

Airport Governance Study

Background Information for Potential Consultants

A. Purpose

Conduct an independent, objective review of airport governance models and the issues associated with transition to a different governance model at Charlotte-Douglas International Airport. The study will include input from the public and stakeholders. The work will involve a significant degree of research, assessment, and evaluation. A report will be provided at the end of Step I of the scope of work (*Determine Drivers for Interest in Change of Governance*) and a final report will be provided to the Interim City Manager at the completion of the study summarizing review, analysis, and recommendations within 60 days of the start date. The study will provide review, analysis and recommendations regarding future governance of the Airport for use as information, context, and a guide for decision-making.

B. Scope of Work

1. Determine Drivers for Interest in Change of Governance

As part of the initial stage of the study, the consultant will be asked to interview stakeholders to determine the specific reasons for the interest in changing the governance structure of the Charlotte Airport. The consultant will be asked to provide an information report summarizing the outcome of the interviews to the Interim City Manager and the Mayor and Council at the conclusion of this first stage of the study.

- a. Document the issues or problems a change in governance would address
- b. Provide a report at the conclusion of this step

2. Review and Assess Current Governance of U.S. Airports

Review and assess current forms of governance of U.S. airports, including municipal models, authority models, and any other forms, such as hybrid models, that exist. Attention shall be paid to peer airports of similar size and scope, based on enplanements and originating and destination traffic. Best practices, advantages, disadvantages, and other considerations for each governance model

shall be reviewed. The review will address how the different forms of governance would or would not address the problems or issues with the current form of governance identified through stakeholder interviews.

- a. Municipal models
- b. Authority models
- c. Any other forms of governance, including hybrid models
- d. Include in assessment of each form the matter of succession planning for Airport leadership

3. Review and Assess Peer Airports' Governance

- a. Review selected airports with similar size and scope as Charlotte-Douglas International Airport
- b. Identify key variations in governance within the peer group and drivers for those variations
- c. Costs of operations and related service delivery impacts
- d. Address the role of airports in economic development, i.e. does the form of governance make a difference in an airport's impact or contributions to economic development
- e. Impact of any change in governance on successful airport operations

4. Governance Transition Issues

The study shall also address matters to be considered as part of any transition from a City department to a different governance structure, including but not limited to: finances, debt, property, operations and services, security, administrative and management support, and legal considerations.

- a. Review factors for consideration if Airport were to transition from a City department to a different governance structure, including but not limited to the following list of factors for consideration for transition:
 - 1. General Operational Finances
 - 2. Maintenance of low cost advantage to enhance hub activity
 - 3. Bond Rating
 - 4. Past and current City of Charlotte General Fund CIP infrastructure support
 - 5. Debt
 - 6. Property and facilities
 - 7. City land use planning and decision-making
 - 8. Operations and services
 - 9. Security

10. Administrative and management support, including impact of change on current City Airport employees
 11. Impact on surrounding communities, including land use planning and decision-making
 12. Responsiveness to the public on matters such as land use, noise impacts and customer service
 13. Any applicable Federal or State laws or regulations that may impact a possible change in governance
 14. Any other considerations deemed relevant to a change in governance, including economic development impacts
- b. Review of results of any similar transitions at other airports and impacts on Airport stakeholders.
 - c. Written report and verbal presentations as requested

C. Conducting the Study

1. The consultant will be asked to complete an initial report at the conclusion of Step I of the scope of work.
2. The consultant will be asked to complete the final report within 60 days, but no later than May 1, 2013.
3. The input and involvement of major community and airport stakeholders is an important component of the study.
4. Establishment of a Study Oversight Committee of 7 – 10 members appointed by the Interim City Manager, including representatives of the organizations and stakeholders outlined below:
 - a. Mecklenburg Legislative Delegation
 - b. Charlotte City Council
 - c. Airport Advisory Committee
 - d. US Airways
 - e. Norfolk Southern
 - f. Charlotte Chamber
 - g. Charlotte Regional Visitors Authority
 - h. Charlotte Regional Partnership

The Federal Aviation Administration has offered to the City to be a point of contact to be available to answer questions.

5. The Committee will be charged with providing guidance and feedback to the consultant, ensuring the study is objective and unbiased and with monitoring study progress within the bounds of the scope of

work. It is anticipated the Committee will meet with the consultant three or four times over the 60 day study period, For example, (1) at the outset of the study, (2) at the conclusion of Step I of the scope of work, (3) at approximately the 50% completion point and (4) at the completion of final findings and recommendations.

