

AIRPORTS

INTRODUCTION

Milwaukee County's Airport Division provides and manages air transportation services at General Mitchell International Airport (GMIA) and Lawrence J. Timmerman Field. GMIA is the state's largest airport and provides commercial, military and general aviation services. Timmerman Airport serves primarily general aviation and is a reliever airport for GMIA. The county's authority to operate airports is granted under Chapters 59 and 114 of the Wisconsin Statutes.

The Airport Division operates under the purview of the county's Department of Transportation and Public Works. The division operates as an enterprise fund in county government, which means that it functions as an independent business unit that is designed to pay and recover its own costs. The Airport Division maintains a long-term agreement with GMIA's signatory airlines, under which all operating expenses and debt service costs at GMIA are recovered through rates and charges assessed to users, including terminal and land rentals, concession fees and landing fees.

Milwaukee County has owned and operated GMIA since 1926, when the county purchased a small airport at the current site from a private individual. GMIA has undergone significant expansion in recent years to keep up with its growing demand, including a 16-gate expansion in 1990, a 3,000-space parking garage expansion in 2002, and an eight-gate expansion in 2007. GMIA's passenger totals have increased steadily for most of this decade, from about six million passengers annually at the beginning of the decade to a record total of just below eight million in 2008. The airport is served by 12 airlines and offers non-stop service to 50 cities.

According to a November 2006 report prepared by a work group consisting of county fiscal and legal staff, the current value of the county's airport land, structures, furnishings and equipment was \$437 million, with a net value after accumulated depreciation of \$227 million. A similar report in 2006 also noted that the county had provided \$244 million in capital investment at GMIA during the previous 10 years. An additional \$142 million in capital projects for the airport was authorized as part of a recently approved three-year countywide capital improvement program for 2009 and 2010.

The total budget for the Airport Division in 2009 was about \$77 million, consisting of \$76 million for GMIA and \$590,000 for Timmerman. As noted above, all airport expenditures are recovered from charges to airlines and fees paid by other users, meaning that no county property tax levy is required to fund airport operations. In addition to being fully reimbursed for direct costs associated with active employees and operations, the county charges the airlines on an annual basis for the airport's share of county legacy and other indirect costs.

It is important to note that the Airport Division, while operating as a separate business enterprise, is a significant purchaser of county services. Consequently, a shift in airport governance could have significant impacts on other county departments if the new governing body did not similarly utilize county services. For example, the 2009 budget authorized 63 sheriff positions to

provide security services at GMIA at a cost of \$7.2 million. The sheriff charges the airport for this service. Charges to the airlines and about \$250,000 of citation and grant revenue pay the security bill. The county also bills the airport for more than \$3.5 million annually for administrative services, including audit, legal services, fleet management, accounting/payroll and human resource functions.

The Airport is the sixth largest county organizational unit in terms of its number of employees, with 270 full-time equivalent positions (FTEs) in the 2009 budget.

BUDGET BREAKDOWN

Table 10 breaks down the Airport Division's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the Division spent \$3.7 million on central service charges from other county departments, \$20.9 million on its own personnel, and \$48.4 million on non-personnel expenditures, including fuel and commodities, security services, and capital outlays.

The analysis also shows that \$356,000 of the airport's central service charges and \$3.2 million of its personnel expenditures were not directly connected to the cost of providing or administering aviation services, but instead were county legacy costs distributed to the department by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have administered airport operations for \$3.5 million less if it was not responsible for the Airport Division's share of the county's legacy costs.**

As explained in **Section I**, the county budget office allocates legacy costs to departments based on their number of active employees, as opposed to their actual number of retirees. Our analysis shows that if legacy costs *had* been distributed to the airport on the basis of its actual number of retirees, those costs would have totaled \$2.2 million. This \$2.2 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by the Airport Division. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the division's overall share of the county's outstanding liabilities, its share of the county's pension fund liability (consisting of both pension obligation bond (POB) debt and the unfunded liability) is \$11.4 million, and total General Obligation debt on airport facilities is \$4.6 million. A much larger portion of the airport's long-term debt consists of revenue bonds that are paid off with dedicated airport revenues. The airport also has been able to avoid debt financing by funding many of its capital projects on a "pay-as-you-go" basis with Passenger Facility Charge revenue collected on airline fares. As an enterprise fund, the airport has been charged for its share of the county's other post-employment benefit (OPEB) liability on an annual basis, so no outstanding OPEB liability exists.

