

# Grand Traverse County: Northwestern Regional Airport Commission Airport Governance Advisory Committee Report & Recommendation

November 20, 2019



# Today's Discussion

- Introduction & Background
- Purpose of Committee
- Key Research and Findings
- Stakeholder Outreach/Input/Feedback
- Committee Recommendations

# Introduction and Background

- **Strategic Planning**
  - As part of the Airport's strategic planning process, NRAC performed an initial review of its current governance model last year
  - To explore the issue further, in December 2018, NRAC created an ad-hoc committee to serve in an advisory capacity on the Airport's governance model
- **Airport Governance Advisory Committee (AGAC)**
  - On March 19, 2019 the AGAC was appointed by NRAC with nine total Committee members with 3 representatives each from Grand Traverse County, Leelanau County, and the NRAC

# Purpose of Committee

- **Purpose & Goal of the Committee (Per the AGAC's Bylaws):**
  - Examine whether the governance model for the Cherry Capital Airport should be
    - (1) maintained as is;
    - (2) modified within the framework of the current model;
    - (3) amended to an Authority under Public Act 95 of 2015; or
    - (4) whether to pursue state legislation to enable an authority model tailored specifically to meet the airport's needs.
  - If changes are determined needed, to prepare a recommendation and report to the NRAC to present to Grand Traverse and Leelanau Counties as to what changes are needed and a recommendation on the necessary documents to accomplish any changes.
- **Open Meetings and Community Inclusion**
  - 7 committee meetings were held between April 30 to October 29, 2019
  - All meetings of the AGAC were announced on the TVC website and open to the public
  - All meetings included opportunity for public comment
  - On September 24, 2019 an invitation for public comment was held with more than 60 attendees
  - All AGAC presentations were posted to the TVC website with the ability to comment via email

# Key Research and Findings

- **Airport Governance - History & Background**
  - Airport Established in 1935 by Traverse City
  - Airport transferred to U.S. Government in 1942 for WWII
  - Airport transferred back to Traverse City in 1949
  - Airport identified as a regional asset & NRAC formed in 1971
    - NRAC comprised of the City of Traverse City, Grand Traverse County, and Leelanau County
  - Traverse City leaves NRAC in 1990
  - Leelanau County inquires about alternative governance in 1995
  - NRAC commissions a Strategic Planning process in 2017
  - NRAC Board forms the AGAC in 2019 to review governance

# Key Research and Findings

- **Conditions of the Current Joint Operating Agreement**
  - Provides the ability for NRAC to operate the Airport for Grand Traverse County and Leelanau County, the two current joint owners
  - Establishes the appointment of Commission members
    - 7 total with 5 from Grand Traverse County and 2 from Leelanau County
  - Sets the powers and limitations for operating the Airport

# Key Research and Findings

- **Current Agreement Deficiencies**

- **Conflicting Terms**

- Joint Operating Agreement term ends February 17, 2049
- Lease Agreement term ends September 30, 2040

- **No Dispute Resolution**

- While the Agreement includes language for cost sharing (i.e., 85% GTC, 15% LC), it does not contain processes for resolving disputes including means and methods for 1) getting both Counties to accept liability of the proposed dispute and associated financial payment; or 2) for any non-financial related disputes between the parties that may occur

- **Property**

- Recent review of the airport's Exhibit A property map has found matters related to historical property transactions that need to be addressed with the FAA

# Key Research and Findings

- **Current Agreement Deficiencies (continued)**
  - Board Membership
    - No minimum qualifications
    - No methodology for appointing or removing members from the NRAC Board
  - Profits
    - Agreement calls for the distribution of profits, a violation of FAA policy
  - Zoning
    - Property Transfer Agreement states that the Airport is subject to the City zoning ordinance; however, this provision conflicts with State law and could impact the ability of the Airport to meet Federal grant assurances
  - Deed
    - Currently there is a reversion of property back to the City; however, as the current property owners, the reversion clause should indicate the Counties
    - Blanket easement for the City is a violation of FAA policy



