

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

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

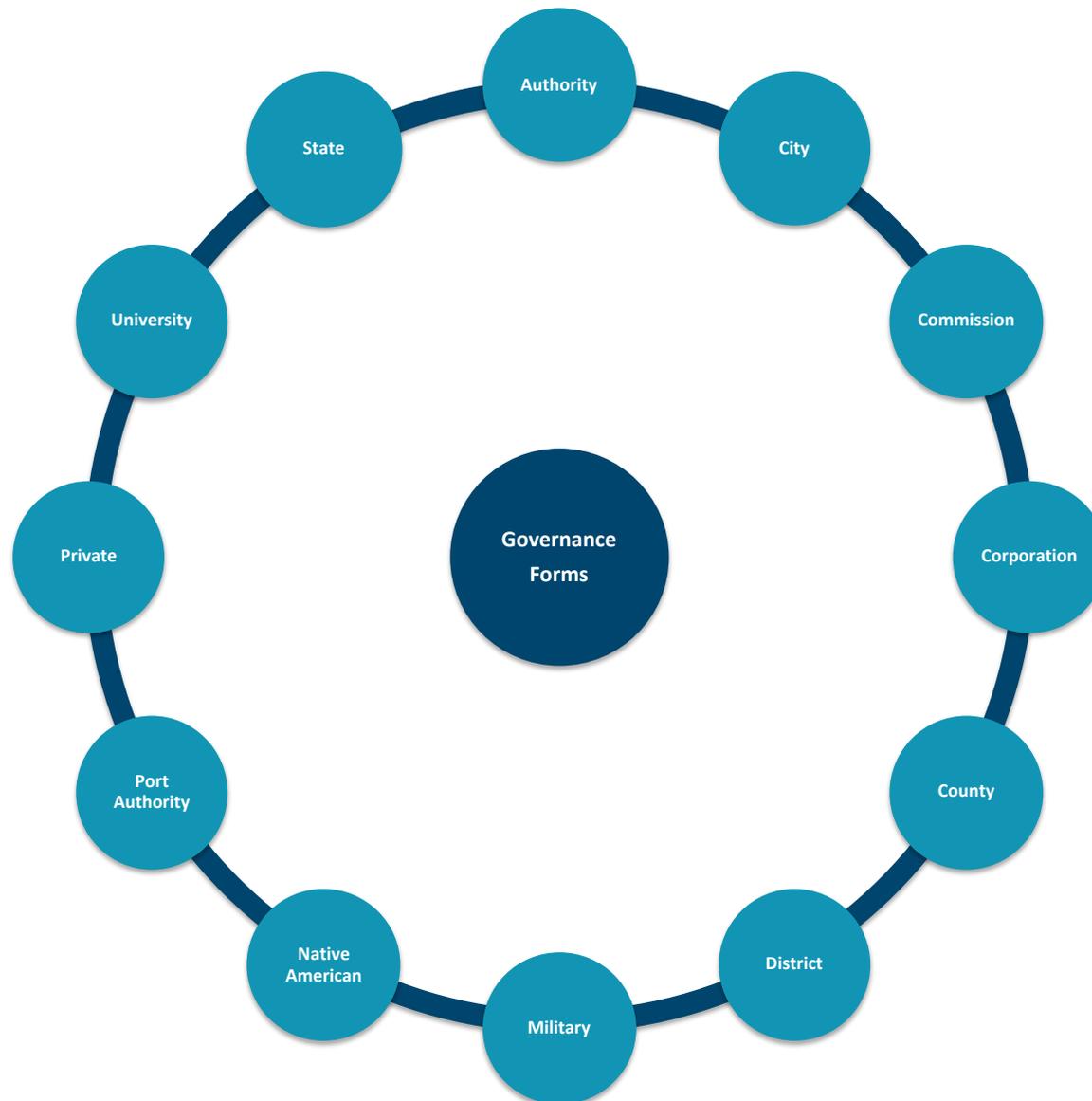
- **Current Agreement Deficiencies (continued)**
 - Board Membership
 - No minimum qualifications
 - No methodology for appointing or removing members from the NRAC Board
 - Profits
 - Agreement calls for the distribution of profits, a violation of FAA policy
 - Zoning
 - Property Transfer Agreement 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

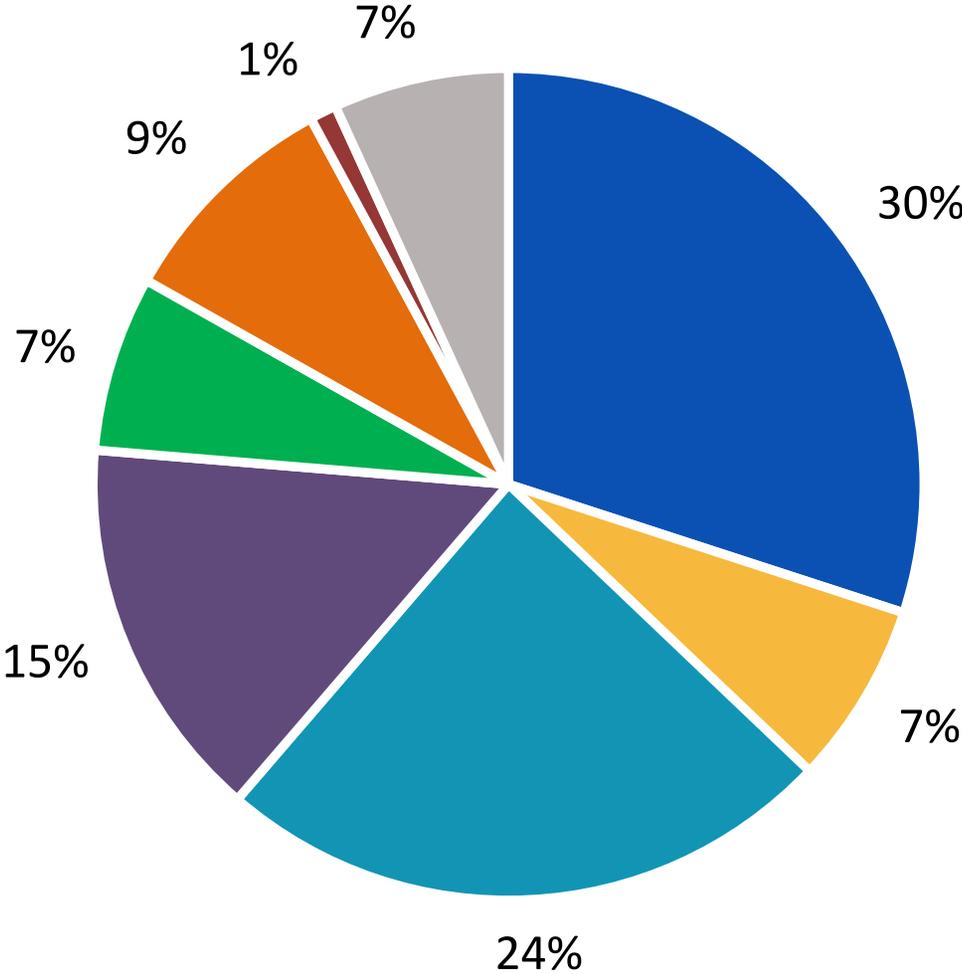
Key Research and Findings

- **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 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

- **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 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 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.

Discussion

Q&A

Comments

Discussion

Thank You