Table 10: Breakdown of Airport Division's 2008 Actual Expenditures and Revenues and Legacy Costs

Airport	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using 2008 fringe allocation method*	Based on retiree history**
Administrative	\$1,606,960	\$1,450,104	\$156,856	\$152,160
Information technology	\$274,732	\$247,915	\$26,817	\$26,014
Legal counsel	\$310,008	\$279,748	\$30,260	\$29,354
Facility management	\$329,082	\$296,960	\$32,122	\$31,160
Fleet management***	\$1,131,453	\$1,021,012	\$110,441	\$107,135
Central charges/overhead	\$3,652,235	\$3,295,739	\$356,496	\$345,822
Salary and wages	\$10,265,495	\$10,265,495	\$0	\$0
Social security	\$761,464	\$761,464	\$0	\$0
Employee healthcare	\$2,650,691	\$2,650,691	\$0	\$0
Employee pension	\$1,047,250	\$1,047,250	\$0	\$0
Retiree healthcare	\$2,650,691	\$0	\$2,650,691	\$1,570,121
Retiree pension	\$523,625	\$0	\$523,625	\$320,448
OPEB liability (proprietary fund)	\$2,191,590	\$2,191,590	\$0	\$0
Other	\$803,940	\$803,940	\$0	\$0
Personnel costs	\$20,894,746	\$17,720,430	\$3,174,316	\$1,890,569
Non-personnel expenditures	\$48,350,582	\$48,350,582	\$0	\$0
TOTAL EXPENDITURES	\$72,897,563	\$69,366,751	\$3,530,812	\$2,236,391
State revenue	\$0	\$0	\$0	\$0
Federal revenue	\$0	\$0	\$0	\$0
Other revenue	\$75,655,542	\$72,124,730	\$0	\$0
TOTAL REVENUES****	\$75,655,542	\$72,124,730	\$0	\$0
TOTAL LEVY	(\$2,757,979)	(\$2,757,979)	\$3,530,812	\$2,236,391
Unfunded pension liability*****	\$11,402,938	\$11,402,938	\$11,402,938	\$11,402,938
Outstanding debt/interest	\$4,616,071	\$4,616,071	\$4,616,071	\$4,616,071
TOTAL LONG-TERM DEBT	\$16,019,009	\$16,019,009	\$16,019,009	\$16,019,009

* In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.

** This method distributes legacy costs according to a department's retiree history.

*** Beginning in 2009, the Airport Division assumed responsibility for its own fleet management expenses, which eliminated most of the fleet management central service charge.

**** Because airport legacy costs are paid by signatory airlines, revenues are reduced by the same amount as legacy expenditures.

***** Estimated liability allocated to department is based on the department's retiree history.

POTENTIAL ALTERNATIVE GOVERNANCE STRUCTURE

The potential alternative governance structure for aviation services in Milwaukee County that has received the most public discussion is creation of a separate airport district to govern the operations of GMIA and Timmerman Field. Unlike general purpose governments, special districts only provide one or two particular services. Districts typically are created by legislative action, court action, or popular referendum. They also generally are given authority to dictate their own budget, issue bonds, and tax citizens within district boundaries. Management is provided by a board of commissioners that can be appointed or elected. The section below provides a brief analysis of that option.

Another concept that has been proposed for study by the current county executive is a long-term lease of the airport to a private operator. That concept is not discussed in this section of the report, which focuses on alternative governance (as opposed to alternative operators) of county services. It is mentioned, however, in a later section regarding potential strategies for addressing the county's fiscal crisis.

Discussion

The concept of a separate airport authority for Milwaukee County was the subject of heated debate earlier this decade. In December 2005, State Representative Jeff Stone and State Senator Jeff Plale – both of whom represent parts of Milwaukee County – announced their intention to draft legislation to authorize creation of airport districts throughout the state. After a series of meetings that included the county executive and other members of his administration, as well as area business leaders, Assembly Bill 1089 was introduced by Representative Stone and others in the Wisconsin Legislature on March 6, 2006. That legislation included the following provisions:

- Mandated creation of an airport district in Milwaukee County. For other areas of the state, authorization was provided for one or more local governmental units to elect to create airport districts upon passage of resolutions by appropriate governing bodies.
- Specified that the Milwaukee County district would be governed by a board consisting of four persons appointed by the governor and three persons appointed by the county executive, each of whom would be subject to confirmation by the relevant legislative body. One of the governor's appointees and one of the county executive's appointees would have to be from Cudahy, Oak Creek, St. Francis, or South Milwaukee. No member of the board could hold a state or local elective office.
- Required Milwaukee County to transfer and assign all of its rights, title, and interest in the airport and airport facilities that it owns or operates to the district upon its creation. In turn, the district would be required to accept all obligations and liabilities of the county related to the airport and airport facilities.

