

★ **Roll Call Number**

Agenda Item Number

38B

Date May 19, 2008

WHEREAS, the ordinance establishing the Des Moines International Airport gives the Airport Board the power to establish and enforce regulations for the control, operation, supervision and maintenance and security of the Airport and further gives the Board the power to establish rates and charges for use of the airport, airport facilities, or airport services; and

WHEREAS, the Airport Board is required by section 22-51(a)(3) of the Municipal Code to notify the City Council of the proposed effective date of the regulation and to provide a copy of the proposed regulation to the City Council for its review; and

WHEREAS, the Airport Board intends to enact a regulation that is scheduled to take effect on July 1, 2008, relating to rates and charges at the Des Moines International Airport; and

WHEREAS, the Airport Board intends to enact the attached proposed regulation pursuant to section 22-51 of the Municipal Code; and

WHEREAS, on April 1, 2008, through Resolution A08-065, the Airport Board approved by first reading the proposed regulation No. 08-56 by adding section 2-20 to the Airport Board Regulations relating to the power to implement a customer facility charge as a part of rates and charges at the Des Moines International Airport; and

WHEREAS, a public hearing was held on May 6, 2008, at 8:00 a.m. in the Cloud Room of the Des Moines International Airport and after the hearing the Airport Board approved, through Resolution A08-093 , the second reading of the proposed regulation; and

WHEREAS, the City Council, if upon review of the proposed regulation, determines that such regulation is inconsistent with the provisions of the Municipal Code, or is inconsistent with any applicable state or federal law or regulation, or is otherwise objectionable, the City Council may so declare by resolution, and in that event the proposed regulation will not be published and shall not take effect;

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Date May 19, 2008

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF DES MOINES, IOWA:

That the attached communication from the Chairperson of the Des Moines International Airport Board and copy of the proposed Airport Board Regulation No. 08-56 duly notifying the Council of the proposed effective date for the regulation of July 1, 2008, is hereby received and filed.

Moved by _____ to adopt.

FORM APPROVED:



David A. Ferree
Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
VLASSIS				
MEYER				
TOTAL				
MOTION CARRIED		APPROVED		

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

Mayor

City Clerk

Date _____

Agenda Item 3B

Roll Call # _____

May 6, 2008

The Honorable Mayor and Members of City Council
400 Robert D Ray Dr
Des Moines, IA 50309

RE: Proposed Airport Regulation No. 08-56, Rental Car Customer Facility Charge (CFC)

Dear Mayor and Members of the City Council:

The City Council created the Airport Board under Chapter 392 of the Iowa Code for the purpose of governing the operation of the Des Moines International Airport. City Code Section 22-50(a)(2) gives the Airport Board the authority to establish, by regulation, rates and charges for the use of the Airport's facilities or services to support the continuing operation and development of the Airport. The Council delegated the Board the power to establish rates and charges for use of the Airport consistent with its responsibility to maintain a positive cash balance in the Airport Enterprise Fund at all times.

At its meeting of April 1, 2008, the Airport Board approved the first reading of a resolution to include a section which allows a Customer Facility Charge (CFC) to be imposed on all customers renting a vehicle at the Airport. At its meeting of May 6, 2008, the Board conducted a public hearing on the resolution and, after receiving no comments, approved its second reading. Relevant background information related to the proposed regulation change is as follows:

Airports throughout the United States have renovated, reconfigured, and relocated car rental customer facilities as an appropriate means of efficiently and effectively dealing with increased demands for space. Many, if not most, of these airports commonly use the collection of a car rental Customer Facility Charge ("CFC") to finance the renovation, construction, operation, and maintenance of car rental customer facilities, and pay for associated shuttle bus systems to transport passengers to and from these car rental customer facilities without adversely affecting general airport funds.

On July 7, 2006, through Resolution No. A06-119, the Board approved six (6) On-Airport Automobile Rental Concession Agreements (collectively the "Concession Agreements") after a public bidding process. The six agreements are held by Hertz Corp., Des Moines Service Corporation, Ruan, Inc., Budget of Iowa, Enterprise Rent A-Car-Midwest, and Dollar-Thrifty Auto Group. Section



DES MOINES INTERNATIONAL AIRPORT
DEPARTMENT OF AVIATION, ROOM 201
5800 FLEUR DRIVE
DES MOINES, IOWA 50321-2854
(515) 256-5100

ALL-AMERICAN CITY
1949, 1976, 1981
2003

4.08 of the Agreement with each Agency reserves the Airport's right to consider implementation of a CFC at any time throughout the term of the Concession Agreement.

Section 4.08 continues by outlining the criteria through which a CFC may be implemented:

"A CFC will be implemented only if and when the Airport Board has approved one or more specific construction projects related to improving the rental car operation at the Airport. Specific projects may include, but not be limited to, improved (possibly covered) ready and return parking areas and/or an on-airport fuel, wash, and service facility (sometimes referred to as a QTA, or Quick-Turn-Around Facility). If any of those projects requires the implementation of a CFC to adequately fund the project, the CFC to begin immediately after the project has been approved by the Board based on the following provisions..."

An Airport Public Parking and Rental Car Operations Study completed by Leigh Fisher and Associates (now known as Jacobs Consultancy) dated May 2006 (the "2006 Study") included projected long-term operational capacity requirements. The study outlined a preferred conceptual expansion for public parking and rental car operations. The 2006 Study specifically recommended expansion of the on-Airport rental car operating areas to include a site approximately ½ mile from the Terminal for the development of a fuel, wash and service facility.

