

Metropolitan Airports Commission



Management and Operations Committee

Special Meeting Minutes
Tuesday, January 10, 2006
1:00 pm

msp
mspairport.com

www.mspairport.com

**METROPOLITAN AIRPORTS COMMISSION
SPECIAL MANAGEMENT AND OPERATIONS COMMITTEE MEETING**

1:00 p.m. Wednesday, January 10, 2006
Room 3040, Lindbergh Terminal Wold-Chamberlain Field
Minneapolis-St. Paul International Airport

“DISCUSSION ITEMS”

Call to Order

A regular meeting of the Management and Operations Committee, having been duly called, was held on Wednesday, January 10, 2006 in Room 3040, Charles Lindbergh Terminal Building, Minneapolis-St. Paul International Airport, Wold-Chamberlain Field. Chairman Lanners called the meeting to order at 1:00 p.m. The following were in attendance:

Commissioners: Chairman Lanners, Chairwoman Tigwell, Warner, Williams, Rekamp, Sigel, Mars, Landy, McKasy, Boivin, McGee

Staff: C. Helback, T.W. Anderson, S. Busch, J. Nielsen, J. Hamiel, N. Finney, T. Anderson, D. Probst, D. Ruch, P. Hogan, M. Rosenow, S. Wareham, E. Johnson, R. Fuhrman, G. Condon, P. Rasmussen, G. Schmidt, K. Gerads, D. Ruch, G. Warren, J. Anderson, M. Rosenow, S. Neibauer, M. Kilian, E. Johnson, E. Podniecks, P. Anderson, R. Biddle, B. Rief, J. Harris, J. Nawrocki, C. Leqve, S. Douma

Others: Robert Westenberg; Dave Fieberger; Alan Kopferschmidt, Lake Elmo; Randolph L. Arneson, Roy B. Arneson, Larry V. Cassen, Flying Scotchman MIC; Tim Hennagir, MN Sun news; Kathleen Nelson, NWA; Glen Weibel, RAAC; Michael Hayes, Crossroads Aviation/AAC; Vivian Starr; Arlo Enerson; Don Rosacker, ACAA; John McCouna; John Mielke, CIP Aviation Anoka; Kevin Rebman, Ward Anderson, Keith Struck, CACG; Bruce Wiley, Wiley Enterprises; Thomas R. Mattson; Joe Smith, Elliot Aviation; Pat McQueeny, Eden Prairie Chamber of Commerce; Dave Ward; John krack, ACAA; Paul Anton, Wilder Research Center; James Cole, Marshall Aviation Services; Merland Otto, City of Mpls.; Andy Peek, SHE; Richard Johnson, North Hennepin; Chuck Towner, Aviation Maintenance STP; James Pence, MnDot; Tim Ashenfelter, ASI Jet Center; Bob Jasperson, Wings of the North; Jennifer Bagdade, Jeff Davidmon, NWA; Greg Kaminski, WOTN; Chauncey Case, Met council; Sarah Psick, McGrann Shea; John Sutter; Patrick Peters, City of Crystal; Jake Clark; Jeff Cole; Ben Seppamm; Gordon Hoff, Bob Johnson, MBAA; John LaFontsee, Regent Aviation.

SB1 RELIEVER TASK FORCE REPORT AND RECOMMENDATION C.F. 1762

During the past year the Reliever Airports Task Force has been studying the Reliever Airports in an effort to make recommendations to the Commission regarding the future operation and development of the MAC's Reliever Airport system. The Task Force's work is contained within a document entitled, "Recommendations Regarding the Future Operation and Development of the Reliever Airport System."

Chairman Lanners was appointed by Chairwoman Tigwell to lead a study of the Reliever Airports and was tasked with making recommendations to the Commission regarding the future operation and development of MAC's Reliever Airports.

The recommendations outlined in the report were the result of a year's worth of work by the Task Force and focused its efforts on five areas:

- What role do the Reliever Airports serve?
- What is the proper number, size and location of the airports?
- What capital improvements are necessary?
- What are the realistic capital funding sources?
- What is the correct management arrangement?

Chairman Lanners reviewed the five focus areas in length as well as the economic impact study, cost benefit analysis and cash flow analysis.

