

# **Airport Governance Structure Review of University of Illinois Willard Airport**

Prepared for the Champaign County Economic Development Corporation



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## INTRODUCTION AND PURPOSE OF STUDY

The Economic Development Corporation of Champaign County contracted Sixel Consulting Group to review the current governance of University of Illinois Willard Airport. The Corporation offered several reasons for commissioning this study, including determining a more efficient governance structure to remove layers in the decision-making process, reducing the overall cost of governance, giving the regional community more say in the governance of the Airport, and determining various options for future governance.

It was also important to the University of Illinois leadership that the study be undertaken, and that the community has interest in having more direct Airport oversight. University Associate Vice Chancellor Bill Adams said, in an in-person interview for this report, "Running airports is not our core competence." Adams went on to say, "There needs to be buy-in from the larger regional community. Our intent is to get out of the business of operating an airport."

Sixel Consulting Group spent three days on site in Champaign County interviewing County officials, mayors of three cities, University leadership, airport system tenants, airport-related business organizations, and airport stakeholders. The purpose of these interviews was to hear, first hand, about the benefits and challenges of current governance as it relates to the operation and governance of the Airport. Sixel Consulting Group interviewed 16 people in Champaign County from varying airport viewpoints. Those interviewed included:

- ✈ Bill Adams, Associate Vice Chancellor, University of Illinois
- ✈ Mike Bass, Senior Associate Vice President, University of Illinois
- ✈ Rita Black, Director of Planning and Community Development, CCRPC
- ✈ Gary Burgett, President, Smith-Burgett Associates
- ✈ Steve Carter, City Manager, City of Champaign
- ✈ Jayne DeLuce, President and CEO, Champaign County Visitors and Convention Bureau
- ✈ John Dimit, President and CEO, Champaign County Economic Development Corp.
- ✈ Don Gerard, Mayor, City of Champaign
- ✈ Bill Giannetti, President, FlightStar
- ✈ Dick Helton, Village Manager, Village of Savoy
- ✈ Cameron Moore, CEO, Champaign County Regional Planning Commission
- ✈ Alan Nudo, Champaign County Board Member and President, Robesons, Inc.
- ✈ Laurel Prussing, Mayor, City of Urbana
- ✈ Seamus Reilly, Vice President, Parkland College
- ✈ Craig Rost, Deputy City Manager, City of Champaign
- ✈ Bill Volk, Director, Champaign-Urbana Mass Transit District (MTD)
- ✈ Bruce Walden, Director of Real Estate and Property Services, University of Illinois
- ✈ Steve Wanzek, Airport Manager, University of Illinois Willard Airport
- ✈ Pius Weibel, Chairman, Champaign County Board

In addition to interviews in Champaign County, Sixel Consulting Group researched the governance structures of all 11 airports in Illinois served by scheduled airlines. Sixel also researched the one airport in Illinois that is run under a Port Authority, even though it does not have commercial air service, as it is the only example of this type of governance in the State. Research identified governance type, detail of governance structure – including detail on the decision-making process under each structure, and airport size, in terms of total annual operations and passengers, for best comparison to University of Illinois Willard Airport.

From this exhaustive airport governance list, Sixel Consulting Group determined the closest airport matches to Willard Airport, in terms of both airport size and function, by each of the three most common governance types in Illinois: airport as an autonomous city department; airport as a separately governed airport authority; and airport as a port district. For each governance type Sixel asked, “What problems would a transition to this governance structure solve in Champaign/Urbana?” Sixel also attempted to determine the cost of the transition to each governance type – although these cost estimates vary greatly and should be used as general guidelines only.

*“It is clear, through the many interviews conducted... that the current governance structure... is not thought to be efficient or effective.”*

It is clear, through the many interviews conducted by Sixel Consulting Group, that the current governance structure of University of Illinois Willard Airport, with the Airport under the oversight of the University Office of Capital Programs and Real Estate Services, is not thought to be efficient or effective. It quickly became clear that many airport stakeholders believe the current structure hinders the effectiveness of airport management in making decisions in virtually all aspects of the Airport's business.

It is also clear that the University has an interest in the divestiture of the Airport. The University does not believe the Airport fits within the core mission of the University, which is defined by the University as follows: “The University of Illinois will transform lives and serve society by educating, creating knowledge and putting knowledge to work on a large scale and with excellence.” While there can be arguments made that the Airport is a key to the continued connection of the University to outside markets in which it puts its knowledge to work, it is more important to note that the University does not appear to want to be in the airport business.

Although Sixel Consulting Group heard many frustrations with current governance of the Airport – that will be detailed in this report – it is charged in this report not just with reporting those frustrations, but determining if those frustrations would be ameliorated by a governance change.

## EXECUTIVE SUMMARY

University of Illinois Willard Airport continues to lose ground to other airports in central Illinois, as those airports grow service and capture more passengers from east central Illinois. While Champaign-Urbana is larger than Bloomington-Normal and Springfield, those airports have had success in recruiting additional airlines, and in capturing additional passengers. At the same time Willard Airport has lost all but one airline and seen continually declining numbers of passengers.

The questions then become, why has Willard Airport suffered as other airports in the region have grown, and why did airlines choose those other airports for new service instead of Willard Airport? This report has identified the fact that an airline's cost of operation is much lower at other airports in Illinois than it is at Willard Airport. For example, an airline pays the airport an average of \$1.34 per enplaned passenger, or per passenger that gets on a scheduled flight, at Central Illinois Regional Airport in Bloomington. That same airline would pay \$9.27 per enplanement at Willard Airport – a difference of 692%. Those costs include all terminal rent and landing fees, as identified by the FAA, but do not include any other costs outside of direct airline

*“Airlines are able to access the same passengers with a much smaller investment in Bloomington than they can in Champaign-Urbana.”*

fees. Airlines are able to access the same passengers with a much smaller investment in Bloomington than they can in Champaign-Urbana.

At the same time, Bloomington's airport has personnel costs that are 53% lower than the costs of staffing Willard Airport.

The average personnel cost at the Central Illinois Regional Airport is \$6.48 per enplaned passenger. The cost at Willard Airport is \$12.10. While the increased number of passengers flowing through Bloomington's airport reduces its cost per enplanement, Bloomington does have a larger staff than Willard Airport but still manages lower unit costs. In fiscal year 2010, Bloomington's airport spent more than \$1.5 million on personnel while Willard Airport spent about half that, or \$814,000. Bloomington's airport is able to employ a larger staff, with lower unit costs. This is a reflection of the impact of the University's cost structure on Willard Airport. Bloomington's airport is in a much better position to compete for air service because of its low costs. The University's cost structure is not well suited to running an airport.

Additionally, the complex structure of University governance is not well suited for an airport. There are no less than four layers of management between the University's Board of Trustees and Airport leadership. This causes longer than acceptable timelines for getting projects approved. It also creates an environment where airport staff members do not feel empowered to make decisions, instead deferring those decisions to the main campus.

With this in mind, members of University leadership, in interviews for this report, stated they would like to divest control of the Airport to a local group that could do a better job of reacting to the demands of running the Airport, and do a better job representing the desires of the local community. The University recognizes running an airport is not a "core competency." However, under current State law, the University would likely not be allowed to give up ownership of the land on which the Airport sits or the physical plant.

The continued ownership of Willard Airport by the University presents a unique challenge in the Airport's future governance. While most Illinois airports are governed by independent airport authorities, one of the requirements of an authority, under current Illinois law, is that the authority owns the airport and its physical plant outright. The same is true of Illinois port districts. Similarly, the University would be unable to transfer oversight of the airport to any of the regional cities, or to Champaign County, as that would require transfer of ownership of the Airport, as well, under current State law. In order for the region to form an airport authority, port district, or develop city or county governance for the Airport, a solution will have to be found that can overcome the land ownership challenges.

There are three other options for governance change that would allow the University to cede control over the day-to-day operations of the Airport while retaining the property and the physical plant. First, the University could hire a private airport management company to operate the Airport as a business. Second, the University could sign an intergovernmental agreement with the Champaign-Urbana Mass Transit District (MTD) to run the Airport. Third, the University could sign an intergovernmental agreement with the Champaign County Regional Planning Commission to operate the Airport. Each of these options could reduce airport costs by taking the airport out of the University's cost structure. Each option would also reduce bureaucracy and allow the Airport to operate more like a business than a sub-department within a large university. However, in each case, the University would retain budget control over Willard Airport, and be responsible for any shortfall in revenue. Additionally, the University would have to pay any of the three governing agencies management fees to operate the Airport.

For a number of years the University of Illinois has subsidized Willard Airport for the community. In fiscal year 2010 the University allocated nearly \$440,000 to close the Airport's budget shortfall. User fees at the Airport, despite being higher than adjacent airports, are still not enough to balance the budget under University governance. While separating the Airport from the University, and its cost structure, will save some money, it is unlikely the Airport would be self-supporting.

Leaders interviewed for this report, including high ranking officials from the cities of Champaign, Urbana, and Savoy, along with Champaign County, expressed a willingness to work with the University to help close the Willard Airport budget gap. There are several options for raising additional revenue for the Airport, but all would require a new tax or diversion of other tax money to the Airport. A property tax would have to be discussed, in-depth, among stakeholders due to the requirement that it be approved by referendum, but there are other taxes available for the airport that some believe might be better options.

*“While separating the Airport from the University... will save some money, it will not save enough to entirely close the budget gap.”*

The two members of Champaign County Board interviewed for this report indicated they would be willing to consider devoting some or all new wind turbine tax revenue to Willard Airport, in exchange for a larger voice in decisions made for the Airport. This turbine revenue is estimated to be between \$200,000 and \$300,000 with 200 turbines in operation in the next three to five years. Another revenue generation option would be an increased hotel tax, targeting the very people who use Willard Airport. A 1% hotel tax increase in both Champaign and Urbana, with funding dedicated to the Airport, would generate \$420,000 per year based on fiscal year 2010 numbers, and would not have to be approved by voters. However, unintended outcomes of an increase in the hotel tax would need to be carefully evaluated and considered. A third option is a tax increment financing (TIF) district adjacent to the Airport. The district would dedicate new property taxes generated by new development on Champaign County land adjacent to the Airport to the Airport, itself. This is a long-term solution as it will require significant private investment before revenue will be generated. All of these funding solutions have been used by other airports in the country.



Under current statutes, the University of Illinois will continue to have the responsibility of any budget shortfalls the Airport as long as it owns the land on which the Airport sits. This report has found several ways to reduce this financial burden, and to relieve the University from the burden of operating the Airport on a day-to-day basis.

Eventually, it should be the goal of the University, and any subsequent governing agencies, to operate Willard Airport entirely through user fees, as many other airports operate within the State. In order for this to happen, the Airport will need to have success in the recruitment of additional air service, success in retaining a larger proportion of local air travelers, and success in reducing the operating costs of the Airport. If these objectives can be achieved, Willard Airport will have a strong foundation for improved air service in the coming decades.

## UNIVERSITY OF ILLINOIS WILLARD AIRPORT GOVERNANCE OVERVIEW

The study of governance of University of Illinois Willard Airport begins with an analysis of the current system, and the impact of that current governance system on airport stakeholders throughout the region. This analysis began with a review of the current structure, along with interviews of those associated with the Airport today, and interviews of various regional leaders. These Airport stakeholders offer significant anecdotal evidence regarding the effectiveness of current governance of the Airport.

