

## APPENDIX G

### AIRPORT GOVERNANCE AND STRUCTURAL MANAGEMENT OPTIONS

There are a number of alternative structural arrangements for the governance of airports – structures within which airports are owned and operated, management decisions are made, budgets written, assets acquired, and Federal funding received. In general, airport governance structures fall more or less neatly into one of six different types, which are set out in Figure 1 below; selected options are further discussed below.

**Figure 1: Forms of Airport Governance**

<b>Ownership/Management Form</b>	<b>Operational Structure</b>
City ownership (current form)	City Council + City Department
Joint city-city or city-county	City Councils and/or County Commissions + Intergovernmental Cooperative Agreement
State ownership	State Department of Transportation or Department of Aviation
Independent Airport Authority (Single or Multi-State)	Independent Airport Authority
Multi-Purpose Authority	Multi-Purpose Authority + Aviation Division
Privatization (Lease or Sale)	Private operator with long-term lease from public owner or with ownership of facility

Source: Spiegel & McDiarmid

If the City of Renton decides to investigate possible alternative governance structures for the Airport, that process is likely to require substantial analysis and work to build a public consensus in support of change. In the meanwhile, efforts to improve the day-to-day management of the facility (such as a new leasing policy) would be valuable whether the current structure continues or is replaced.

#### **1. The Current Governance Structure for Renton Municipal Airport**

Chapter 3 discusses this in more detail. Renton's airport is managed as part of the Transportation Planning division of the City's Planning, Building and Public Works Department.

Council adoption actions may be through Ordinances (used for laws, contracts including leases, and budget / financial actions) or Resolutions or Motions (indicating policy intent but not having the same binding nature as ordinances). Staff actions may be day-to-day or may be codified in Administrative Procedures, which are developed at the

direction of the Mayor or Department heads and approved by the Mayor. Such Procedures lay out the formal and major aspects of the how the City is run.

The recommendations of this Business Plan (provided in Chapter 9) indicate what method of adoption is recommended to implement each recommendation.

As noted above, Renton Municipal Airport is owned and managed today within a city-ownership structure. Thus, the airport is treated as a part of a city department, in this case the Planning/Building and Public Works Department (Public Works). Within the U.S, city ownership/management is one of the two most common governance structures. (Within the overall category of city ownership, there can be a range of operational arrangements, with airports sometimes being treated as part of Public Works, Roads and Aviation (as in Santa Clara County, CA), Construction and Facilities Management (as in Boeing Field/King County), or even Parks and Recreation. The initial placement of airports within a given city department seems to be a matter of historical accident. In addition, placement sometimes changes in order to give airport management a higher reporting position as the airport takes on greater economic importance to the city where it is located.

## **2. Transfer to Another Local Sponsor**

City ownership options also include the possibility of transferring the airport to another local airport sponsor. The land for Renton Municipal Airport was originally deeded to the City by the Federal Government in 1947 under the Surplus Property Act. That transfer imposed certain obligations on the City, including continued operation of the airport as an airport, and provided for reversion of the property to the Federal government if those obligations were not met. Grant assurances entered into by the City since that time have also included a requirement to continue to operate the airport as an airport. However, in situations where the airport sponsor no longer wants to operate the airport, or where the FAA believes that the sponsor is incapable of meeting its obligations, FAA has participated in and approved the transfer of airports to other qualified, willing sponsors (here, since King County already operates an airport in the area, it might be a logical candidate for taking over Renton and operating it in coordination with Boeing Field/King County International Airport.) The terms of such a transfer would be negotiated between the receiving body, the City, and FAA. At the conclusion of the process, the City would be released from its sponsor's obligations, and would no longer have any control over operation of the airport.