Following the presentation, the Committee clarified and questioned the following issues:

- The Relievers need to be more self-sufficient.
- Determine the value of the Reliever Airports.
- Determine the obligations to tenants.
- Implement a business planning process.
- Quantify the specifics in the report.
- Determine the next steps in the business plan.
- Consider closing an airport.
- The privatization feasibility, and determine FAA obstacles and legalities.
- Have the cities and counties more involved monetarily or otherwise.
- Determine role the Reliever Airports play regarding congestion at MSP.
- Determine role that private developers could play.
- Recognize the land value of the Reliever Airports.
- Determine which airports to proceed with initially.
- Determine outcome if there is no additional funding.
- Capacity utilization.
- Address diminishing use of Reliever Airports.
- How does MAC prioritize. Identify spending including order.
- Private development was not factored in.
- Define cause and effect of airport closure (i.e. Flying Cloud).

Chairman Lanners noted that the report included many costs that were not being considered before, including historical improvements, depreciation, imputed interest on land acquisition, and \$700,000.00 of administration cost. The report does not show new building area expansion, non-aeronautical income or additional state or federal funds. Any combination of these items would change things significantly. He made it clear that this is the starting point.

Tim Anderson, Deputy Executive Director of Operations, stated that this is an opportunity to stop the hemorrhage of funding and to streamline things on any one particular airport. This would also address capacity issues for the future. He noted that three airports are identified as primary.

Chair Tigwell commented that it was assumed that there would be a high demand for capacity relief nine years ago when a legislative decision was made to focus on the importance of the Reliever Airports. That has not happened, so we need to look at some of the policies. She also asked the question as to why the need is not as great as once thought. There might be better alternatives than funding from the concessions at MSP. She also encouraged the airlines to get involved.

Commissioner Mars asked to move forward on the implementation of the various recommendations contained in the report and to begin proactive plan for future development and operations. He also offered a friendly Amendment that the following language be added for the

staff recommendation "...and to begin proactive plan for future development and operations". The Committee agreed to add this language.

Commissioner McGee asked that the comment be stricken "beginning with the primary airports" on Pg. 20 of the report, until the full plan is brought forward. After a short discussion those words were stricken from the recommendation.

Glenn Weibel, Reliever Airports Advisory Council (RAAC), commended Commissioner Lanners and staff, as stated that the report meets most of the challenges put forward by the RAAC Committee. The fee structure levels the playing field for MAC and tenants.

Kevin Rebman, Crystal Airport Community Group, handed out an analysis of the report with recommendations. It contained three main findings; 1) segregation of the reliever airports, 2) all potential revenue streams have not been explored, and 3) lack of vision for future development of the Reliever Airport System.

Dave Clark, Minnesota Business Aviation Association (MBAA), was pleased with the detail and scope of the report. The Reliever Airports are a system that should be maintained to ensure a smooth traffic flow for corporate operations and general aviation. He recommends a quick implementation of the report.

Bruce Wiley, Wiley Enterprises, has seen several attempts to close Crystal Airport by the city. When the subject comes up to sell Crystal Airport, another FBO leaves or dies and investors struggle to invest in Crystal. MAC has not dealt with Crystal, and 20 years of discussion to close the airport has done real damage.

Tim Ashenfelter, Flying Cloud FBO owner, stated that MAC needs to reinvest in the infrastructure. FMC is degenerating, even for safety. The number of operations is declining, but revenue generated is increasing. The G.I. Bill drove up numbers in prior years. Today, there are fewer aircraft operations but more service provided daily, such as gas sales. Larger airplanes generate more revenue. Revenue will be lost if MAC closes Reliever Airports.

Kathleen Nelson, Northwest Airlines (NWA), urged the Committee to add firmer, bolder policies and formula for rates and charges. MAC needs to establish the rules. The Lindbergh Terminal has a formula for leases. MAC needs the same level of detail for the Relievers. She was unsure that the report will change anything, and stated that MAC needs a policy of how the airports be funded. Rent relief was recommended in the report for the Reliever Airports, and Northwest Airlines did not get relief. It was pointed out that the topic of relief for Northwest Airlines would be going to the Commission next week. She stated Northwest wants to ensure that aircraft are paying for what they are using, and asked what are the next steps. She also wants to be involved in the process.

Robert Schroeder, Crystal tenant/hangar owner, stated Crystal has been waiting for answers, and urged the Committee to make recommendations quickly.