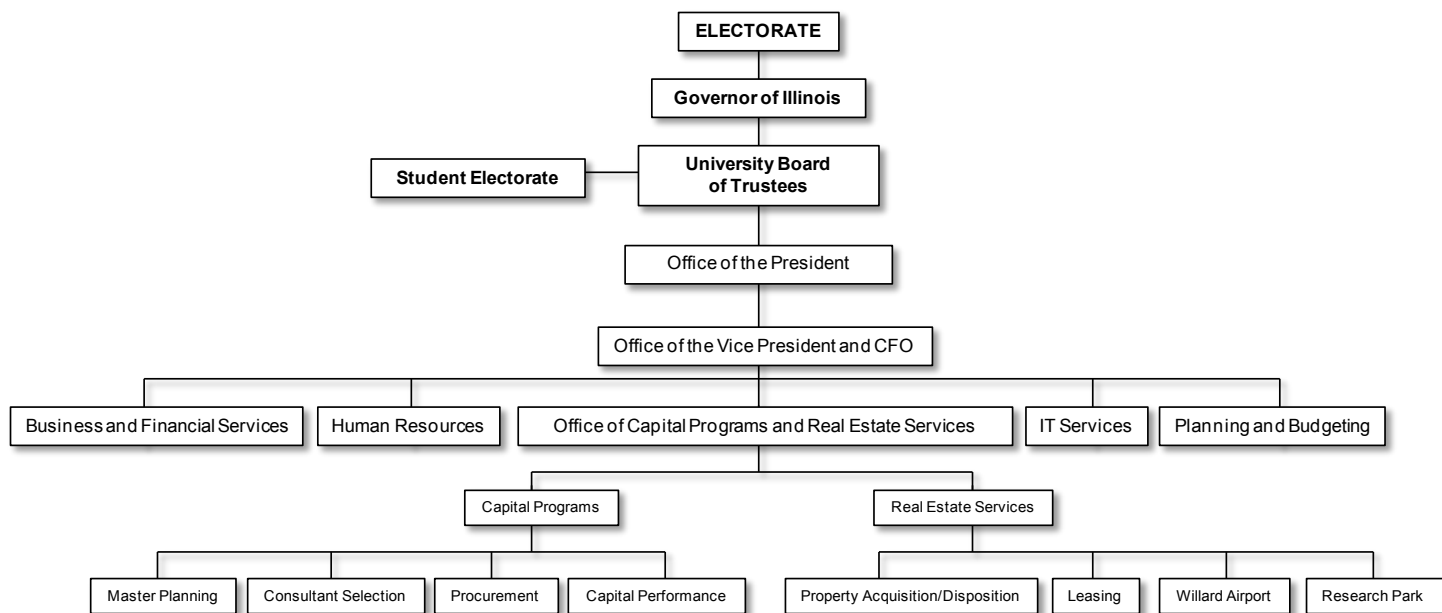
Willard Airport is one of several airports in the country that is owned and operated by a University. The nearest similar airport is Purdue University Airport in Lafayette, Indiana. Other airports owned and operated by universities include University Park Airport in State College, Pennsylvania, which is owned and operated by Pennsylvania State University (PSU); Easterwood Airport in College Station, Texas, which is owned and operated by Texas A&M University; Kent State University Airport; and The Ohio State University Airport. Of those airports, only University Park at PSU and Easterwood Airport at Texas A&M currently have commercial air service.

The majority of airports throughout the country operate under one of three general governance structures: an airport or port authority, an airport or port district, or as a department within a city or a county. In general, airport governance in the United States is designed to create as few layers of oversight as possible between airport management and the electorate or the region in the interest of responsiveness and transparency.

Willard Airport operates as a sub-department within the Department of Real Estate Services, which operates within the University's Office of Capital Programs and Real Estate Services (see Figure 1). The Airport is one of four distinct units that is overseen by the Real Estate Services staff of the University, along with the Research Park, Leasing (which includes easements and licenses), and property acquisition and disposition. The Office of Capital Programs and Real Estate Services has wide ranging responsibilities including master planning for the University system, including all three campuses (Urbana-Champaign, Chicago, and Springfield), capital performance monitoring, procurement, and consultant selection.

The Office of Capital Programs and Real Estate Services, itself, is one of five main divisions under the direction of the Office of the Vice President and CFO of the University (see Figure 1). The Vice President and CFO also have responsibility for business and financial services, human resources, information technology, and planning and budgeting. The Vice President and CFO report to the President of the University who then reports directly to the Board of Trustees of the University system.

*Figure 1: Governance Structure Overseeing University of Illinois Willard Airport  
September 2011; Source: University of Illinois*



The University's Board of Trustees is made up of 13 members. Nine of these members are appointed by the Governor of the State of Illinois, while the Governor, himself, serves as an ex-officio member of the Board. The three remaining positions are filled by one student elected from each campus in the University system. The Board of Trustees is removed from the general electorate of the State, and of the Champaign/Urbana region, as the only control over the Board the electorate has comes through their choice of Governor. This is intentional, in order to keep the political tide of the State from having a major impact on the University and its programs.

This structure effectively distances the management of Willard Airport from the University's higher level decision makers. There are four levels of management between the Airport Manager and the President of the University (see Figure 1). Moreover, major decisions require the approval of

the Board of Trustees, which is five layers of management removed from the Airport. This can have the effect of slowing decision making on critical issues.

The other impact of this governance structure is the lack of local decision making and Airport input from the Champaign/Urbana community and the surrounding region. There is no direct elected body representing the electorate and residents of the region involved in making decisions for the Airport, which is a critical economic lifeline. The Airport is overseen by a Board of Trustees, most of whose members don't live in the area or use the Airport. This is a unique situation in Illinois, as all other airports in the State offer direct representation in decision making to local residents. In effect, at Willard Airport, appointed Board members from other parts of the State make decisions as to what's best for air service in Champaign/Urbana, instead of leaving that responsibility to people who actually live in the area and use the Airport.

### *Effects of Governance on the University of Illinois*

The University of Illinois has a major asset, and a major responsibility, in the form of Willard Airport. It was said time and again in on-site interviews that no one benefits more from the Airport than the University, itself. As one member of University leadership put it, "It is a critical issue for us for recruitment and retention." The Airport is key to access to the University for international faculty and students.

But the University has also found itself in a position where it has to act in the best interest of the regional community surrounding it in making decisions for the Airport. The University is the steward, and has decision making authority for an essential asset to the continued growth and viability of east central Illinois. There is no question that Willard Airport is an economic lifeline for hundreds of businesses in the region both big and small. Yet the community finds itself without any say in how the Airport is run – as the University has total control as the Airport's owner.

The University also has a challenge with the operational cost of running the Airport. While this study was not commissioned to delve into specifics, such as personal services contracts, numerous sources interviewed for this report said they believe high operational costs make Willard Airport uncompetitive with other airports in central Illinois. Willard Airport's operational costs will be compared to these other airports later in this report. Nonetheless, the University is concerned about the ongoing cost of operating the Airport.

The budget detail generated for this report shows that the University's personnel cost for the Airport was almost \$814,000 for fiscal year 2010 (see Figure 2). It is important to put this cost into perspective. At commercially served airports, the best way to determine the relative cost of personnel, taking into account the size of the physical plant and other unique variables, is to look at the cost of personnel per enplaned passenger – or the cost divided over each passenger that boards a plane at the airport. In the case of Willard Airport, the personnel cost per enplaned passenger was \$12.10 in fiscal year 2010. Personnel costs represented 48.5% of all Willard Airport expenses in 2010.

*Figure 2: University of Illinois Willard Airport Operating Budget Fiscal Year 2010; Source: FAA Form 127*

<b>Operating Budget Analysis: University of Illinois Willard Airport</b>			
<b>Fiscal Year 2010</b>			
<b>Operating Revenue</b>		<b>Operating Expenses</b>	
<b>Passenger Airline Revenue</b>	<b>Willard Airport</b>	<b>Operating Expenses</b>	<b>Willard Airport</b>
Landing Fees	\$134,503	Personnel (Compensation and Benefits)	\$813,938
Terminal Rent	\$489,458	Communications and Utilities	\$294,206
Apron Charges	\$0	Supplies and Materials	\$268,080
Federal Inspection Fees	\$0	Contractual Services	\$0
Other Fees	\$0	Other Expenses	\$300,109
<b>Subtotal</b>	<b>\$623,961</b>	<b>Subtotal</b>	<b>\$1,676,333</b>
<b>Passenger-Related Revenue</b>	<b>Willard Airport</b>	<b>Operating Profit/Loss Analysis</b>	<b>Willard Airport</b>
Terminal Concessions	\$8,584	Total Operating Revenue	\$2,238,464
Rental Cars	\$296,165	Total Operating Expenses	\$1,676,333
Parking and Ground Transport	\$494,470		
<b>Subtotal</b>	<b>\$799,219</b>	<b>Total Operating Profit/Loss</b>	<b>\$562,131</b>
<b>Non-Passenger Aeronautical Revenue</b>	<b>Willard Airport</b>	<b>Per Enplaned Passenger</b>	<b>Willard Airport</b>
Landing Fees	\$0	Enplaned Passengers, YE1Q11	67,290
FBO Revenue	\$167,188	Airline Cost Per Enplaned Passenger	\$9.27
Hangar Rentals	\$116,002	Airport Revenue Per Enplaned Pax	\$21.15
Fuel Flowage	\$82,094	Terminal Concessions Per Enplaned Pax	\$0.13
Security Reimbursement	\$0	Parking Per Enplaned Passenger	\$7.35
Other Fees	\$0	Rental Car Per Enplaned Passenger	\$4.40
<b>Subtotal</b>	<b>\$365,284</b>	<b>Personnel Cost Per Enplaned Passenger</b>	<b>\$12.10</b>
<b>Non-Aeronautical Revenue</b>	<b>Willard Airport</b>		
Land Leases	\$450,000		
Other Revenue	\$0		
<b>Subtotal</b>	<b>\$450,000</b>		
<b>Total Operating Revenue</b>	<b>\$2,238,464</b>		

Source: Federal Aviation Administration Financial Summary Report Form 127; June 7, 2011

The University does provide the Airport with direct financial support, although it is difficult to identify in the budget that is reported to the FAA each year due to the way the funding is classified. In fiscal year 2010, the University contributed \$436,388 directly to Willard Airport. As this contribution was outside of “operating” revenue, it does not appear in the FAA standard budget system (see Figure 2). While Willard Airport reported an “operating profit” of \$562,131 for fiscal year 2010, it reported a number of non-operating expenses that do not appear in the general operating budget. The University contribution essentially brought the 2010 budget into balance. The University has been making similar contributions for many years. This is unusual when compared to other airports in the State of Illinois, which must either operate on a self-sufficient basis, or balance the budget through a tax levy. The residents of Champaign County have a “good deal,” wherein the University covers the losses created by their airport.

A major challenge for Willard Airport operating within the University system is that, in the overriding mission of the University, the Airport is a low priority. The Airport gets little attention from upper levels of University administration, and those working directly on Airport projects often have trouble bringing Airport issues to light at top levels of administration. In on-site interviews, University leadership explained that University decisions are made based on the priority of the “political capital” required to bring those decisions to light. Each division at the University – in this case the Office of Capital Programs and Real Estate Services – has limited capital to expend in order to bring its issues to light at the President level, at the Board of Trustees level, at the State government level, and at the State representative level. There are many other important issues for the Office to manage, so it often chooses to use its political capital for other projects – not the Airport.