## **3. Independent Airport Authorities and Intergovernmental Agreements**

The other most common structure for the governance of airports is use of an independent airport authority, which owns and manages one or more airports. Airport authorities frequently bring together representation for a regional area affected by an airport, or serve as an umbrella for coordinating the management and development of a number of airports in a region. Sea-Tac International Airport is managed by the Port of

Seattle. The Minneapolis-St. Paul Metropolitan Airports Commission manages the primary commercial service airport at Minneapolis-St. Paul International as well as a network of reliever and general aviation airports spread around a multi-county region. Joint city-city or city-county arrangements under intergovernmental agreements are another structure that may gain some of the advantages of an independent authority without as much formal structure or commitment of assets by the forming member governments.

#### **4. Privatization**

In recent years, there was a trend outside the U.S. toward privatization of airports. Within the U.S., privatization has been less eagerly pursued, although a small number of airports are currently involved in a “privatization pilot program” under the auspices of DOT/FAA. Privatization may increase economic efficiencies<sup>1</sup> (which in the U.S. generally benefit the users in the form of lower fees) and may permit greater managerial efficiency.

Privatization can be full or partial. Under “full privatization,” an airport owner enters into a sale or long-term lease of the airport facilities. A private operator would then take over operation, development, and long-term management of the facility. Conditions may be attached to the title or included in the lease to assure that the facility remains in aviation use and complies with all federal aviation requirements; in addition, FAA will have its own requirements before approving the transaction. Finally, except for some theoretical flexibility for airports in the FAA/DOT privatization pilot program, all revenues from sale or lease of airport property are considered airport revenues and are subject to FAA’s requirements for revenue use (i.e., may not be “diverted” to the previous operator’s general fund).<sup>2</sup>

Barriers to full privatization include:

- Local airport operating restrictions and procedures may be too inefficient for a potential private contractor to accept, but too important for local goals for the City to be willing to eliminate;

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<sup>1</sup> US General Accounting Office: *Airport Privatization: Issues Related to the Sale or Lease of US Commercial Airports*, PO Box 6015, Gaithersburg, MD, November 1996.

<sup>2</sup> This restriction on use of proceeds from privatization transactions has been felt to make privatization a much less attractive option within the U.S. DOT/FAA’s Privatization Pilot Program is an attempt to explore this issue and the potential benefits of airport privatization. The Pilot Program would allow the outright sale of a general aviation airport participating in the program. The program is limited to five airports. Thus far, one airport has been privatized and four more are in the application process. Stewart International Airport, a small hub airport 6 miles north of New York City, has been approved. San Diego Brown Field, a general aviation airport in San Diego, CA; Niagara Falls International Airport, a general aviation airport in Niagara Falls, NY; Rafael Hernandez Airport, a small air carrier airport in Aguadilla, Puerto Rico; and New Orleans Lake Front Airport, a general aviation airport in New Orleans, LA. are in various stages of the application process.

- The airport will likely no longer be eligible for federal grants unless it is participating in the privatization pilot program;
- By selling the field, regardless of what covenants and restrictions may be included, the local jurisdiction is likely to have less influence over the off-airport impacts of the operation including noise impacts, while the new private airport operator will have less input into land compatibility issues including zoning decisions;
- Because the airport is almost completely built out with a number of tenants with leases that do not expire for 10-30 years, it may be difficult to structure a profitable arrangement with a private contractor; and
- The arrangement would need to be part of an extended FAA privatization program to avoid grant repayment problems.

“Partial privatization” approaches can include everything from private development of facilities (terminals, hangars, etc.) on land leased from the public airport owner to “contract management” arrangements where the private company supplies all airport management functions under the oversight of the public owner. Where the private party takes over management of the airport, the public agency remains the certificate holder, has oversight responsibilities, and continues to be the “airport sponsor” for Federal grant purposes. Arrangements may vary in duration and the remaining degree of involvement of the public owner. Examples of general aviation airports managed by private contractors are shown in Figure 2 below.

