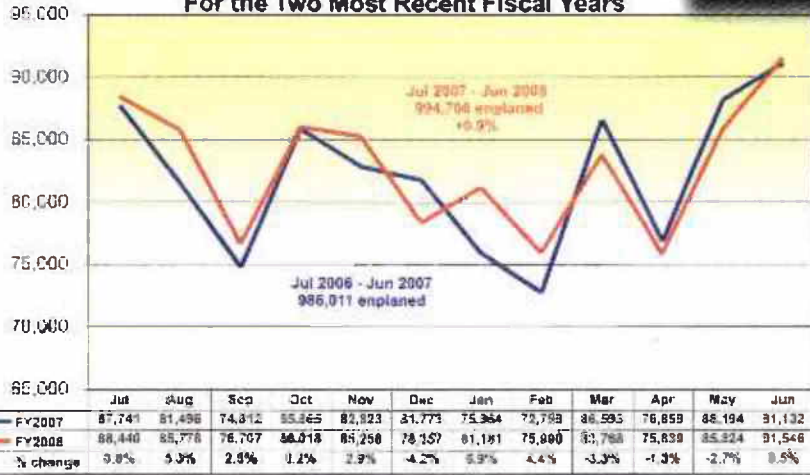


Passenger Airline Market Share FYE June 30, 2008

(994,706 total enplaned passengers)



Monthly Enplaned Passenger Totals For the Two Most Recent Fiscal Years



Partners in Travel

Partners in Travel, the theme for the 4th Annual Travel Agents/Corporate Travel Associates/and Airline Representatives Appreciation Reception took place on September 13, 2007, in the Airport's Cloud Room. Over 60 travel agents and corporate planners attended the event where they heard presentations from Airport officials and airline representatives. The featured speaker of the night was former TV13 news anchor, Therese (Thompson) Wielage, Vice President at Spindustry Systems, Inc., a web design and development firm in Des Moines.





REPORT ON FINANCIAL CONDITION

The fiscal year ending June 30, 2008, was a roller-coaster year financially. Highs during the year included record-level passenger, rental car, and concession revenues surrounding the Iowa Caucuses in January 2008, significant increases in major non-airline revenue such as terminal advertising and parking, and key financial measures and ratios which are stronger than ever.

Low points during the past fiscal year included the rippling effect of rising oil prices on the airline industry, several dramatic unplanned increases in weather-related expenses such as runway de-icing chemicals, which resulted from a particularly difficult winter season, and a rash of airline bankruptcies (although none directly affected DSM service).

The state of the airline industry was summarized by financial firm J.P. Morgan on April 15, 2008, as follows: "Should current fuel prices persist, the impact on industry profitability is expected to rival –if not exceed –that of the 9/11 terrorist attacks.... While it may sound callous to frame fuel's rapid ascent against the far greater tragedy of 9/11, the math is indisputable –at current fuel prices, a similar attack on the industry's profitability appears underway..."

This led to a series of bankruptcies during the Spring of 2008. Fortunately oil prices retreated from previous highs, but significant damage was done to the overall industry as 65 airports across the country lost at least one airline during 2008, according to the Air Transport Association. Des Moines has thus far bucked this trend and has escaped significant cuts in service, which may be both a testament to a stable local economy and to the loyalty of Central Iowa customers.

Despite the difficult economic times, the overall health of the Airport Enterprise Fund remained strong. Liquidity levels continued to rise, cash positions have improved from a negative cash balance at the end of FY2003 to now having nearly 250 days of operating expenses in reserve cash. During FY2008, DSM management achieved an internal goal of retaining over \$12 million in unrestricted cash funds.

While unaudited operations and financial data for Fiscal Year 2008 are not available at the time of this report's printing, preliminary internal reporting demonstrates robust gains made in all major categories of "non-aviation" revenues:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Vehicle Parking	\$7,915,431	\$7,155,957	+10.6%
Car Rental Concession	2,239,676	2,079,829	+ 7.6%
Restaurant Concession	504,674	461,646	+ 9.3%
Gift Shop Concession	316,941	295,532	+ 7.2%
Terminal Advertising	188,644	176,000	+ 7.2%

Parking revenue has trended up each year from 2003 levels; notable as the growth has come largely through increased activity; long-term public parking rates have remained unchanged since November 2003.

The Airport's complete set of audited financial statements will be made available to the City Council upon audit completion, and will also be available for viewing at www.dsmairport.com.



A Final Note from the Director

Challenges for an aviation director come in all shapes and sizes. At one point during the past year, flooding forced some city employees to take up temporary residence at the Airport. We were proud to host members from Human Resources, Finance and Engineering. Considerable resources were exhausted during the moving in and out processes and I am proud of the way everyone pulled together to make it successful.

Another area of pride: for the fourth year in a row, DSM International Airport received a "no discrepancies found" rating for our annual FAA Safety Inspection. That is a huge accomplishment for our entire airfield staff.

Longtime Aviation Director Administrative Assistant, and Airport Board Clerk, Vicki Dickinson retired after 29 years service to the city, 26 with the Airport. Vicki served the airport with passion and an eye for detail few others have.

Sadly, we lost a couple of good men this past year. John Fitzgibbon, Chairman of the Board for 25 years, passed away in March. John was a true visionary and a mentor to me. We also lost Tore Nelson. Tore was our Airport Properties Administrator. Tore was a great employee and always a pleasure to be around. His passing was unexpected. Both will certainly be missed by many.

Sincerely,

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



Vicki Dickinson



John Fitzgibbon



Tore Nelson

This is a small sampling of the many Airport workers that contributed to DSM winning the safety award for the fourth year in a row. From left to right: Larry Keck - Equipment Mechanic; Dennis Miller - Field Maintenance Worker; Gary Miller - Field Crew Chief; Sara Arnold - Operations Officer; Scott Williams (holding plaque) - Operations Officer; Sam Blair - Building Equipment Operator; Capt. Marty Smith of the Air Rescue & Fire Fighting Unit (ARFF); John Dluhos, ARFF; Asst. Chief/Capt. Phil McKinley, ARFF; and Craig Stephens - Senior Operations Officer.



City of Des Moines Aviation Department
Des Moines International Airport
Administrative 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



DSM Airport Board:
James Erickson, Chairman
Brice Ashman
Roger Brooks
Nolden Gentry
Edgar Hansell
Thomas G. Ross
Elizabeth Ward

The Des Moines International
Airport Management Staff
Craig Smith, A.A.E. - Aviation Director
Ken McCoy - Deputy Aviation Director
Airside Operations & Maintenance
Shawn Arena, A.A.E. - Deputy Aviation Director
Landside Operations & Maintenance
Tim Stiles, CPA - Deputy Aviation Director
Finance & Administration