# Key Research and Findings

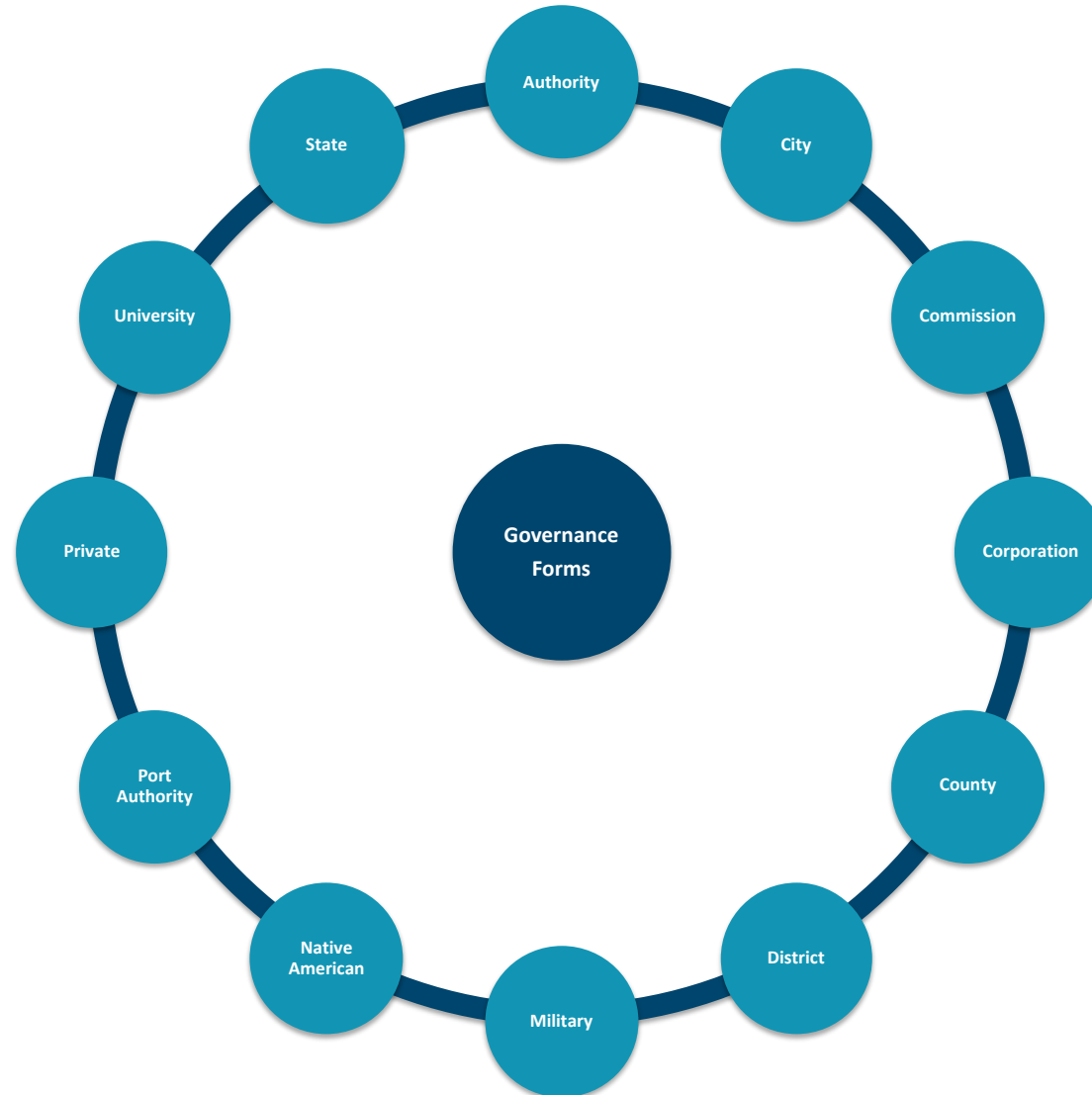
- **Airport Governance in Michigan**
  - Michigan Compiled Laws re: Governance Models
    - MCL 259.101-107: State Airports
    - MCL 259.108-125c: Public Airport Authorities
    - MCL 259.126-136: Political Subdivisions of this State
    - MCL 259.137-149: Regional Airport Authorities
    - MCL 259.621-631: Community Airports
    - MCL 259.801-823: Airport Authorities
  - Michigan Commercial Service Airports
    - 17 total commercial service airports
    - 59% County-run, 29% Authority-run, 12% Commission-run