**Figure 2: Airports Under Private Management**

<b>Airport</b>	<b>Contractor</b>
Alliance Airport, Fort Worth, TX	Alliance Air Services
Brackett Field, Laverne, CA	COMARCO, Inc.
Capital City Airport, Fairview, PA	Johnson Controls World Services
Compton Airport, Compton, CA	COMARCO, Inc.
Danielson Airport, Killingly, CT	Northwest Air Service
El Monte Airport, El Monte, CA	COMARCO, Inc.
Peru Municipal Airport, Peru, IN	Miami County Air Services
Fox Airfield, Lancaster, CA	COMARCO, Inc.
Republic Airport, E. Farmingdale, NY	Johnson Controls World Service
Whiteman Airport, Pacoima, CA	COMARCO, Inc
Windhem Airport, CT	Windhem Aerobim, Inc.

Source: [www.privatization.org/Collection/SpecificServiceAreas/airports-local.htm](http://www.privatization.org/Collection/SpecificServiceAreas/airports-local.htm) (This site also includes a number of resources that would be valuable if the City decides to investigate this option further.)

The pros of partial privatization include:

- Cost-savings and efficiencies; studies have shown 15 to 40% savings over local government management;

- The airport is run as a business not as a subsidized public service; and
- New tenancies are market-driven and vacancies filled as quickly as they can be, since the lost revenue will affect the private operator's bottom line; the business orientation of the management is aligned with the business orientation of the tenants.

The barriers to partial privatization mirror those of full privatization, and there are similar restrictions on the off-airport use of revenues derived from such contracts.

## **5. Options for Managerial Changes within the Existing Governance Structure**

### **5.1 Status Quo**

Today the airport runs as a city department. It is part of the Planning/Building and Public Works Department and its employees report to that agency's managers. Its elected governing body is the City Council, delegated through the Airport and Transportation Committee of the Council. The current approach to land and facilities management is that the airport offers each parcel (aviation access parcels and other) to interested parties through a competitive process, and private sector entities bid on the land. Their right to use the land generally involves:

- Payment of an annual ground lease for the land itself;
- A requirement to meet certain minimum standards with regard to the service provided if the new tenant is a commercial enterprise serving the aviation community;
- Approval to construct a certain type of building on the field;
- Approval of a long-term lease (20 to 50 years) often with renewal possibilities at the municipality's option;
- Restrictions on the ability to sublease without express written approval of the municipality; and
- Obligation to transfer the buildings to the municipality at a certain point and /or to raze them and return the site to a pristine condition. Exceptions continue to be made if the buildings are in reasonable condition and/or the tenant proposes significant improvements and/or additions to the existing facilities.

The pros of staying with the current management setup include:

- No disruptions of current operations;
- The city retains a relatively large amount of control over the airport; and

- Private investment pays for most airport improvements; the city's budget and bonding ability remain unaffected.

The cons of the current situation include:

- When buildings have their leases extended and continue their ground leases, the question has been raised as to whether the city is losing potential airport revenue because the ground lease it can collect is so much smaller than the funds that could be collected if building rents were also being paid;
- A small number of airport staff are housed remotely (at the field not City Hall) and unable to maintain full ongoing dialog with City Hall policymakers; and
- The mission of other City Hall employees does not relate to the airport and they have no incentive to be knowledgeable about aviation matters; this results in a lack of synergy and common ground among the various subgroups of Public Works.

## **5.2 Internal Restructuring**

Options are available to maintain city ownership and management of the Airport but move it from Public Works to one of the following:

- A new, separate Department of Aviation

This option would elevate the importance of the airport within the City and give it a higher profile. It would make the Airport Manager directly responsible to the City Council and the Mayor and remove existing layers of responsibility.

- The City's Economic Development, Neighborhoods and Strategic Planning Department

Many cities and counties in the U.S. use their airports as economic development tools. Moving responsibility for the airport to Economic Development would facilitate such a change in policy. Cities managing their airports to support economic development may target the development of specific facilities or services on the airport or may provide some services themselves as "loss leaders" to make the airport an attractive gateway for businesses visiting the community or wishing to relocate in the community.