*“There are many other important issues for the Office to manage, so it often chooses to use its political capital for other projects – not the Airport.”*

Because of the challenge in making the Airport a priority, with so many other important issues to attend to, there is a perception at the University, and in the community, that Willard Airport is an afterthought for those charged with operating it. Even the University admits that business development, air service development, and marketing must all be priorities at Willard Airport moving forward – regardless of the governance.

As with most commercially-served airports, the key to long-term financial stability is passengers passing through the gates. Sixel Consulting Group estimates show as many as one-third of all

Willard Airport passengers are directly related to the University of Illinois. But the University does not mandate that its faculty and staff travel from Willard Airport. University leadership explained that the University has tried to mandate travel from the Airport, but it has never worked as there are too many departments to monitor. Moreover, many departments are working under federal grants, which require them to be judicious in their spending. When fares are significantly higher at Willard Airport than at other airports in the region, those working under grants are unable to use the local airport. It will be important, moving forward, for the University to establish an acceptable policy to push as much traffic as possible through Willard Airport, without mandating its use.

The University did not commission this study of governance, but it did offer its full cooperation in allowing Sixel Consulting Group to conduct its own independent research and its own interviews of relevant staff and leadership. It is clear the University would prefer a governance solution that could offer more control of the Airport to the regional community. Under current Illinois law, it could be difficult for the University to divest the actual land on which the Airport sits, and/or the physical plant of the Airport. The University is open to licensing Willard Airport to a third party or to offering a long-term land lease. The University will also support land development around the Airport, including a potential tax increment financing (TIF) district with the funding dedicated to the Airport.

### *Effects of Governance on Willard Airport Management and Staff*

Because of the way the University of Illinois has structured the management of Willard Airport, virtually all non-operational airport decisions are made on campus, rather than at the Airport, itself. This is an unusual chain of decision making when compared to other Illinois airports. It causes many decisions to take longer, and it requires that many more University officials give their input on issues before decisions can be made.

Airport management – those staff members based at Willard Airport – reports the bureaucracy of the University governance system slows down virtually all decisions. Airport management confirmed, in on-site interviews, that few decisions can be made at the Airport and that most decisions go to the University Office of Capital Programs and Real Estate Services. Examples of decisions that must go to the University level are rates and charges formulation, air service incentives, air service marketing, terminal and facility maintenance, budget approval, and expenditure approval. The Office of Capital Programs and Real Estate Services must also

approve all consulting contracts and professional services for the Airport. The result of this structure is that simple tasks that are normally approved directly by an executive director of an airport must go through many layers of management and analysis before they can be approved, often delaying critical projects for several weeks, and even months in the case of

*“...simple tasks that are normally approved directly by an executive director of an airport must go through many layers of management... delaying critical projects.”*

decisions involving larger monetary amounts.

Airport management also reports that it is hindered in dealing with day to day operational issues as a result of the small office staff it has available. Willard Airport has just three full time members of

management, and only two of those members are true management staff in function. The Airport has a director based at the terminal, along with a deputy director who oversees operations. The only other staff member in the office at the terminal is the secretary. Many other airports the same size in Illinois employ additional management staff to oversee areas such as marketing, air service development, business development, and properties.

In general, oversight of Willard Airport is decentralized, with many layers of management between the Airport, and decisions made on its behalf, and the taxpayers of the State who support it. The effect of this structure is to slow down decision making, to limit the executive control of actual airport management, and to increase overall cost.

### *Effects of Governance on Airport Tenants*

The largest tenant at Willard Airport is the fixed base operator and maintenance provider, Flightstar. The company is critical to the success of the Airport as it is the only fixed base operator ever to be located on the field, and it is the sole fuel provider for airline, executive, University, charter, and general aviation aircraft. Flightstar employs 120 people, including a large staff that works out of the 68,000 square foot maintenance facility on the field.

Among tenants, Flightstar's President and CEO, Bill Giannetti, was interviewed for this report. He has an intimate knowledge of Willard Airport, as he has been on the field since 1974, when he first started flight school at the University of Illinois Institute of Aviation. In that time, Giannetti said,



“The University was tasked with running the airport. Over the years their involvement has been less and less.”

Tenants at Willard Airport had several observations relative to the current administration and governance of the Airport. There is a feeling that responsibility for operating and overseeing the Airport has been shuffled between administrators. Tenants commented that, under the current governance structure, most decision making for the Airport falls to the University’s Office of Capital Programs and Real Estate Services. Tenants believe this slows down decision making, because there is no one on field who is authorized to handle day to day issues.

Moreover, tenants said, in general, the University is a difficult entity to do business with – with too many legal departments and too many managers who try to shuffle off responsibility. One tenant said he believes management of the airport is sporadic and intermittent as there is no face to the airport without an executive director. That tenant said, “It’s like having a college football team with no coach and complaining they’re not competitive.” The same tenant went on to say, “There’s no one to go talk to about anything.”

*“That tenant said, ‘It’s like having a college football team with no coach and complaining they’re not competitive.’”*

Tenants placed much emphasis, in interviews, on the lack of a true air service development strategy and the lack of competitive response to air service growth at Central Illinois Regional Airport in Bloomington/Normal. Tenants believe the University doesn’t do enough to incentivize new air service. They also believe the University does little to respond to the Champaign/Urbana advertising done by the airport in Bloomington/Normal, which causes many local travelers to drive to BMI to catch flights. There is a perception on the airfield at Willard that the communities that will get behind their airports financially have the best air service – and that the University hasn’t recognized this.

Tenants, generally, would like to see the University divest the Airport – including the land and the facilities – to a locally formed airport authority or other independent airport operating district. Tenants believe this will help position the Airport to better compete in the central Illinois market. They also believe local control – through locally elected officials instead of statewide appointed officials – will allow the Airport to be more responsive to tenant needs. As one tenant stated, “It’s got to be pulled from the University or it will fizzle out and die.”

## Effects of Governance on Regional Cities: Champaign, Urbana, and Savoy

Each of the three cities closest to Willard Airport has a vested economic interest in the air service provided, the jobs supported, and the services available at the Airport. These cities include Champaign, Urbana, and Savoy – the Village in which the Airport is located. While there is no recent economic impact study data to show the exact impact of Willard Airport on the cities surrounding it, past research has shown similarly served airports have an impact of \$50 to \$60 million per year on the cities they serve. As one Champaign city leader put it, “People need to understand the economic importance of the Airport.”

Despite the clear economic interest the cities have in the Airport, they have virtually no say in how the Airport is operated or in how the Airport serves the community. As one leader said in an on-site interview for this report, “We really don’t have any control – it’s all at the University.”

*“...seemingly simple things, like terminal services, taxis, and parking, all seem to be overlooked, which leaves an impression that the University is ignoring airport operations.”*

Under the current structure of governance, detailed earlier in this report, the constituents in the area who use Willard Airport have no direct representation in how the Airport functions. The only representation for Champaign, Urbana, and Savoy in the operation of Willard Airport comes from electing a Governor, who appoints the Board of Trustees that

ultimately oversees the Airport. One leader interviewed for this report said this decentralized governance creates a situation for the Airport where, “It’s like trying to operate with both hands tied behind your back.” In general, those interviewed for this report made it clear that the communities in the region feel disenfranchised and detached from the Airport since they have no say in its governance

Some leaders in the cities feel that the University has neglected the development of the Airport, and the development of air service at the Airport, with a misguided notion that the Airport is not part of the University’s core mission. One leader said the Airport should be a part of the University’s core mission, as the University benefits most from the Airport through the access the Airport gives the University in markets around the world. Another leader said bluntly, “It’s frustrating to sit here and see this great facility floundering.” One key for city leaders was that

the governance of the Airport should be designed to give more executive control directly to Airport management. This is a key, some city leaders believe, so that the Airport is able to react to airline requests for incentives without the bureaucracy of the University bogging down the process and costing the region flights.

Additionally, there is a perception that the University is not paying attention to the Airport, and that the Airport is low on the University's list of priorities. One elected leader noted that seemingly simple things, like terminal services, taxis, and parking all seem to be overlooked which leaves an impression that the University is ignoring Airport operations. In particular that elected leader noted that the taxis are not screened for quality and are often embarrassing for inbound visitors, that terminal services are inadequate, and that there is a general bad impression of the community when traveling through the Airport.

All of these items, some city leaders said, are indications that the University administration isn't spending enough time focusing on the needs of Willard Airport, and the needs of the members of the community who use the Airport. The cities also have concerns about the ongoing viability of the Airport under University control. Some city leaders believe University staffing is inefficient and not cost effective and that current labor costs make the Airport less cost competitive with other airports in the State. Additionally there are concerns from the cities that University purchasing bogs down contracts. For these reasons, some city leaders believe University ownership and governance of Willard Airport doesn't make sense, and that the Airport would be more responsive if a dedicated leadership group ran it.

The cities all expressed that they felt the Airport would be run more efficiently if the University divested control. The divestiture would function best, some in the cities believe, should the University give up the land and the physical plant at Willard Airport to the new governing body. Only one of the three cities – Savoy – would commit to offering funding to help operate the Airport as part of a regional coalition.

Still, those leaders from Champaign, Urbana, and Savoy that were interviewed for this report were clear in stating they believe the cities should have more authority over Willard Airport, as it is critical to their growth and success. All three cities would support governance change, it appears, if that change led to more direct control over the Airport, and if that change could help to guarantee the ongoing viability of Willard Airport.

## *Effects of Governance on Regional Entities*

Three major regional governing bodies were interviewed for this report. Representatives from those three bodies included Champaign County leadership, the Champaign County Regional Planning Commission (RPC), and the Champaign-Urbana Mass Transit District (MTD). These bodies represent Airport stakeholders from across the County.

In most airports in Illinois the county board of the county in which the airport operates has a responsibility to appoint at least some of the airport's board members. In Champaign County, the Board has no authority over the Airport at all. Willard Airport is the only Airport in the State without direct leadership appointed by local governments. And while the County leadership interviewed for this report said it did not want to take responsibility for running Willard Airport, it would be appropriate for the County to have some level of oversight over the facility.

Nonetheless, Pius Weibel, the Chairman of the Champaign County Board said that he believes the University is the driving force behind the Airport and it must somehow be involved in the Airport's governance. But Weibel expressed that he believes the Airport is being somewhat overlooked by current leadership within the University's administration. His counterpart, Board member Alan Nudo, expressed the same thought, emphasizing that he believes marketing of Willard Airport must be more aggressive in the region. The leadership in Champaign County would like to see Willard Airport advertised as heavily as the Central Illinois Regional Airport in Bloomington, which is more visible in Champaign/Urbana at times than Willard Airport. As part of this effort, County leadership would like to see a full time marketing director hired for the Airport, regardless of future governance.

Other organizations within the County repeated the common theme that they feel the University sometimes ignores the Airport due to the sheer volume of work the administration of the University is undertaking. Some County leaders said, in on-site interviews, they would like the University to require all those traveling on official University business to use Willard Airport. For reasons previously noted in this report, that is likely not feasible, but some of those in County leadership think the University should do whatever it can to encourage the use of the University-owned airport.

## Effects of Governance on Regional Businesses and Visitors

In interviews with members of the Champaign County Economic Development Corporation, the Champaign County Visitors and Convention Bureau, and other regional business leaders, all made it clear that Willard Airport is a key economic asset in retaining and recruiting business to east central Illinois. Retention is becoming more difficult, some businesses leaders said, due to the loss of flights on Delta, and other airlines, over the last decade. One business representative said, "Constantly what we hear from them is the difficulty in getting here."