# Key Research and Findings

Code	Michigan Commercial Airports	Enplanements	Governance Model	Legislative Authority Under MCL Chapter 259
DTW	Detroit Metropolitan Wayne County Airport	17,036,092	Authority	Sec. 108
GRR	Gerald R. Ford International Airport	1,412,132	Authority	Sec. 137
FNT	Bishop International Airport	393,549	Authority	Sec. 621
TVC	Cherry Capital Airport	235,137	Commission	Sec. 126
LAN	Capital Region International Airport	196,617	Authority	Sec. 801
AZO	Kalamazoo/Battle Creek International Airport	146,314	County	Sec. 126
MBS	MBS International Airport	110,964	Commission	Sec. 126
SAW	Sawyer International Airport	50,938	County	Sec. 126
PLN	Pellston Regional Airport of Emmet County	23,961	County	Sec. 126
CMX	Houghton County Memorial Airport	24,843	County	Sec. 126
CIU	Chippewa County International Airport	22,261	County EDC	Sec. 126
MKG	Muskegon County Airport	17,007	County	Sec. 126
ESC	Delta County Airport	16,781	County	Sec. 126
IMT	Ford Airport	17,707	County	Sec. 126
APN	Alpena County Regional Airport	11,317	County	Sec. 126
IWD	Gogebic–Iron County Airport	5,335	County	Sec. 126
MBL	Manistee County-Blacker Airport	4,721	Authority	Sec. 621