This legislation was not adopted by the Legislature, though a Special Committee on Airport Authorities was established by the Legislature's Joint Legislative Council in June 2006. The special committee met six times between September 2006 and July 2007 and produced

recommended legislation in December 2007. The recommended legislation – which was not introduced in either the Assembly or Senate – differed from AB 1089 in a few key ways. Instead of *mandating* creation of an airport authority for Milwaukee County, for example, it *authorized* creation of such an authority. It also had a different board composition that granted additional appointing authority to chief elected officials in municipalities surrounding GMIA and adjacent counties. Finally, the proposed legislation called for transfer agreements to be negotiated between local governmental units and local airport authorities that would dictate treatment of liabilities and obligations.

Although legislative proposals to authorize creation of airport districts have not taken hold in Wisconsin, they are not uncommon elsewhere in the country. Such districts typically take one of two forms: authorities designed for the sole purpose of maintaining, operating and improving aviation facilities; and authorities that administer and operate a broad range of transportation functions, including aviation.

In regard to the former, **Table 11** provides examples of airport districts from Wayne County, Michigan; Metropolitan Washington, DC; Columbus, Ohio; Orlando, Florida; and San Diego, California.

The authorities listed in this table vary by location and scope of service provision, but a close examination of their structure illustrates several similarities. First, the responsibilities tasked to the districts are very similar, with each district granted authority to operate, maintain, and improve airport facilities and operations. Beyond these functions, the authority generally has some influence over land use in or around their properties. Second, the governance structure of these authorities is similar. The districts generally are controlled by a board of commissioners that can range from seven to 13 members. A board serves as the controlling body of each district and it hires management staff to oversee daily operations. Third, none of the authorities shown in **Table 11** are taxpayer-funded. Revenue is obtained from fees, rents, concessions and grants. The authorities also are allowed to issue debt in order to fund significant capital projects. Finally, four of the five authorities listed in **Table 11** operate more than one airport facility.

Table 11: County, Metro and Regional Airport Authorities

	Wayne County Airport Authority	Metropolitan Washington Airports Authority	Columbus Regional Airport Authority	Greater Orlando Aviation Authority	San Diego County Regional Airport Authority
Established	The Wayne County Airport Authority was created under legislation that was signed into law in March 2002 and became effective in April 2002.	The U.S. DOT transferred control of the airports to the Authority on June 7, 1987, for a 50-year period; in 2003, the lease was extended for 30 years.	The Columbus Regional Airport Authority was created in July 1990 by an action of the Columbus City Council as provided by the Ohio Revised Code.	The Authority was established in 1957 by legislation passed by the Florida Legislature. The City of Orlando owns both airports.	The Authority assumed ownership and operations of San Diego International Airport from the Unified Port of San Diego in January 2003.
Population served	Wayne Co.: 2,061,162 Detroit MSA: 4,452,557	Washington: 572,059 Wash. MSA: 4,796,183	Columbus: 711,470 Columbus MSA: 1,612,694	Orlando: 185,951 Orlando MSA: 1,644,561	San Diego Co.: 2,813,833 San Diego MSA: 2,813,833
Facilities	-Detroit Metro Wayne County Airport -Willow Run Airport	-Dulles Intl. Airport -Reagan National Airport	-Port Columbus Intl. Airport -Rickenbacker Intl. Airport -Bolton Field	-Orlando Intl. Airport -Orlando Executive Airport	-San Diego Intl. Airport
Responsibilities	Responsibilities include the ability to plan, promote, extend, maintain, improve, repair, enlarge, and operate both airports.	The Authority is responsible for the maintenance, operation, and improvement of airport facilities and for the Dulles Corridor Metrorail project.	The Authority is responsible for the maintenance, operation and improvement of three airport facilities in the Columbus area.	In 1976, the Authority was given custody, control and management authority over each airport. The delegation was for a period of 50 years.	The Authority is tasked with the operation of San Diego Intl Airport. The Authority's leadership also serves as the Airport Land Use Commission.
Air passengers (2008)	35,135,828	41.9 million (combined)	6.9 million (Port Columbus)	35,660,742	18,125,633
Governance	The Authority is managed by a seven-member Board of Directors. Four members are appointed by the Wayne Co. Executive; two members are appointed by the Governor; and one member is appointed by the Wayne Co. Commission. Terms range from two to eight years.	The Authority is governed by a 13-member Board of Directors, with five members appointed by the Governor of Virginia, three by the Mayor of the District of Columbia, two by the Governor of Maryland and three by the President of the United States.	A Board of Directors is composed of nine members. Four are appointed by the Mayor of the City of Columbus, four are appointed by the Franklin County Board of Commissioners and one member is jointly appointed. Members serve four-year staggered terms.	The authority is governed by a seven-member Board. Five are appointed by the governor of the State of Florida, one is a member of the Orlando City Council and one is a member of the Orange County Commission. An executive director is appointed by the Board.	The Authority is governed by a 12-member board with three members serving as an executive committee. The members are appointed by a class of offices ranging from the mayor of San Diego and the governor of California to the mayors of other county municipalities.
Revenue	The Authority is self-supporting, not taxpayer funded. Aircraft landing fees, terminal fees and revenue from parking and concessions (etc.) fund operating expenses. Bonds also can be issued.	The Authority is not taxpayer-funded but is self-supporting, using aircraft landing fees, rents and revenues from concessions to fund operating expenses at both airports. Bonds also can be issued.	The Authority is not taxpayer-funded but is self-supporting, using aircraft landing fees, rents and ticket taxes (etc.) to fund operating expenses at each airport. Bonds also can be issued.	Authority revenue is obtained from landing fees, rents, ticket fees, and concession sales (etc.). Bonds also can be issued. The Authority does not have taxing authority.	The authority is funded through user fees (i.e. landing fees, rents, tickets fees, and concessions). The airport is not supported with local taxes.