If Willard Airport lost all service, economic development leaders said, in on-site interviews, they would expect it to become much more difficult to recruit new business – especially high tech business such as those companies that have recently taken residence at the Research Park. In fact, economic development leaders worry, without additional air service at Willard Airport, quote, "We'd have a high risk of losing them." For businesses, airports in Bloomington/Normal, Indianapolis, and Chicago are not adequate alternatives. It takes too much time to drive to any

of these airports according to business leaders, and that lost time equates to lost money.

*"Of most concern to business owners and leaders in Champaign County is the impression that Willard Airport is not a priority for the University..."*

The Champaign County Economic Development Corporation reports that the largest business users of Willard Airport

include Volition, a gaming company headquartered in Champaign/Urbana; Human Kinetics Publishing; Amdocs, which is based in Israel; Jimmy John's; and Flex n' Gate. For each of these major employers – collectively employing 2,500 people in Champaign/Urbana in headquarters positions – access to the national air transportation system through Willard Airport is a key to success.

Regional businesses have three main concerns about the way the Airport is operated as a division within the University's Office of Capital Programs and Real Estate Services. First, businesses are concerned the University's slow reaction time is costing the region additional air service. Second, regional businesses said the University does not adequately market the Airport within east central Illinois. And third, businesses would like the opportunity to create better partnerships with the Airport, but they don't know who they should be working with on those partnerships, as the leadership of the Airport is not based at the Airport.

Major local businesses, through various business organizations in Champaign County, said they believe, due to University neglect, the Airport is missing opportunities to attract additional airline service. One regional business representative said, “We’re missing an opportunity to attract additional air service.” This is partly due, according to businesses, because the current University governance structure handcuffs Airport management. It is clear, if initiatives must be approved by the Board of Trustees, the University cannot be quick to react. Businesses are concerned that immediate Airport leadership is not empowered to make decisions.

Business leaders also told Sixel Consulting Group they believe the University’s cost structure puts the Airport at a disadvantage. To this end, business leaders openly wondered why State of Illinois taxpayers must subsidize the Airport.

Of most concern to business owners and leaders in Champaign County is the impression that Willard Airport is not a priority for the University and that the Airport is not aggressively marketed when compared to other airports in central Illinois. Business leaders complained that there is no Airport marketing plan visible to the community. There is a feeling that the University’s money is not being spent in the right places and with the right priorities, and the result of this lack of spending means there is little to no visibility of the Airport in Champaign/Urbana, much less in the region. A symptom, business leaders believe, of the lack of focus on the Airport, and the lack of market presence, is that Willard Airport does not effectively compete with Central Illinois Regional Airport in Bloomington/Normal.

Finally, it must be noted that the Champaign County Convention and Visitors’ Bureau has specifically been working with Willard Airport leadership to better partner to bring in larger conventions and larger tourist groups. Part of this effort included an information booth in the terminal. But due to the lack of traffic, Visit Champaign County found it cost prohibitive to staff the booth continually. Visit Champaign County would like to augment the exposure provided by the booth with in-terminal advertising, but it has found the rates prohibitive.

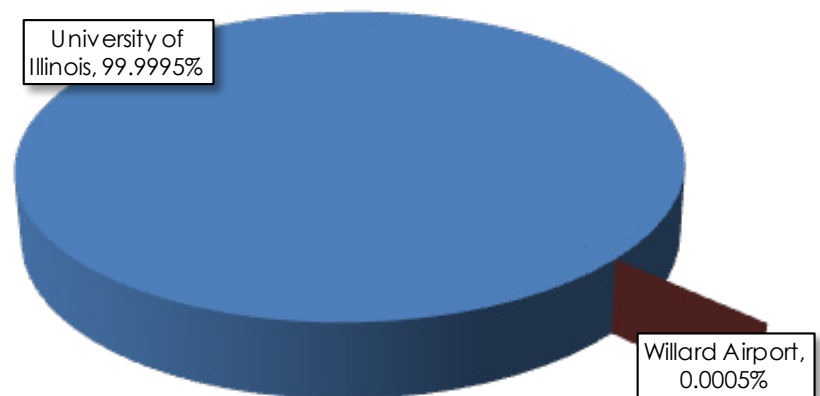
## Overall Effectiveness of Current Governance

Through independent research and interviews in Champaign County it is clear the University of Illinois' Willard Airport is unique in how it is governed, managed, and overseen. It is one of the few airports in the country where a State is effectively running a local asset. Willard Airport is overseen by the residents of Champaign County – the region where the Airport has the most economic impact – only through their small voice in the election of the Governor of Illinois. The Governor is the elected official charged with appointing the Board of Trustees that oversees Willard Airport – along with all the other assets of the giant University of Illinois system.

The University is a huge, evolving, force in the lives of many in the State. Its Board of Trustees, along with University leadership, has an almost overwhelming job in allocating a budget of \$4.8 billion with current enrollment in excess of 70,000 total students on three campuses. Willard Airport's operating revenue of \$2.24 million in fiscal year 2010 represents just 0.0005% of the overall University budget (see Figure 3).

The impact of the structure of governance of the Airport is that it gets limited attention from upper University leadership, even though it is a significant asset to the University's Urbana-Champaign campus. At the Board of Trustees and President levels the University has little time to devote to the approval of Airport initiatives. The University has wisely allocated much of the local control of the Airport to its Office of Capital Programs and Real Estate Services, but it has not placed adequate control of the Airport to its on field management team. The Office of Capital Programs and Real Estate Services oversees a physical plant of more than 800 buildings around the State. Its staff members spend significant time on Willard Airport initiatives, but even so, the Office has much broader goals than the success of the local Airport.

*Figure 3: Willard Airport's Share of University of Illinois Budget Fiscal Year 2010; Source: University of Illinois*



Most airports around the country are controlled by the local community they are designed to serve. In one way or another, most airports are governed by a local representative body. Some

are operated by locally appointed airport authorities. Others are overseen by an elected body as part of a district. Counties and Cities also operate their airports directly. All of these airports share local oversight and transparency to the local resident. Willard Airport is unique in that it lacks oversight from the very people it seeks to serve.

Local oversight, in the case of Willard Airport, could help focus the Airport's goals on the initiatives the community values. There is a clear desire for a more competitive response to the air service that has grown at other central Illinois airports. There is also a desire for the Airport to run more like an independent business – with the ability to act and react, and to reallocate funding, based on the continually changing market forces of the airline industry.

The University of Illinois is a large and necessarily bureaucratic organization. Decision making – even on seemingly simple items such as contracts under \$50,000 – can take months to complete due to State of Illinois regulations. The current operation of Willard Airport is hindered, to some extent, by the University's way of doing business. The recruitment, retention, and success of air service is reliant upon decisions that can be made quickly – in days, not months. The most successful commercially served airports in Illinois, and around the country, are those with strong executive control and supportive local oversight. These airports can react much more quickly to the changing dynamics of aviation, and best position themselves for long-term success. Under current governance, Willard Airport is not able to quickly react to market forces.

*“The current operation of Willard Airport is hindered... by the University's way of doing business. The recruitment, retention, and success of air service is reliant upon decisions that can be made quickly...”*



## OVERVIEW OF AIRPORT GOVERNANCE IN ILLINOIS

In the State of Illinois, there are 11 airports with current scheduled air service – also called “commercially served” airports – as of the fall of 2011 (see Figure 4). These airports range in size from Chicago O’Hare International Airport (ORD), with 185 non-stop cities and 26.8 million annual origin and destination passengers to the Decatur Airport (DEC), with two non-stop cities and just 4,530 annual origin and destination passengers (as of calendar year 2010). For the purpose of detailed analysis of all airport governance types in Illinois, one non-commercially served airport is included in this analysis: Skydive Chicago Airport (8N2) In Ottawa. This airport is the only one in the State to be governed by a Port Authority, so it is included to benchmark other governance types against an Illinois port authority.

*Figure 4: Governance Type of Illinois Airports  
September 2011; Sources: Sixel Consulting Group; US DOT Table OD1A; Airline Schedules*

IATA Code	Airport Name	Location	County	Number of Non-Stop Cities	Avg Daily Departures	O&D Passengers	Enplanements
BMI	Central Illinois Regional Airport	Bloomington	McLean	6	14.6	527,170	263,585
CMI	University of Illinois Willard Airport	Savoy	Champaign	2	6.6	149,340	74,670
MDW	Chicago Midway International Airport	Chicago	Cook	58	247.2	11,004,040	5,502,020
ORD	Chicago O’Hare International Airport	Chicago	Cook	185	1,131.4	26,791,080	13,395,540
DEC	Decatur Airport	Decatur	Macon	2	6.0	4,530	2,265
MLI	Quad City International Airport	Moline	Rock Island	10	25.1	881,030	440,515
MWA	Williamson County Regional Airport	Marion	Williamson	1	5.2	13,340	6,670
8N2	Skydive Chicago Airport	Ottawa	LaSalle	0	0.0	0	0
UIN	Quincy Regional Airport/Baldwin Field	Quincy	Adams	1	5.2	14,460	7,230
PIA	Peoria International Airport	Peoria	Peoria	8	15.6	468,080	234,040
RFD	Chicago Rockford International Airport	Rockford	Winnebago	4	1.0	143,130	71,565
SPI	Abraham Lincoln Capital Airport	Springfield	Sangamon	3	5.6	102,890	51,445

*Passenger data as of calendar year 2010 as reported in US DOT Table OD1A; air service statistics for September 2011 as filed by airlines serving subject airports.*

University of Illinois Willard Airport represents the exact median of Illinois’ commercially served airports, as it ranks as the sixth busiest airport in the State in terms of passengers with 149,340 as of calendar year 2010 (see Figure 4). Willard Airport averages 6.6 daily departures to two non-stop destinations on one airline.

It is important to compare Willard Airport to its closest peer airports, in terms of current air service, to get the best gauge for how different governance types could be applied to Willard Airport. In Illinois, however, there are no ideal corollaries to Willard Airport, as most airports in the State are operated by local governmental bodies and only one other airport is within 10,000 total passengers per year of Willard – Chicago Rockford International.

It is also important to understand the most common types of governance in Illinois, and to understand how each of those governance types is structured. In the State, there are five basic types of governance, although one of those types is the University ownership and operation of Willard Airport. The other, non-University, types of governance in Illinois are airport authorities, port districts, city departments, and other district departments (see Figure 5).

The most common airport governance type in Illinois is an airport authority. Half of all Illinois airports with airline service are their own airport authorities – or six airports altogether (see Figure

5). This is a higher percentage of independent airport authorities than in most other large states. For example, in California, just four of the 30 commercially served airports in the State are run by airport authorities – or 13%.

A quarter of Illinois airports with

commercial air service are run as independent departments within city government (see Figure 5). These three airports each have an executive director who is also a city department head. The cities, in all three cases, own the physical plant of the airport and run it as one of the assets of the city the airport serves.

As previously noted, there is one airport in Illinois run as a part of a larger port district (see Figure 5). In actual function, this port district operates much like an airport authority. There is one airport – in Decatur – that is run as a sub-department within the park district. And finally, there is Willard Airport, which is a sub-department within the University of Illinois' Office of Capital Programs and Real Estate Services.