6. There will be at least one meeting to allow broad public input and comment.
7. Additional opportunities for public input could be provided if time allows.
8. City staff resources will be available to provide information, data, technical assistance and context as needed.

D. Background Information

Form of Government

The City of Charlotte operates under the Council-Manager form of government. The Airport is a department of the City and reports to the City Manager. The Airport is an Enterprise Fund (receives no revenues from property taxes and is fully self-supporting). The Mayor-Council appointed Airport Advisory Committee exists to review long-range planning for airport development; recommend appropriate action to City Council on airport policy matters; and the continuing review and study of all aspects of airport transportation needs of metropolitan Charlotte. The committee also monitors and advises City Council on the implementation of the Airport Master Plan and airport noise compatibility on the neighborhood relations program.

Airport History

In 1935, air service in Charlotte was controlled by private airfields and not serving the public need. Charlotte Mayor Ben Douglas led a campaign to build a new municipal airport. A bond referendum for \$50,000 was passed by the voters and Douglas convinced the Roosevelt Administration to fund the construction of an airport through the WPA. This early leadership established Charlotte as a leader in aviation in the Carolinas. During World War II, the airport served as a base for the Army Air Corps and by the 1950's the facilities were inadequate for the needs of the City and region. City voters again voted for a bond referendum and a new terminal was completed in 1954.

By the mid-1970's facilities were again inadequate and on the second try, voters supported General Obligation Bonds for a new terminal in

November 1978. During this period Piedmont Airlines developed its main U.S. hub at Charlotte-Douglas.

Nearly \$50 million of public debt (City of Charlotte debt) was issued in 1980 and the new terminal was completed and opened in 1982. Since that time, major growth has occurred ultimately leading to CLT being the sixth highest "total volume" airport in the U.S.

In 1976, there were 1.3 million enplanements and 115 daily flights from CLT. By 2011, that number increased to over 20 million enplanements and 718 daily flights.

Today, Charlotte-Douglas International Airport provides the highest possible service at the lowest possible cost with a Cost-Per-Enplaned Passenger (CPE) of \$0.93 in Fiscal Year 2012. Charlotte-Douglas continues to have among the lowest CPE's in the nation and remains well below industry medians for large hub airports.

In 2010, Charlotte-Douglas received the coveted Eagle Award from the International Air Transport Association for "Best Airport." This award is considered the most distinguished award in the industry. Quality service and economical value to airline customers was cited for recognition.

E. Current City of Charlotte Budgetary Relationships and Impacts

Primary budget relationship between the Airport and the City of Charlotte relate to airport security officers, airport fire protection, General Fund administrative support to the Airport, and Citywide technology initiatives that benefit the Airport, which are summarized below.

Airport Security

The Charlotte-Mecklenburg Police Department (CMPD) has provided airport security since December 15, 2012. CMPD has 62 airport security officer positions supporting the Airport, with a current budget of \$5.2 million, which is fully funded by the Airport. If the Aviation department becomes an independent airport authority, it is unknown if the Airport would contract with the City for these services or hire other security personnel.

Fire Services

The Charlotte Fire Department (CFD) has provided fire protection to the Airport for over 30 years. There are currently 58 firefighter positions with an annual budget of \$4.6 million. Two fire companies support the Airport. Similar to Police services, if the Aviation department becomes an independent authority, it is unknown if they would contract with the City for fire services or secure other fire protection.

Administrative Support

The City's General Fund provides administrative support services to the Aviation department, such as Budget & Evaluation, Shared Services, Attorney's Office, City Manager's Office, Finance, and Human Resources. The Airport reimburses the General Fund for these services in the amount of approximately \$1.9 million annually through the City's cost allocation plan (CAP).

Enterprise Resource Planning (ERP)

The Aviation department is significantly involved in the City's implementation of Tyler Technology's Munis ERP system. A separate software package called AirIT PROPworks (AirIT) is being implemented specifically to support the Airport's accounts receivable function with the airlines. The Airport is funding the implementation phase of both ERP and AirIT. The general capital contribution from the Aviation department for the ERP project was \$1,126,477. Payments are spread over a three-year period and the Aviation department is scheduled to pay a remaining total of \$750,984 over the FY2014 and FY2015 time period.

Attachment

Proposed Evaluation Criteria
Proposed Interview Questions