




CHARLOTTE.

CITY MANAGER'S OFFICE
M E M O R A N D U M

October 2, 2013

TO: Mayor and City Council

FROM: Ron Carlee, City Manager 

SUBJECT: Update on Airport Issues Contained in June 10, 2013 City Council Resolution

The purpose of this memorandum is to give you a status report on issues regarding Airport finances, contracting, procurement, compensation, and public safety which were contained in your June 10th Resolution (attached). Staff has developed a plan of action that will address all of these identified issues, and more. Staff has either issued requests for proposals or developed processes for handling each of these functional areas. This work will continue to keep Charlotte Douglas International Airport (CLT) as one of America's greatest airports by updating procedures and processes consistent with leading practices as recommended by our airport consultant.

Attached is a summation of the functional areas we intend to study in order to ensure the most efficient service delivery going forward at CLT. The Turnover Audit, the Compensation and Benefits Study, and the Procurement and Contracting Authority Study will all be completed by the first quarter of 2014. The Financial Services Consultant selection will be made by January 1, 2014 and likely be a multi-year service contract initially. Lastly, the collaborative review of Airport public safety and security by City Aviation and the Charlotte-Mecklenburg Police Department should be complete within the next three weeks. The Aviation team has taken the lead on these projects and is supported by other city agencies. I am quite proud of the collaboration and cooperation of the entire city team in order to make significant progress on the issues you directed me to study on June 10th.

I am available to answer questions you may have. I intend to schedule a media briefing for Brent Cagle and me to inform the public of the progress we are making. I will let you know when this is scheduled. Thanks for your continued support of our collective efforts to help CLT remain strong, vibrant and efficient!

Resolution on the Future of Charlotte Douglas International Airport

Whereas the City of Charlotte is committed to the continued superior performance of the Charlotte Douglas International Airport;

Whereas Oliver Wyman concluded:

- "Charlotte has been a spectacularly successful airport in most regards, including its low cost, high service quality, and prudent financial management." (Oliver Wyman, p. 51);
- "Charlotte Airport is the most unlikely candidate for a change in governance of any of its peers" (Ibid, p. 51);
- "The issues/incidents raised as evidence that the Airport needs to be governed under a different structure not only are readily fixable, but the City's interested in fixing them" (Ibid, p.52); and

Whereas legislation introduced in the North Carolina General Assembly "in its current form does not provide best industry practices for a properly structured airport authority nor for a smooth transition to an airport authority" (Ibid, p.54);

Now therefore be it resolved by the City Council of the City of Charlotte:

1. That the City Council supports an airport governance structure that best achieves the objectives of keeping the Charlotte Douglas International Airport as one of the best performing and lowest cost major hub airports;
2. The City Manager is hereby directed to fully evaluate the following items, to act as appropriate, and/or make recommendations to implement best practices in the following areas:
 - a. Airport finances, ensuring that finances are completely separated from that of the city/county/state.
 - b. Contracts, ensuring that the airport contracts and pays for only the services it needs and uses, including services from the city, county, or state.
 - c. Procurement, ensuring that policies that are nimble and ensure low costs, competitiveness and integrity.
 - d. Human resources, ensuring a compensation system that enables the airport to attract and retain top talent.
 - e. Public safety and security, ensuring the most cost effective and functionally effective method of service is provided inside the terminal as well as on the public and airfield grounds.

In conducting this work, the City Manager shall engage stakeholders, and

3. That the City Council will vigorously resist any outside, unilateral changes to the airport that threaten the city's investment and that could result in a reduction in performance and increases in the cost of operating the airport.

CERTIFICATION

I, Stephanie C. Kelly, City Clerk of the City of Charlotte, North Carolina, DO HEREBY CERTIFY that the foregoing is a true and exact copy of a Resolution adopted by the City Council of the City of Charlotte, North Carolina, in regular session convened on the 10th day of June, 2013, the reference having been made in Minute Book 134, and recorded in full in Resolution Book 44, Page(s) 532.

WITNESS my hand and the corporate seal of the City of Charlotte, North Carolina, this the 12th day of June, 2013.




Stephanie C. Kelly, MMC NCCMC, City Clerk

Aviation Functional Studies Update

October 1, 2013

1. Turnover Audit

A contract has been awarded to McGladrey effective September 27, 2013. The purpose of this audit is to test compliance of operations of Charlotte Douglas International Airport (CLT) in areas such as grants accounting, FAA reporting and compliance procedures, cost allocation methodologies, adherence to debt management and debt reporting requirements, and billing and revenue tracking processes to name a few. Audits of this type are common practice whenever a major leadership transition happens, or a shift in governance is possible. Cost range of the audit is \$64,000-\$84,000 with hourly rates applied to the scope.

2. Compensation and Benefits Study

Award of a contract to Waters Consulting Group is expected in the next two weeks. The Study will recommend compensation and/or benefit changes for the Aviation Department to keep positions competitive in today's marketplace. The Study will also identify where the organizational structure may need to change to better serve the airport and its customers. A comparable set of airports will be used to benchmark CLT. Cost of the study is estimated to be \$86,740.

3. Procurement and Contracting Authority Study

The City is in negotiations with Matrix Consulting Group to perform an analysis of the current procurement business processes and practices used by the Aviation Department. Items under consideration for the study include analysis of procurement controls, dollar value thresholds for contracting authority, business process improvements to meet new Enterprise Resource Planning software, and business efficiencies to gain lowest cost of procurement for CLT. Estimated cost ranges from \$50K-\$90K depending on items included within the finalized scope of the study.

4. Financial Services Consultant

City Aviation and City Finance will be issuing a Request for Proposal seeking a financial services consultant with expertise in Aviation debt management, financial forecasting, and financial modeling. City Finance will oversee the contract with the selected firm, with City Aviation being the day to day beneficiary of the firm's expertise. Contact award is expected by January 1, 2014.

5. Airport Security and Public Safety Review

City Aviation and CMPD are currently in discussions cooperatively and collaboratively to review the service delivery method, the cost, and the command/control protocols for airport security and public safety. A leading option under consideration is an alternative which utilizes a combination of sworn CMPD officers and corporate Airport police for provision of security and public safety services. This is an evolving best practice in a few other airports nationally. Costs would be reduced if such a model is adopted and implemented. Other major Airport tenants and Federal agencies will also be consulted for input.