The most common airport governance type for airports closest in size, in terms of annual passengers, to Willard Airport is the airport authority. The two closest airports in size – again in terms of passengers in 2010 – to Willard Airport are both run by airport authorities: Chicago Rockford International Airport and Abraham Lincoln Capital Airport in Springfield (see Figure 6 on next page). Other airports run by authorities in Illinois are Central Illinois Regional Airport in Bloomington/Normal, Quad City International Airport in Moline, Williamson County Regional Airport in Marion, and Peoria International Airport.

*Figure 5: Airports in Illinois by Governance Type September 2011; Source: Sixel Consulting Group*

Governance Type	Number of Airports
Airport Authority	6
City Department	3
District Sub-Department	1
University Sub-Department	1
Port District	1
<b>Total</b>	<b>12</b>

All of the airport authorities in Illinois are similarly designed. All are overseen by appointed boards of five to nine members, representing certain jurisdictions within the region that is the primary service area of the airport. In some cases the State legislature has authority to appoint board members. This is the case, often, in authorities that were created by a State bill approved by the legislature and signed by the Governor.

*Figure 6: Airports in Illinois Governed by Airport Authorities  
 September 2011; Source: Sixel Consulting Group*

IATA Code	Airport Name	Location	County	Number of Non-Stop Cities	Number of Airlines	Avg Daily Departures	O&D Passengers	Governance Type
BMI	Central Illinois Regional Airport	Bloomington	McLean	6	3	14.6	527,170	Airport Authority
MLI	Quad City International Airport	Moline	Rock Island	10	5	25.1	881,030	Airport Authority
MWA	Williamson County Regional Airport	Marion	Williamson	1	1	5.2	13,340	Airport Authority
PIA	Peoria International Airport	Peoria	Peoria	8	4	15.6	468,080	Airport Authority
RFD	Chicago Rockford International Airport	Rockford	Winnebago	4	1	1.0	143,130	Airport Authority
SPI	Abraham Lincoln Capital Airport	Springfield	Sangamon	3	3	5.6	102,890	Airport Authority

Passenger data as of calendar year 2010 as reported in US DOT Table OD1A; air service statistics for September 2011 as filed by airlines serving subject airports.

In the airports closest in size, in terms, again, of annual passengers, to Willard the airport authorities are appointed by locally elected officials. In Springfield, the seven member airport authority board has four members appointed by the Mayor of the City of Springfield, with three members appointed by the Sangamon County Board Chair. In Springfield, board members serve rotating five year terms. In Rockford, the Mayor of the City of Rockford appoints three of the seven members to the board. Two of the remaining four board members in Rockford are appointed Winnebago County Commissioners, while the remaining two are appointed by the Mayors of other cities within Winnebago County.

Under Illinois law, airport authorities must encompass a specific area or region. The Greater Peoria Airport Authority is the only one in Illinois that has more than one county in its jurisdiction. Because of this, the majority of its board – five of the nine members – is appointed by the State legislature.

In all cases, airport authorities have taxing authority. In the case of airport authorities that use that taxing authority, most elect to levy a property tax. In order to enact a tax, however, an airport authority must put a referendum on the ballot. This is also the case in increases in an airport authority's tax. While an airport authority can be created by an act in the legislature, it can only enact a tax through a vote of all the residents in its district. More specific detail on the best corollary example of an airport authority in Illinois – overseeing the Central Illinois Regional Airport – will be explained in the following section of this report.

There are three airports in Illinois that are owned and operated by the cities in which they are located: both of Chicago's Airports (O'Hare and Midway) and the Quincy Regional Airport (see Figure 7). The governance structure of these airports is simple. In the case of the Quincy Airport, the Airport's Executive Director reports directly to the City Manager, who reports to the publically elected City Council. In the case of the Chicago airports, directors of each of the airports report to the Director of the Department of Aviation. The Department reports directly to the Chicago City Council – a 50 member elected body of full-time commissioners.

*Figure 7: Airports in Illinois Governed as City Departments  
 September 2011; Source: Sixel Consulting Group*

IATA Code	Airport Name	Location	County	Number of Non-Stop Cities	Number of Airlines	Avg Daily Departures	O&D Passengers	Governance Type
MDW	Chicago Midway International Airport	Chicago	Cook	58	5	247.2	11,004,040	City Department
ORD	Chicago O'Hare International Airport	Chicago	Cook	185	35	1,131.4	26,791,080	City Department
UIN	Quincy Regional Airport/Baldwin Field	Quincy	Adams	1	1	5.2	14,460	City Department

Passenger data as of calendar year 2010 as reported in US DOT Table OD1A; air service statistics for September 2011 as filed by airlines serving subject airports.

In the case of airports overseen as a department within a city, they must operate as city entities, with budgets and policies approved by the city council or commission. This is not unlike the current governance of Willard Airport, where the University of Illinois' Board of Trustees must approve the Airport's budget and policies. The main difference would be that the department head of a city airport has more executive control than the manager of Willard Airport, who is a manager of a sub-department within a larger office. Airports can be brought into city oversight through a simple transfer agreement or joint powers agreement.

There are no airports in Illinois governed as a department within a county. This is somewhat unusual, as in other parts of the country county governance is the most common form of governance. County governance in Illinois would resemble the governance of the city department.

There is only one airport in Illinois that is governed as a district. The Skydive Chicago Airport in Ottawa is operated as part of the Ottawa Port District. The District was formed in 1996 by its passage in the State legislature and its signing by the Governor. The difference between the Port District and an airport authority is that the Port District also has authority over railroad terminals and river terminals in LaSalle County. The District is governed by a seven member board of commissioners, with four appointed by the Governor of Illinois and three appointed by the Mayor of Ottawa. In this way it is no different than an airport authority. Further detail into how a Port District might, or might not, work for Willard Airport is included in the next section of this report.

This report will also examine three other types of airport governance that do not currently exist in Illinois: management by a private firm, management by a mass transit district, and management by a regional planning commission. As most airports in the State are managed by airport authorities or city departments, these other types of governance are not necessarily applicable in most cases. However, it should be noted that the City of Chicago was prepared to turn over management of Midway Airport to a private firm several years ago before the deal fell through. The next section of this report will detail how these management structures would operate at Willard Airport, based on information other than corollary airports within the State of Illinois.

## OPTIONS FOR FUTURE GOVERNANCE

Under Illinois State law and airport regulations there are a number of options for future governance of University of Illinois Willard Airport. The Airport can remain a sub-department within the University's Office of Capital Programs and Real Estate Services, although this option is not preferred by any of the Airport's stakeholders interviewed for this report, or the University, itself. Other options for governance include the Airport as its own authority, as a port district, as a privately managed asset owned by the University, as an entity of the Champaign-Urbana Mass Transit District, as an entity of the Champaign County Regional Planning Commission, as an independent University department, or as a department of either Champaign County, the City of Champaign, the City of Urbana, or the Village of Savoy. This section of the report will delve into each of these potential governance structures, detailing what the structure would look like, how it should be designed, and the pros and cons of management under the structure. Additionally, this report will seek to determine the political feasibility of the change to the structure.

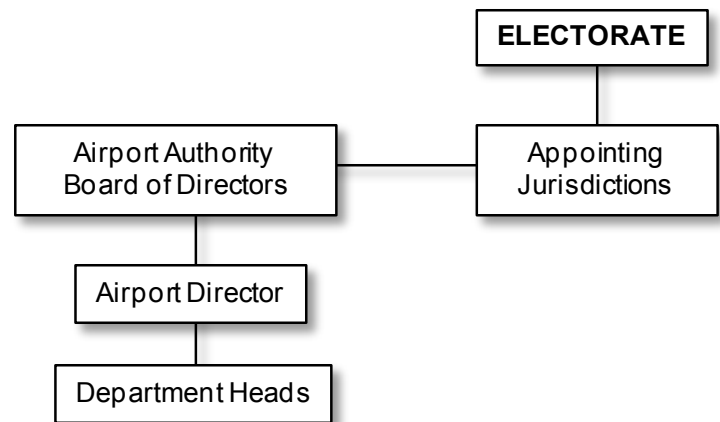
This report is not commissioned to make a recommendation on which governance structure would work best for the University, but rather to explore the pros and cons of each of the options against one another. In most cases, this section of the report will develop specific conclusions based on corollary airports in Illinois. In cases where this is not possible, this section of the report will develop likely outcomes based on the experience of other airports around the country.

### **Option #1: Airport Authority**

Most commercially served airports in Illinois are run by independent airport authorities. There are a total of six airports in Illinois with scheduled air service that are operated and overseen by airport authorities, including Bloomington/Normal, Peoria, and Springfield in central Illinois. Airport authorities are popular in Illinois, and around the country, because they give an airport autonomy from other local government, and they allow an airport to be governed by a collection of appointed board members who have a shared interest in the airport's success. Airport authorities also tend to be somewhat streamlined, in Illinois, in terms of staff and overall staff cost. Similarly, airport authorities relieve local government agencies of all financial liability in running the airport. Authorities are completely independent under Illinois law. See the appendix to this report for a complete summary of the statutory governance of airport authorities.

As previously reported, airport authorities in Illinois are overseen by a board of directors of five to nine members, depending on the number of parties in the airport authority's incorporation documents. Airport authority boards of directors are always appointed in Illinois by the respective authority participants. Airport authority boards in Illinois are not elected. Under this structure, the airport director reports directly to the board of directors of the airport authority (see Figure 8). While the airport authority board is appointed by the various jurisdictions, the board has no legal ties to those jurisdictions, and the jurisdictions have no legal governance control of the airport, other than to appoint their allotted board members.

*Figure 8: Governance Structure of Illinois Airport Authorities*  
 Source: Sixel Consulting Group, September 2011



The situation with Willard Airport is unique, in the concept of an airport authority in Illinois,

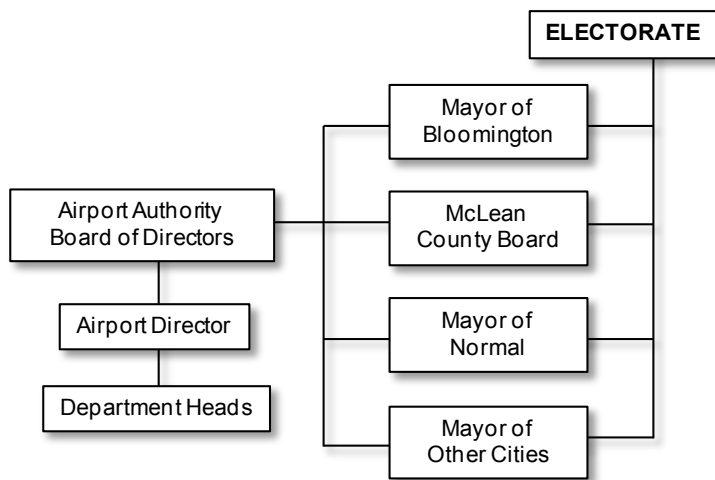
due to the fact it is owned by the University of Illinois and not a local jurisdiction. Current airport authority rules in Illinois require that the Airport's physical plant – its land, navigational aids, and its buildings – be owned by the authority, itself. At Willard Airport, it is conceivable a new authority would take responsibility for the Airport's grant assurances and other financial liabilities, if it somehow had control of the land and physical plant. In turn, the University's Board of Trustees and other local jurisdictions would have the right to select the Airports' board of directors each term, which would typically run for four years. The University would also divest all budget control and oversight, along with liability for Airport budget shortfalls.