Alternative designs for the facility since have been developed. One of the designs is situated at the south edge of the Airport property, parallel to Army Post Road and directly west of the Runway 13-31 runway protection zone (west of Fleur Drive). Another considers a location nearer to the Airport Terminal Complex. Under each alternative, the rental car operating area is self contained and will include a fueling system capable of serving all operating areas. The Airport will negotiate with the rental car companies on arrangements for the operation and management of the fueling system. Wash bays, a light maintenance and storage area, and parking spaces are included in the designs.

It should also be noted that the 2006 Study included several comments related to the future imposition of CFC at Des Moines International Airport. The 2006 Study asserted that "more than 50 other U.S. airport operators use the CFC to finance improvements, to pay debt service on facilities, to finance operating and maintenance expenses of the rental car operations, or to provide bussing and rail service to rental car facilities." Also, most commonly a CFC is calculated based on estimated annual transaction days.

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Recently, Aviation Department Staff conducted background research into CFC structures at neighboring, comparable, and major destination airports. A sample of other airports is listed below, along with the corresponding CFC charge in effect at the time of research:

<u>Airport</u>	<u>2006 boardings</u>	<u>CFC</u>
Cedar Rapids (CID)	516,095	\$1.67 / day
Moline (MLI)	453,554	\$3.00 / day
Lincoln (LNK)	190,456	\$1.20 / day
Omaha (OMA)	2,075,306	-0-
Kansas City (MCI)	5,466,672	\$5.65 / day
Minneapolis (MSP)	17,192,410	\$3.00 / day
Madison (MSN)	803,503	-0-
Grand Rapids (GRR)	1,005,586	\$3.00 / day
Wichita (ICT)	710,380	-0-
Savannah (SAV)	950,904	\$3.00 / day
Las Vegas (LAS)	22,028,521	\$3.00 / day
Phoenix (PHX)	20,591,909	\$4.50 / day
Orlando (MCO)	16,807,534	-0-
Tampa (TPA)	9,187,865	\$2.03 / day

Based on a generally supportive and favorable response from rental car operators during negotiation of the current Concession Agreement and during recent meetings and discussions, Staff has asked the Airport Board and City Council to adopt into its Regulations a CFC with an initial daily rate of \$2.75 per contract day. This rate may be adjusted periodically to meet actual supporting expenses.

Finally, it should be noted that approval of this regulation will provide the Airport Board with authority to impose a CFC; but it does not impose them by itself. The Board will still have to approve the CFC by separate resolution.

The Airport Board, pursuant to the ordinance regarding its establishment, is required to file any revised Rates and Charges Regulations with the City Clerk and to publish both notice of intent to adopt the Regulation, as well as the time and place of a public hearing. The Airport Board is further required to notify the City Council of the proposed effective date of the Regulation and provide a copy thereof to the City Council for their review and hold a public hearing on the proposed Regulation.

The Airport Board then must adopt the Regulation by Board Resolution and have the City Clerk publish it prior to its effective date, in this case August 1, 2008. The Airport Board plans to read the regulation for the third and final time at its meeting of June 3, 2008.

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The Airport Board herewith submits for City Council information and review, the proposed Regulation pursuant to Section 22.51 of the Municipal Code.

Sincerely,



James Erickson
Airport Board Chairperson

Enclosure

cc: Richard A. Clark, City Manager

PROPOSED AIRPORT REGULATION NO. 08-56

AN ENACTMENT codifying the Airport Board Regulations of the Des Moines International Airport pursuant to section 22-51 of the Municipal Code of the City of Des Moines, 2000, by adding section 2-20 relating to rates and charges at the Des Moines International Airport

The Des Moines International Airport Board has authorized and directed that this proposed regulation be published. This proposed regulation is on file with the City Clerk and will be considered by the Des Moines International Airport Board in a Public Hearing on May 6, 2008 at 8:00 o'clock a.m. in the Cloud Room on the second floor of the Terminal Building of the Des Moines International Airport. The proposed regulation, if passed, will become effective on July 1, 2008.

Section 1. That the Des Moines International Airport Board hereby proposes to enact the following Airport Board Regulation relating to rates and charges:

2-20 CUSTOMER FACILITY CHARGE

Customer Facility Charge (CFC) shall mean a charge imposed on each rental vehicle transaction, which shall be a fixed uniform amount applied to each Contract Day (as defined below), or fraction thereof, to each rental car contract and shall be added to the amount collected from the customer by each rental car company having a concession agreement with the City. A Contract Day shall mean each twenty-four (24) hour period or fraction thereof within the rental period, each of which shall constitute a separate day for which the CFC shall be levied and collected.

The Airport Board may by resolution impose a CFC, not to exceed \$2.75 per Contract Day, which shall be committed to finance, in whole or in part, the cost, including the cost of financing, of projects at the Airport to improve the convenience, security, and efficiency of rental car operations for the traveling public. Each rental car company shall charge, collect, account for, and remit the CFCs required to be collected by the resolution and such remittance shall be made regardless of whether the CFCs are actually collected. A rental car company shall not be entitled to any right of offset and shall not otherwise reduce any CFC remittance. A rental car company shall remit all CFCs regardless of any amounts that may be owed or due to the rental car company by the Airport. All CFCs collected by rental car companies shall be trust funds held for the benefit of the Airport. Rental car companies shall have only a temporary, possessory interest and no legal or equitable interest in the CFCs.

The CFC shall be charged, collected, accounted for, and remitted pursuant to procedures developed by the Airport Director in accordance with this regulation and the resolution imposing the CFC.

Section 2. This regulation shall be in full force and effect from and after the public hearing if it receives subsequent final passage and publication as provided by law.

Approved as to form:

David A. Ferree
Assistant City Attorney