NRAC Study Session: Airport Governance Advisory Committee Report & Recommendation

November 6, 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
• **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
• **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
• Airport Governance Nationally

- Authority
- City
- Commission
- Corporation
- County
- District
- Military
- Native American
- Port Authority
- University
- Private
- State
• Airport Governance Nationally (continued)
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 have other priorities besides the Airport’s best interests
• 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 provide 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**
  – Stakeholders were engaged in each public meeting of the AGAC, including an invitation for public comment in September with more than 60 attendees
  – Business leaders, community advocates, and concerned citizens all contributed to the dialogue and offered input
  – AGAC stakeholders completed values-based survey initiative
• **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 AGAC now officially submits its report to the NRAC and requests that the NRAC:
  – adopt and affirm its recommendation that the Airport governance be transitioned to an Authority model as stated above, and
  – make the report and its recommendation available to the Counties.
Q&A
Comments
Discussion

Thank You