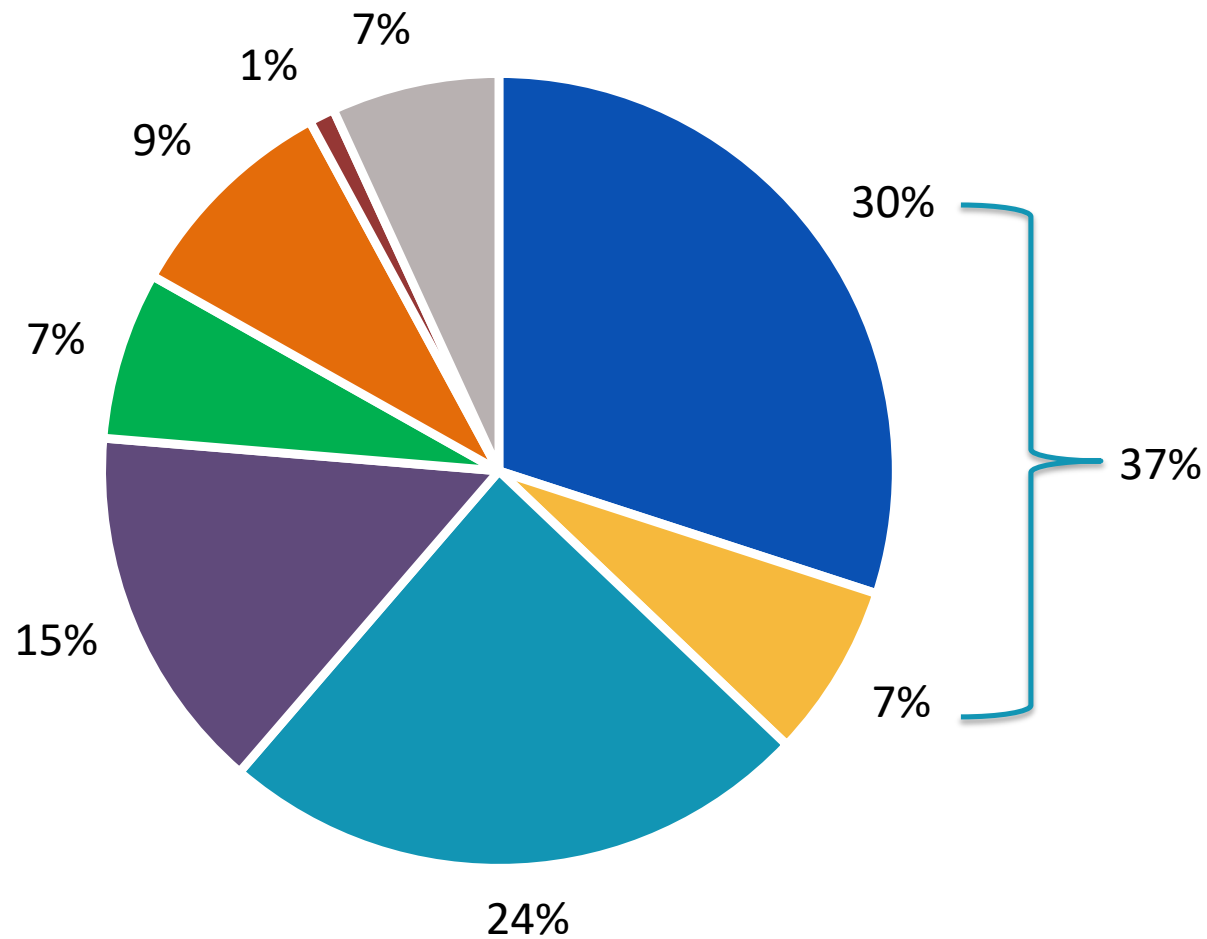
# Key Research and Findings

- **Airport Governance Nationally**



# Key Research and Findings

- Airport Governance Nationally (continued)**



■ Authority ■ Port Authority ■ City ■ County ■ Commission ■ State ■ Privatized ■ Other

# Key Research and Findings

- **Advantages and Disadvantages of Commission – from Airport’s Perspective**

- *Please note that various stakeholders could interpret advantages and disadvantages differently*

## **Commission Advantages**

- Liability shared with Counties
- Legal/professional services could be supplied by Counties
- Can more easily rely on Counties for financial support
- Political connections and support
- Provides direct oversight & accountability by Counties

## **Commission Disadvantages/Limitations**

- Cannot buy and sell property on its own
- Cannot enter leases past term of Operating Agreement
- No direct control of Airport zoning
- Potential political influence
- Less efficient
- Sponsors required to choose between competing priorities
- Legislation & Agreements not as clear
- Lack of dispute resolution

# Key Research and Findings

- **Advantages and Disadvantages of Authority – from Airport’s Perspective**

– *Please note that various stakeholders could interpret advantages and disadvantages differently*

## Authority Advantages

- Airport business focus
- Zoning control
- Buy & sell property
- Clear legislation
- Regional representation requirement
- Efficient & effective actions
- Reduces political influence & conflicts of interest
- Industry best practices
- Expertise criteria for Board members
- Limit of 45% of elected officials on Board
- More transparent, more public accountability
- Strengthens Airport to promote more services/better fares for the community

## Authority Disadvantages/Limitations

- Liability held by Authority
- Cannot impose a millage
- Financial & operational support from Counties is harder to gain

# Key Research and Findings

- **General Benefits of a Regional Authority**
  - Provides a singular Airport enterprise focus
  - Enhances decision making
  - Lowers operating costs
  - Strengthens regional coordination and economic contribution
  - Creates a stronger platform for economic development
  - Better supports Air Service Development
  - Facilitates coordination with local governments and community bodies on a broad basis
  - Fosters a business & customer service driven focus
  - Upholds leadership standards
  - Provides checks and balances, and community accountability
  - Helps protect the Airport from being politicized

# Stakeholder Outreach/Input/Feedback

- **Stakeholder Outreach/Input/Feedback**
  - AGAC stakeholders completed values-based survey initiative
  - Stakeholders were engaged in each public meeting of the AGAC and NRAC including:
    - 7 AGAC meetings
    - 1 Public Invitation to Comment in September with more than 60 attendees
    - 1 NRAC Study Session
    - 1 NRAC Board Meeting
  - Business leaders, community advocates, and concerned citizens all contributed to the dialogue and offered input



# Stakeholder Outreach/Input/Feedback

- **Stakeholder Key Concerns**

- Reduced liability for Counties, both short term and long term
- Public transparency, accountability, and mechanisms for input
- Greater regional perspective
- Greater business focus and efficient operations
- Clear and modernized legislation, including Airport zoning
- Safety mechanisms to protect the Airport for the community
- Promotion of Airport as a regional economic asset
- Provide excellent service to community (e.g., fares, flights, destinations, customer service, community partnership, etc.)

# Final Recommendation

- **In its final report, the AGAC presented its research and findings, and unanimously recommended that:**
  - Grand Traverse County and Leelanau County join together and pass a resolution indicating their intent to **form a regional Airport Authority** under Michigan Compiled Laws Chapter 259 Sections 137 through 149, otherwise known as the Regional Airport Authority Act.
- **The NRAC unanimously recommends and submits the AGAC report to Grand Traverse County and Leelanau County and requests that the Counties:**
  - Designate County administrators, the NRAC (i.e., the Airport Director and legal counsel), to develop governing documents for consideration by full Commission(s)
  - Provide an opportunity for public input into governing documents in December, taking all comments received into consideration in developing documents.
  - Bring recommendations to full Commission(s) for consideration.

Q&A

Comments

Discussion

Thank You