Airport authorities in Illinois have the right to issue bonds in their own names, without oversight from the previously governing jurisdiction, and those bonds are also without liability to the previously governing jurisdiction. Airport authorities are allowed to levy property taxes in their jurisdictions – in this case all of Champaign County. A tax levy can only pass with a majority vote of the entire electorate in the jurisdiction. This can somewhat handcuff airport authorities in providing financing for airports in difficult economic times. In Champaign County, in particular, a property tax could be a difficult sell in the rural areas of the County. Illinois law for independent authorities is vague in laying out other types of taxes that might be allowed to finance airports. It is possible a sales tax, hotel tax, or other tax district could be established for an airport authority in Champaign County, but the State would have to rule on the legality of

using those taxes for an authority before the stakeholders in a potential authority pursued one of those options. Only property taxes are currently used to finance airport authorities in Illinois, and not all airport authorities use their taxing power.

To delve deeper into the structure and design of an airport authority in Illinois, the report researched the Bloomington-Normal Airport Authority, which owns and operates the Central Illinois Regional Airport (BMI) in Bloomington.

*Figure 9: Governance Structure of the Bloomington-Normal Airport Authority; Source: Sixel Consulting Group*



The Authority is overseen by a seven member Board of Directors, each serving five year rolling terms. Two of the directors are appointed by the Mayor of the City of Bloomington, three are appointed by the McLean County Board, one is appointed by the Mayor of the City of Normal, and one is appointed by the mayors of other, outlying cities within the County (see Figure 9).

The executive director of the Airport reports directly to the board, which does not

directly report to the cities, but its directors must gain appointment from the cities (see Figure 9) – the only link the cities maintain to the governance of the Central Illinois Regional Airport. The Airport's land and facilities are wholly owned and operated by the authority, itself.

Under the structure of the airport authority at the Central Illinois Regional Airport there is little oversight from elected officials. Their only impact on the operations and decisions made at the Airport is through their appointment of directors. This is a strength of the airport authority system in Illinois, in that it ensures the airport is being run like a business, and that the airport is responsive to stakeholders and tenants. But it is also a weakness in that the electorate has little control over the direct governance of the airport.

Airport authority governance does tend to speed up the decision making process for airport management. Airport executive directors under airport authority governance have much more control than directors under some other governance types in Illinois. The entire structure of airport authorities is designed to be able to react to the business demand of running an airport, and to separate an airport from political will.



The Bloomington-Normal Airport Authority is a taxing authority, and its electorate has passed a property tax that helps to fund airport initiatives. The current annual property tax for the Authority is 0.0986% of assessed valuation, or \$98.60 per year for a home of an assessed valuation of \$100,000, according to McLean County tax records. This funding is considered operating revenue for the Airport Authority, and can be used for virtually any airport projects, including air service development and airline incentive programs. In fiscal year 2010, the Bloomington-Normal Airport Authority's property tax brought in \$3.3 million in airport revenue, which was 59.8% of the Airport's total operating revenue (see Figure 10). By comparison, Willard Airport brought in zero tax revenue. Outside property tax revenue, Willard Airport and the Central Illinois Regional Airport brought in almost the same amount of operating revenue in 2010, with Willard Airport bringing-in almost twice as much actual airline revenue as Central Illinois Regional Airport and the same amount of passenger revenue due to Willard's parking fees.

*Figure 10: Operating Revenue Comparison, Willard Airport vs. Central Illinois Regional Airport*  
Source: Sixel Consulting Group Analysis of FAA Form 127, September 2011

<b>Operating Revenue</b>			
<b>Passenger Airline Revenue</b>	<b>Willard Airport</b>	<b>Central Illinois Regional</b>	<b>Difference</b>
<b>Subtotal</b>	<b>\$623,961</b>	<b>\$354,019</b>	<b>\$269,942</b>
<b>Passenger-Related Revenue</b>	<b>Willard Airport</b>	<b>Central Illinois Regional</b>	<b>Difference</b>
<b>Subtotal</b>	<b>\$799,219</b>	<b>\$802,266</b>	<b>-\$3,047</b>
<b>Non-Passenger Aeronautical Revenue</b>	<b>Willard Airport</b>	<b>Central Illinois Regional</b>	<b>Difference</b>
<b>Subtotal</b>	<b>\$365,284</b>	<b>\$569,219</b>	<b>-\$203,935</b>
<b>Non-Aeronautical Revenue</b>	<b>Willard Airport</b>	<b>Central Illinois Regional</b>	<b>Difference</b>
Land Leases	\$450,000	\$494,274	-\$44,274
Other Revenue	\$0	\$3,300,921	-\$3,300,921
<b>Subtotal</b>	<b>\$450,000</b>	<b>\$3,795,195</b>	<b>-\$3,345,195</b>
<b>Total Operating Revenue</b>	<b>\$2,238,464</b>	<b>\$5,520,699</b>	<b>-\$3,282,235</b>

Source: Federal Aviation Administration Financial Summary Report Form 127; June 23, 2011

The Bloomington-Normal Airport Authority operates more efficiently, in terms of personnel cost, than the University-owned Willard Airport. The direct airport cost per enplaned passenger at Central Illinois Regional Airport is \$6.48 as of fiscal year 2010 (see Figure 11). Willard Airport's direct airport cost per enplaned passenger is \$12.10 as of fiscal year 2010. It costs Willard Airport – and the University of Illinois - \$5.61 more per passenger to operate the Airport as it does the Bloomington-Normal Airport Authority. This is likely a reflection of the increased operating cost of

running Willard Airport under the control of the University. The University's personal services contracts were not provided to Sixel Consulting Group for review, but it is clear the University's Airport is more expensive to operate than its closest corollary in Bloomington-Normal.

*Figure 11: Overall Budget Comparison, Willard Airport vs. Central Illinois Regional Airport  
Source: Sixel Consulting Group Analysis of FAA Form 127, September 2011*

Per Enplaned Passenger	Willard Airport	Central Illinois Regional	Difference
Enplaned Passengers	67,290	263,585	196,295
Airline Cost Per Enplaned Passenger	\$9.27	\$1.34	\$7.93
Airport Revenue Per Enplaned Pax	\$21.15	\$4.39	\$16.76
Terminal Concessions Per Enplaned Pax	\$0.13	\$0.36	-\$0.23
Parking Per Enplaned Passenger	\$7.35	\$0.00	\$7.35
Rental Car Per Enplaned Passenger	\$4.40	\$2.68	\$1.72
<b>Personnel Cost Per Enplaned Passenger</b>	<b>\$12.10</b>	<b>\$6.48</b>	<b>\$5.61</b>

Source: Federal Aviation Administration Financial Summary Report Form 127, June 23; 2011

Another challenge with Willard Airport's University ownership and governance versus airport authority governance is the cost of operating into the airport for scheduled airlines. The average airline cost per enplaned passenger at Willard Airport in fiscal year 2010 was \$9.27 (see Figure 11). The average cost at Central Illinois Regional Airport for the same period was \$1.34 – almost \$8 less per passenger than Willard Airport. This makes the airport at Bloomington-Normal much more attractive to potential air carriers than Willard Airport. Airlines can access, essentially, the same catchment area from both airports, but they have the potential to make \$8 in additional revenue per passenger they enplane at Bloomington-Normal versus Champaign-Urbana. It appears the major reason for the higher airline operating cost at Willard Airport is the higher overall operating cost under University ownership.

Willard Airport does generate significantly more revenue per enplaned passenger than the Central Illinois Regional Airport. In 2010, Willard Airport averaged \$21.15 in revenue per enplaned passenger, while Central Illinois Regional Airport averaged \$4.39 (see Figure 11). A large portion of the additional revenue per enplanement generated at Willard Airport is directly attributable to parking fees. Willard Airport averaged \$7.35 per enplaned passenger in parking fees in 2010, while parking is free at Bloomington-Normal. While there have been many cries for free parking at Willard Airport, this report found parking fees generate \$495,000 per year in revenue for Willard Airport, which is 22% of the Airport's total operating revenue of \$2.24 million in

2010. If the Airport were to do away with parking fees it would have to find another way to generate that revenue, or make staffing and other cuts to equal almost \$500,000 per year.

Willard Airport stakeholders, including Champaign County Board members and leaders from both the cities of Champaign and Urbana expressed they would like to see the Airport governed by a broad regional coalition like an airport authority. However most political leaders said they did not think an authority would get a broad approval from the voters in Champaign County.

*“A property tax for an airport cannot be passed without a majority vote in the district the airport authority would cover.”*

They believe the best way to establish an authority for Willard Airport would be through a bill in the State legislature.

On the issue of taxes for an authority, all political leaders, and most other regional leaders, interviewed for this report concur that a property tax will be a difficult sell in the current economic

climate. Property taxes have been shown to be difficult to pass in regions with a large number of farm interests – such as Champaign County. A property tax for an airport cannot be passed without a majority vote in the district the airport authority would cover.

Some other types of tax would likely have to be approved by a majority vote in the district the airport authority covers, except for a hotel tax. While a sales tax or other types of tourism taxes must be approved by voters, hotel taxes can be approved by a county or city in Illinois. No other airport authorities in Illinois levy these types of taxes, but a hotel tax is an option for new airport revenue that could be passed without voter approval. It should be noted, Champaign County has nearly exhausted its sales tax authority.

The final challenge with a transition to an airport authority at Willard Airport is the issue of ownership. Under current State law, an airport authority must own the land it oversees – in this case, the airfield and physical plant at Willard Airport. The University could allow the transfer of Willard Airport to the authority, or Illinois State law would need to be adjusted to allow an authority to operate differently in this case.

## Option #2: Port District

The main differences between port districts in Illinois and airport authorities is in how board members are appointed and in the tax rates the districts can levy. While airport authorities have specific limits on the property tax percentages they can limit (generally 1% of assessed valuation), port districts have no limits on bond and interest tax rates. Port districts also must include board members that are appointed by the Governor of Illinois and approved by the Illinois Senate. Airport authorities can be comprised of all local board members.

It must also be noted that, while port districts do have the authority to own and operate airports under Illinois statutes (see appendix for port district statutory regulation summary) there isn't a single port district in Illinois that operates *only* an airport. All current port districts in Illinois also operate facilities on navigable waterways, of which Champaign County has none. Additionally, there is not a single port district in Illinois that operates an airport with scheduled air service. The majority of port districts in Illinois operate terminals along the waterways of the Mississippi River, while the rest operate terminals along the Illinois River.

*“... there isn't a single port district in Illinois that operates only an airport.”*

Port districts in Illinois share the same general structure as airport authorities. Similar to airport authority rules in Illinois, port districts require that the port's physical plant – its land, navigational aids, and its buildings – be owned by the district, itself. In order for Willard Airport to be incorporated as a port district the University would have to give up ownership of the Airport.

Due to the fact port districts have not been used for the governance of an airport only, the fact that the governance is more complicated than an airport authority with some board members that have to be approved by the State Senate, and the fact that there are no port districts in Illinois that operate commercially served airports, it is not likely a port district governance would suit Willard Airport.

### Option #3: Private Management

There are no airports in Illinois that are currently managed by private airport management companies. The City of Chicago looked into allowing the private management of Chicago's Midway airport earlier in the decade, but eventually decided to pull that option off the table and keep the Airport under the Chicago Department of Aviation (grouped together with O'Hare Airport).

There are, however, several other airports in the country where the airport ownership contracts with a private airport management firm to operate the airport. Unlike an airport authority, private management does not relieve an airport's owner from financial liability for an airport. It can, however, reduce the expense of operating an airport by bringing airport employees into

*“Unlike an airport authority, private management does not relieve an airport's owner from financial liability for an airport.”*

the management company, which is large enough to have economies of scale for employee benefits, etc.