John LaFontsee, Regent Aviation – President, stated that the discussion had many tough issues today as well as in the report. Things like aesthetics are important to the Reliever Airport System. Tenants create value in their facilities and to MSP by reinvesting. He was pleased with the way the Reliever Airports are maintained.

Chair Tigwell commented that Reliever Airport funding is not a priority for the Federal Aviation Administration. Everyone should try to find creative ways to generate revenue at the Reliever Airports from non-aeronautical sources.

Jeff Hamiel, Executive Director, pointed out that \$71 million dollars has been spent in the last ten years on the Reliever Airports, not including \$39 million for property acquisition at Flying Cloud.

Commissioner Bovin offered a friendly Amendment to change the verbiage "ratification" to "acceptance" in the recommended action. This change was approved for incorporation.

The efforts of Chairman Lanners and staff were commended by the Committee and attendees.

In summary, the Task Force recommends the following:

- The MAC's airports remain in their existing locations and that each be developed to meet its specific purpose;
- The Commission move forward with enhancement and preservation projects outlined in the Capital Improvement Program (CIP) at the three primary Reliever Airports to support their ability to relieve corporate traffic at MSP, recognizing that Commissioners can change the timing of CIP projects to reflect changing conditions and that the decision to complete projects ultimately depends on the availability and approval of funding sources;
- The Commission move forward with preservation projects outlined in the capital improvement program (CIP) at the three complementary Reliever Airports that maintain the existing infrastructure, with the remaining projects completed based upon demonstrated need and available funding, recognizing that commissioners can change the timing of CIP projects to reflect changing conditions and that the decision to complete projects ultimately depends on the availability and the approval of funding sources;
- MAC seek a significant portion on MnDOT aeronautical funds for a five- to seven-year period to support critical capital needs throughout the Reliever Airport system;
- MAC be aggressive in seeking federal discretionary funding of Reliever Airport Projects;
- (1) the construction and leasing of future building areas be conducted by outside developers, or (2) in the event demand exists and no developer is interested, that MAC considers constructing new building areas and assessing the cost to the tenants that occupy the space;
- MAC continue to operate and manage the airports directly;
- MAC staff develop a new lease form, and make corresponding changes to the Reliever Lease Policies, Rules and Regulations, to implement the Facility Acquisition Fee;
- MAC amend the Reliever Lease Policies, Rules and Regulations to increase the Administrative Fee applicable to the transaction of the lease documents;
- MAC amend Ordinance 101 to implement the Sublease Fee;
- MAC aggressively pursue non-aeronautical development opportunities on land without an aeronautical need;

- MAC pursue an increase in the minimum landing fee at MSP to a level that is justified by costs properly allocable to general aviation/non-signatory aircraft;
- The commercial rent structure be adjusted to provide commercial tenants an exemption from percentage fees for the first 20% of gross sales. It is also recommended that the reverse sliding scale be modified to provide only three payment thresholds: 1.5%, 1.25% and a 1% cap.
- The current lease language be reviewed to ensure the MAC has the ability to maintain adequate control over the use, structural integrity and aesthetics of facilities and the ability to redevelop in the future; and
- MAC staff develop an ordinance that provides standards for the structural integrity and aesthetics of hangars; furthermore, that tenants be required under lease, by ordinance, and as a condition of lease renewal, to submit to a hangar inspection and to invest in the facility to bring it to a "like new" condition;

If the commission approves the Task Force's recommendations outlined in this report, staff should be directed to implement the capital projects identified in this report and create business plans for each of the Reliever Airports.

IT WAS MOVED BY COMMISSIONER LANDY, SECONDED BY CHAIR TIGWELL, TO RECOMMEND TO THE FULL COMMISSION ACCEPTANCE OF THE REPORT ENTITLED, "THE RECOMMENDATIONS REGARDING THE FUTURE OPERATION AND DEVELOPMENT OF THE RELIEVER AIRPORT SYSTEM" AND TO DIRECT STAFF TO MOVE FORWARD ON IMPLEMENTATION OF THE VARIOUS RECOMMENDATIONS CONTAINED WITHIN THE REPORT AND TO BEGIN PROACTIVE PLAN FOR FUTURE DEVELOPMENT AND OPERATIONS.

Motion passed by majority vote with one committee member voting no.

Chair Lanners adjourned the meeting at 4:55 PM.