Another potential option that has been employed elsewhere – and that may be relevant to Milwaukee County in light of ongoing discussion regarding creation of a Regional Transit Authority – is to move a wide array of transportation functions to a special transportation district that operates on a regional scale. Regional authorities in other states operate airports, rail lines, bus routes, bridges, tollways, and highways. Although basic road development and maintenance is still performed by public works departments from component municipalities, larger functions are transferred to the regional authority. **Table 12** provides three examples of these types of authorities.

Table 12: Transportation and Airport Authorities

	South Jersey Transportation Authority	Niagara Frontier Transportation Authority	The Port Authority of New York and New Jersey
Established	The South Jersey Transportation Authority was established in 1991 by an act of the New Jersey Legislature.	A Niagara transit system was replaced by the Niagara Frontier Transportation Authority (NFTA) in 1967 by the State of New York.	The Port Authority of New York and New Jersey was established in 1921 as allowed by U.S. interstate compact provisions.
Area served	The Authority serves six counties: Atlantic, Camden, Cape May, Cumberland, Gloucester, and Salem.	The Authority serves the two-county region of Erie and Niagara.	The area served consists of a radius of approx. 25 miles surrounding the Statue of Liberty.
Population served	1,329,206 (2000)	1,170,111 (2000)	17.2 million (2007 est.)
Responsibilities	The Authority coordinates southern New Jersey’s transportation system, which includes a highway network, aviation facilities, and other transportation-related needs. This also includes construction, maintenance, and operation of facilities and infrastructure. The Authority serves as the regional transportation planning authority.	The Authority is multi-modal in nature with a responsibility for aviation, traffic, bus, rail and water forms of transit. This includes the maintenance, operation and capital improvement of the facilities and infrastructure listed below. Additionally, the Authority manages a significant amount of real estate.	The Authority maintains, operates and provides capital improvements to airports, tunnels, bridges, terminals, ports, bus systems, and a rail system. The Authority also controls and operates a significant amount of real estate in its coverage region.
Facilities	The Authority is responsible for the Atlantic City Expressway, Atlantic City Intl Airport terminal, and parking facilities and bus management in Atlantic City.	The Authority is responsible for the NFTA Metro bus and rail system, the Greater Buffalo Niagara Intl Airport, the Niagara Falls Intl Airport, and the NFTA Small Boat Harbor.	The authority is responsible for six airports or heliports, four bridges, two tunnels, a bus system, five sea ports or terminals, the PATH rail system, a transportation center, and other real estate.
Governance	The Authority is governed by a nine-member Board of Commissioners. These include the State Commissioner of Transportation, the State Secretary of Commerce and Economic Growth and seven members appointed by the Governor.	The Authority is governed by the Board of Commissioners. The Commission is an 11-member body that includes a chairman, treasurer and secretary.	The Governor of each state (New York and New Jersey) appoints six members to the Board of Commissions, which is the governing body for the Authority. The Governors are allowed to veto actions of commissioners from their respective states.
Revenue	Revenue comes from a variety of sources that include: tolls, concessions, parking fees, rents, bus permits and airport fees. Tolls represent over two thirds of the total revenue.	Revenue is obtained from fares, rents, concessions, commissions, airport fees, and other services. Transportation fares constitute the largest source of revenue (31%).	The Authority receives no tax revenue and has no taxing authority. Revenue is received from facility operations such as fees, tolls, rents, and various other sources.