One of the larger airport management companies in the US is TBI, plc, a division of the much larger multi-national airport management

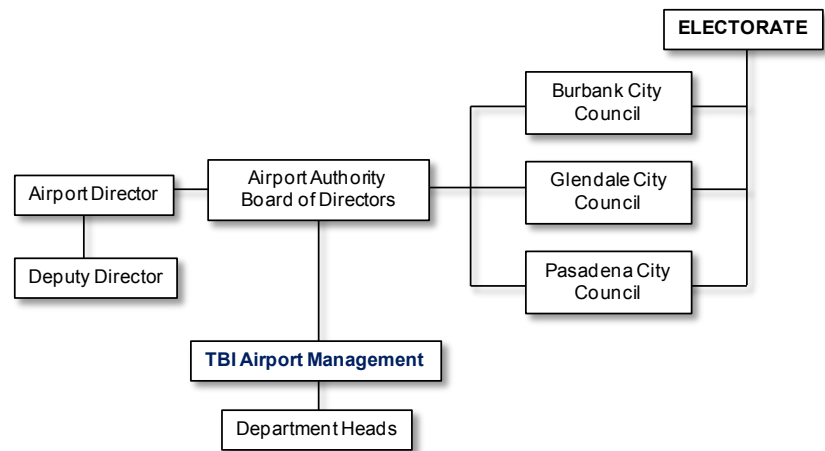
company Abertis Airports. TBI has management contracts to run all or part of several airports in the country, including Bob Hope Airport in Burbank, California; Hartsfield Jackson Atlanta International in Georgia; both airports in Macon, Georgia; Orlando-Sanford International Airport in Florida; and Raleigh-Durham International Airport in North Carolina. Additionally, TBI operates airports for governmental agencies in the United Kingdom, Sweden, and Bolivia. Abertis Airports also runs airports in Chile, Columbia, Jamaica, and Mexico.

In terms of airport size, there are no ideal corollaries to University of Illinois Willard Airport among privately managed airports in the US. Most privately management airports are structured the same way, so their managerial tree would look much the same. For the purposes of this report, Bob Hope Airport in Burbank, California, is compared against Willard Airport, in order to illustrate how private management would work if the University contracted with a firm to operate the Airport.

TBI, plc. manages Bob Hope Airport under a long-term agreement with the Burbank – Glendale – Pasadena Airport Authority. The executive director of the Airport, along with his top deputy, is

appointed directly by the board, which is appointed by each of the three cities served primarily by the Airport. TBI then hires and employs all other airport leadership and staff (see Figure 12). This structure ensures public oversight and transparency, as the executive director must directly report to the publically-appointed board. But it also allows for the airport to gain multiple efficiencies by putting all other staff into a much larger company charged with overseeing many airports around the world. The end result is an airport that is still publically governed, but operates like a private business in its reaction time. The other benefit is the lower cost of operation of the airport due to the fact members of the airport staff are private employees.

*Figure 12: Governance Structure of Burbank-Glendale- Pasadena Airport Authority; Source: Sixel Consulting Group*



Under the structure of the management agreement at Bob Hope Airport, TBI is paid a management fee in exchange for managing the facility. The airport authority is still responsible for overseeing the financial performance of the airport and ensuring the airport is operating within its budget. TBI does not take responsibility for any losses the airport generates, nor does it get a share of any profits generated. It makes a set profit agreed to during contract negotiations. Normally, agreements of this type include a profit of 7% to 10%, based on the overall cost of operating the airport.

The net result, in Burbank, of private airport management is the assurance to the community and airport stakeholders that airport professionals – who focus on airports 100% of the time – are running the airport. When compared to Willard Airport, Bob Hope Airport is about 16% less expensive to operate on a unit basis. While the operating cost per enplaned passenger at Willard Airport is \$12.10 as of fiscal year 2010, the cost at Bob Hope Airport is \$10.14 - \$1.95 less per enplanement (see Figure 13). These numbers reflect the cost difference between the University structure at Willard Airport versus the private enterprise structure at Bob Hope Airport.

The other impact of the lower cost of private airport management is the reduced cost to airlines to operate in and out of an airport. In the case of Bob Hope Airport, the airline cost per enplaned passenger in 2010 was just \$2.13 (see Figure 13). This was \$7.14 less than the airline cost per enplanement at Willard Airport, which averaged \$9.27 in fiscal year 2010 – a 437% cost

advantage. Lower costs make an airport much more attractive to potential airlines placing additional air service.

Figure 13: Overall Budget Comparison, Willard Airport vs. Bob Hope Airport

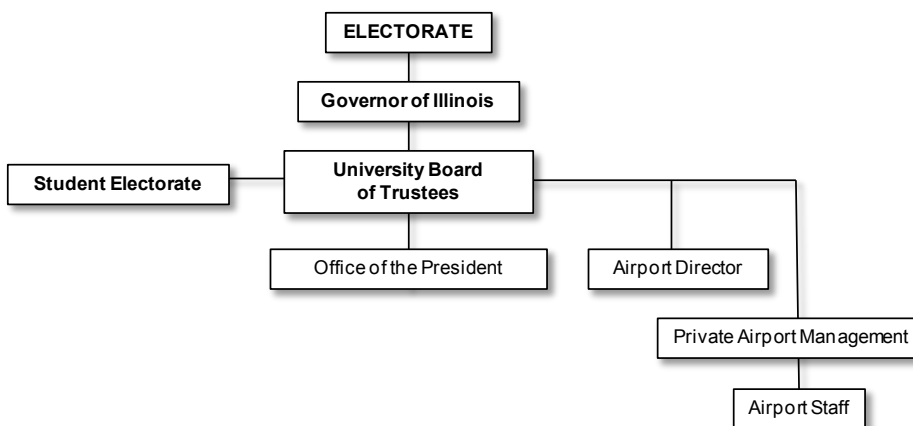
Source: Sixel Consulting Group Analysis of FAA Form 127, September 2011

Per Enplaned Passenger	Willard Airport	Bob Hope Airport	Difference
Enplaned Passengers	67,290	2,230,400	2,163,110
Airline Cost Per Enplaned Passenger	\$9.27	\$2.13	\$7.14
Airport Revenue Per Enplaned Pax	\$21.15	\$15.27	\$5.88
Terminal Concessions Per Enplaned Pax	\$0.13	\$1.35	-\$1.22
Parking Per Enplaned Passenger	\$7.35	\$9.28	-\$1.93
Rental Car Per Enplaned Passenger	\$4.40	\$2.51	\$1.89
<b>Personnel Cost Per Enplaned Passenger</b>	<b>\$12.10</b>	<b>\$10.14</b>	<b>\$1.95</b>

Source: Federal Aviation Administration Financial Summary Report Form 127, June 23; 2011

If the University of Illinois were to contract with a private management firm to operate Willard Airport, it would require a re-working of the current governance structure of the Airport. The Airport would likely need to be removed from the Office of Capital Programs and Real Estate Services and placed directly under the authority of the Board of Trustees. In cases where private

Figure 14: Hypothetical Governance Structure of Willard Airport with Private Management; Source: Sixel Consulting Group



airport management exists in the US, the private management company typically reports directly to an appointed or elected board – not to a department of a city, county, or even a university.

Under the hypothetical governance structure of a private management firm running Willard Airport, the Airport would also need to fill a newly formed office of Airport executive director. The executive controls over the Airport currently reside in the Office of Capital Programs and Real Estate Services. The new airport executive director would also need to report directly to the Board of Trustees, while gaining additional executive powers to allow the Airport to operate as an independently run business owned by the University (see Figure 14).

Staff employed by the private management firm would be paid by the private firm, but would report to the Airport's executive director. The private management firm would receive payment from the University totaling the amount of their expenditures, plus a profit margin.

This structure would remove four layers of management and bureaucracy from the current structure of the University, but it would also put more responsibility for Willard Airport directly into the hands of the Board of Trustees of the University. Still, with an executive director in charge of the Airport, it's possible the Board's oversight could be limited to annual budget approval and the approval of the agreement with the private management firm.

If the University were to enter into an agreement with a private airport management firm, it would be important that the term of agreement was sufficiently long enough to give the firm time to put its processes and policies in place, to transition staff, and to allow the firm to develop and see through its plan for increased success of the Airport. It is recommended an agreement with a private management firm be no shorter than ten years, initially.

If it is assumed Willard Airport would see the same cost savings under private management as those realized at Bob Hope Airport, again as measured per enplaned passenger, it could be surmised that the University could save as much as 16% on its annual Airport budget. This savings could reduce Willard Airport's operating cost by an estimated \$130,000 per year.

#### **Option #4: Mass Transit District**

In Illinois, mass transit districts have the authority, under State statute, to own, operate, or manage airports. None of the mass transit districts in the State currently own or operate any of the State's airports, but the mass transit district statute makes it a legal possibility. Specifically, the statute states the following:

(f) The Board of Trustees of every District shall have perpetual succession and shall have the following powers in addition to any others in this Act granted:

(15) to acquire, own, maintain, construct, reconstruct, improve, repair, operate or lease any light-rail public transportation system, terminal, terminal facility, public airport, or bridge or toll bridge across waters with any city, state, or both.



The full Mass Transit Act under Illinois law is included in appendix two to this report. Appendix one also includes an overview of the powers and authorities of Illinois mass transit districts, along with a list of all the mass transit districts in the State.

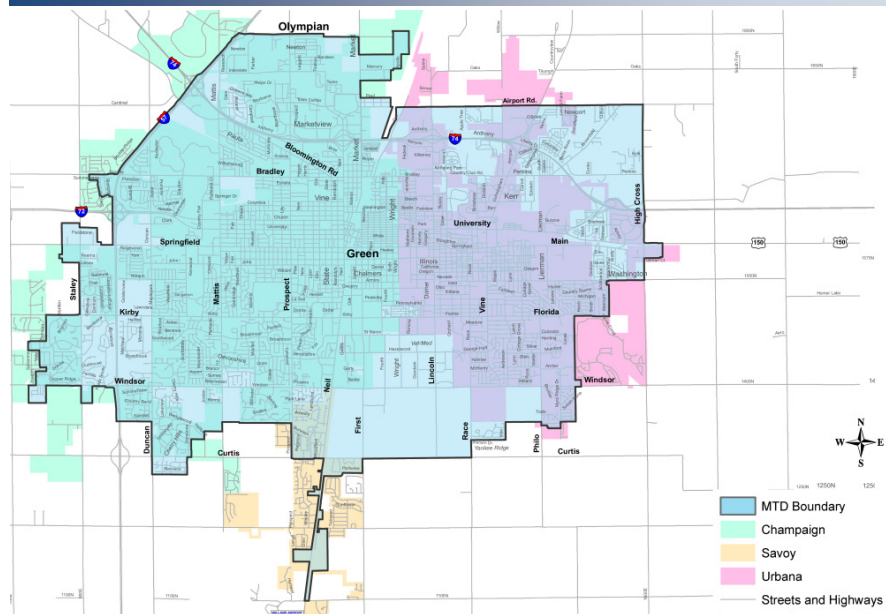
The Champaign-Urbana Mass Transit District (MTD) has jurisdiction in the region served by Willard Airport, and would be the natural fit for governance under the mass transit district statute. The MTD was interviewed for this report, and its leadership expressed a willingness to explore the Airport's transition to mass transit district governance, but did not definitively offer to take on the governance of the Airport.