Comparison of the two types of aviation-related authorities reveals that combined airport and transportation authorities tend to cover a much larger geographic region. Instead of a single county area associated with some airport districts, these authorities can cover six counties or more (i.e. South Jersey Transportation Authority or the Port Authority of New York and New Jersey). In terms of similarities, both airport districts and regional transportation authorities that include aviation are not supported by segregated sales, income or property taxes, but instead are self-supporting. These districts also have similar governance structures consisting of individuals appointed to a board of commissioners by local or state political officials. These boards govern the district but hire specific administrators to oversee the daily operations of the authority.

The following discusses the key pros, cons and logistical obstacles associated with the potential transfer of Milwaukee County's airports to a separate authority.

Key pros

- Airline officials have argued that creation of an airport district or regional transportation authority to administer aviation services in Milwaukee County would be attractive because it could relieve the signatory airlines from having to help pay for county legacy costs and other overhead. This could encourage them to provide greater service levels at GMIA.
- Because a separate airport district likely would not be subject to the county's personnel rules and may not be subject to its labor contract obligations, and because it could seek overhead services (including security) from non-county sources, some have argued that its services could be administered more cost effectively and with enhanced efficiency.
- Business leaders have argued that because GMIA serves residents from throughout the southeast Wisconsin region, it is more appropriate to have it administered by a regional governing entity. In particular, it has been argued that unlike the county board, an airport district board would be primarily focused on enhancing airport operations for the betterment of the region, and not as heavily influenced by the parochial concerns of nearby residents regarding airport noise, runway expansion, etc.
- Business leaders also have argued that county government's financial problems are of sufficient magnitude that they could threaten the fiscal health of GMIA, which they refer to as the region's most important economic asset. Transferring it to an independent district would alleviate that threat.

Key cons

- GMIA has a reputation as one of the best run and most cost-effective airports in the country, with passenger use continuing to set records and costs lower than in other similar-sized airports. County board leaders have argued that changing the governance structure makes little sense in light of that success.
- Direct oversight of the county's airports by elected officials provides greater accountability to taxpayers and the general public than would occur under an appointed board.

- Transfer of the airport to a separate district could result in a direct shift of millions of dollars of legacy and county overhead costs (if a new governing body chooses to use non-county security and administrative service providers) to county taxpayers, which some might argue is unfair and inappropriate in light of the significant commitment county government has made to the airport during the past 80-plus years.
- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental bodies, and creation of a new airport district simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- In developing legislation authorizing creation of an airport district to govern Milwaukee County's airports, the state would need to determine whether the new authority would assume responsibility for the Airport Division's legacy liabilities, which are significant. The legislation also would need to address whether the district would be required to purchase the airport's assets from the county.
- County fiscal officials raised questions in the 2006 discussion regarding the more than \$100 million in revenue bond debt held by the airport. The resolution for the revenue bonds contains a covenant that the county maintain ownership of the airport while the bonds are outstanding. Consequently, consideration would need to be given to reimbursing the county for costs associated with defeasance of the bonds should airport ownership change hands.
- County fiscal officials also raised concerns in 2006 that the transfer of GMIA to a new authority would create cash flow problems for the county, which depends on annual temporary transfers from the airport to cover cash flow gaps in the general fund prior to the receipt of state shared revenue and property taxes. That issue would have to be considered and potentially addressed by state and county officials.
- The authorizing legislation would need to determine whether, to the extent that the new airport district would be a direct provider of services, county workers would become employees of the district and, if so, whether county labor contracts would remain in force. Also, it would need to determine whether district employees who formerly worked for the county would be able to remain in the county pension system and receive county health insurance and other benefits, whether they would become members of the state retirement system and receive health care and other benefits from the state, or whether a new benefits structure would need to be created in the district.
- The composition of the board overseeing the district would need to receive careful deliberation by state officials, who would need to determine whether it should be appointed or elected, whether it would be paid or volunteer, and whether there should be representation from all municipalities adjacent to GMIA and adjacent counties.