Among the advantages of operating Willard Airport under the Champaign-Urbana MTD would be the lower cost of operation. In fact, the MTD, in its interview for this report, stated it believes it could significantly reduce the cost of operation of the Airport. Additionally, the MTD already has an approved taxing authority. The MTD is currently authorized to assess property

taxes, under Illinois statute, of 25 cents per \$1,000 of assessed valuation within its district. It currently assesses 20 cents of that authority, leaving five cents un-assessed and available, potentially, for the funding of Willard Airport. However, it would take voter approval to enact that property tax increase, which many of the Airport's stakeholders feel would be politically difficult in the current economic environment. It must be noted, the MTD's district includes mostly urban areas in Champaign and Urbana (see Figure 15). In these areas, there could be more political will to pay a property tax increase than there is in the rural, outlying areas of Champaign County – although tax issues have become lightning rods for political debate in east central Illinois in the last decade.

Another advantage to potential MTD governance of Willard Airport is that control of the Airport could be transferred to the MTD through a relatively simple intergovernmental agreement. The

*Figure 15: Champaign-Urbana MTD Boundaries September 2011; Source: Champaign-Urbana MTD*



issue would not have to be approved by the State legislature, the Governor, or district voters. It would only have to be approved by the Board of Trustees of the University of Illinois and the Board of the MTD. At the same time, it is likely the University could retain ownership of the Airport's physical plant and land, while commissioning the MTD to operate the Airport, independently, on its behalf.

The Champaign-Urbana MTD is governed by a board of seven members, appointed by the Champaign County Board. No more than four of the members can be in the same political party. This structure works well for mass transit, but could potentially cause a problem for the governance of Willard Airport. In interviews on site, University leadership made it clear they

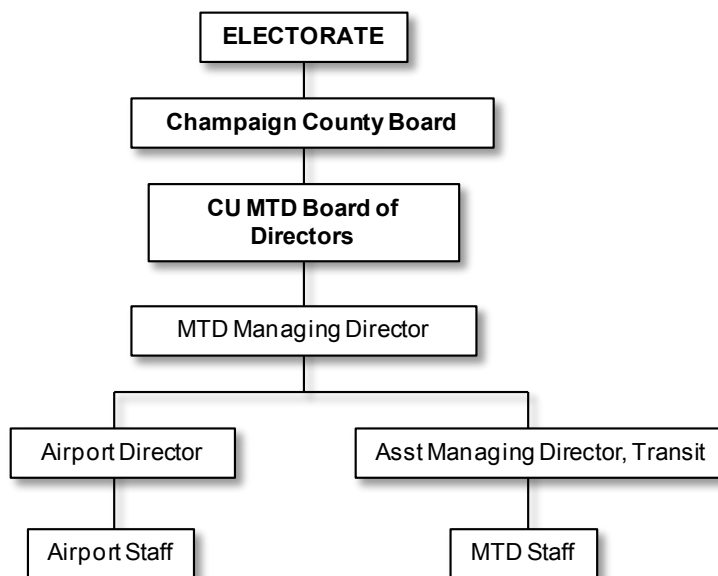
would like to have some continued oversight, in terms of board representation, in the future governance of the Airport. Under the current structure of the MTD, the University would not have representation on the appointed MTD board.

The structure of governance for Willard Airport within the MTD would likely require the MTD to set apart the Airport as its own department, with an airport executive director reporting directly to the MTD's managing director (see Figure 16). MTD leadership, itself, stated in an interview it

believes the Airport, and its budget, would need to be separated from the rest of the organization because the Airport's mission is so divergent from the mission of the rest of the MTD.

In on-site interviews, there was significant opposition to the idea of the Champaign-Urbana MTD overseeing and operating Willard Airport. Leadership from various community organizations, along with some elected officials, said they believe the MTD has a poor perception in the community, outside those immediately impacted by the operations of the University, where the MTD has high ridership. Much of this opposition stems from the perception that MTD spends a lot of money and doesn't carry many passengers, which is untrue. Many of those interviewed for this report said there would be much political will in the district to keep the Airport away from the

Figure 16: Governance Structure of Willard Airport under the Champaign-Urbana MTD; Source: Sixel Consulting Group



MTD due to prejudice in the greater community against the MTD. Only one city in the region openly opposes the MTD running Willard Airport. The Village of Savoy would not support MTD involvement with the Airport. Considering the Airport is located adjacent to Savoy, with Savoy being the closest city to the Airport, itself, Savoy's objection carries some weight.

The governance of Willard Airport as part of the Champaign-Urbana MTD is a relatively easy option to enact, and it would solve some of the problems with current governance, including reducing cost and layers of bureaucracy. It would, however, be a political battle to convince many within the County to allow the MTD additional jurisdiction and there is significant opposition.

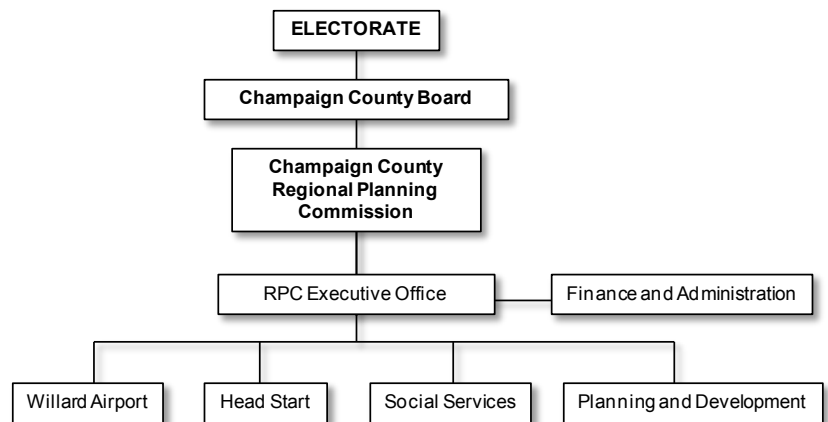
### **Option #5: Regional Planning Commission**

Another internal Champaign County option for governance of Willard Airport is the Champaign County Regional Planning Commission (RPC). The Commission is currently charged with administering about 100 programs within Champaign County, divided into three main focus areas: head start, social services, and planning and community development. It is within the charter of the organization to add a fourth focus area: Willard Airport.

Much like the situation with the Champaign-Urbana Mass Transit District (MTD), control of the Airport could be transferred to the RPC through a relatively simple intergovernmental agreement. The issue would not have to be approved by the State legislature, the Governor, or district voters. It would only have to be approved by the Board of Trustees of the University of Illinois and the Board of the RPC. At the same time, it is likely the University could retain ownership of the Airport's physical plant and land, while commissioning the RPC to operate the Airport, independently, on its behalf.

The Champaign County Regional Planning Commission is made up of a board of 11 representatives, appointed by the various jurisdictions within the County. The Champaign County Board appoints three members; the City of Champaign and the City of Urbana each appoint two board members each; the cities of Mahomet, Rantoul, and Savoy each appoint one member; and one member is appointed at large within the County. The RPC board would provide Willard Airport with broad regional oversight. It would not, however, provide the University of Illinois with any direct representation or oversight, as the University does not have the current authority to appoint board members for the RPC.

Figure 17: Governance Structure of Willard Airport under the Champaign County RPC; Source: Sixel Consulting Group



It is projected that, under RPC governance, Willard Airport would become one of four distinct departments under the oversight of the RPC executive office (see Figure 17). Willard Airport could join head start, social service, and planning and development, as one of the core areas of competency for the RPC. Under this structure, the airport's executive director would report directly to the

RPC's CEO. Additionally, the RPC is mostly non-union, outside of its Head Start program, which would allow the Airport to be staffed with non-union employees, likely reducing the cost of operation of the Airport and reducing the layers of bureaucracy between the Airport's executive director and the appointed board.

The RPC does not have taxing authority. In order to enact a property tax authority for Willard Airport, as in all other governance structures, a referendum would have to be put to the voters living within the area of jurisdiction of the Champaign County RPC. This is not unlike the situation should the Airport be broken out into any other governance type.

The financial question would be whether or not the RPC could operate the Airport within the Airport's own budget from user fees, without financial support from any other entity, through the cost reductions from bringing Airport staff into the RPC. Judging from the financial analysis in this report, that would be difficult. The Airport is running an estimated deficit of \$440,000 as of fiscal year 2010 – a deficit covered by the University of Illinois. Estimated staff cost savings would total \$130,000 per year, leaving a deficit of \$310,000 per year.

Some of the regional leaders interviewed for this report said they believe the RPC would be a better fit for Willard Airport than the Champaign-Urbana Mass Transit District. But others cautioned that the RPC tends to have high management fees. This statement could not be independently confirmed for this report, and it would have to be determined in the process of developing an intergovernmental agreement for the operation of Willard Airport.

The main advantage to RPC governance of Willard Airport is the fact that the University can still legally retain control of the Airport's land and physical plant, while allowing the RPC to take over responsibility for running the Airport and balancing the budget. With a specifically drafted intergovernmental agreement, the University can ensure it retains ownership of its assets, while reducing the overall cost of Airport operations through a contract for management of the Airport with the RPC.

The main drawback to RPC governance is that the University would lose all direct oversight of the Airport, and all input into how the Airport's land and physical plant is developed. The University does not appoint a member to the RPC board, and will not have a direct vote on major decisions related to the Airport.

### ***Option #6: University, City, or County Department***

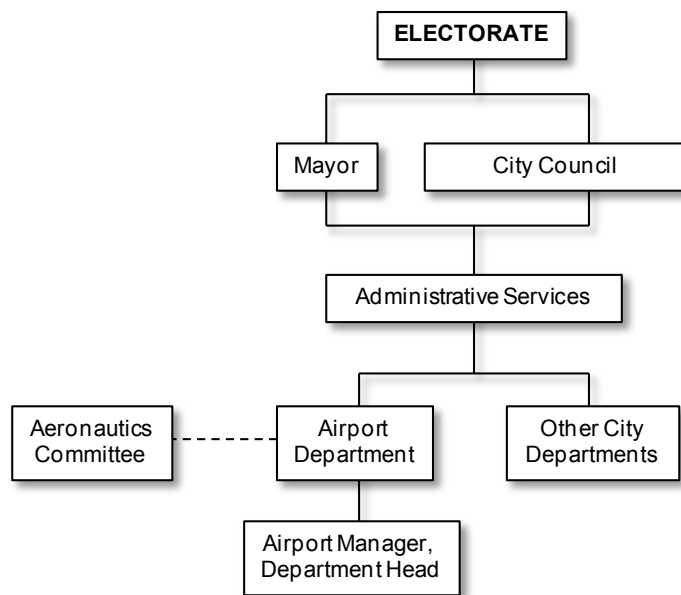
There are three commercially served airports in Illinois that are operated as their own department within a city. There are no airports in the State operated as their own county or university departments, but the governance structure of either a county or university department airport would not be appreciably different than the structure of a city department airport, so those governance types are also included in this section of the report.

Both major Chicago airports are owned and operated by the City of Chicago. O'Hare and Midway airports are operated by the Chicago Department of Aviation, which has a director that reports directly to the Mayor and the City Council. The other city-run airport in Illinois is in Quincy. The Quincy Regional Airport is operated by the Airport Department, which is one of 16 city departments.

The airports in Chicago are poor corollaries to Willard Airport, as they are much larger in terms of land, physical plant, budget, staff size, and enplaned passengers. The airport in Quincy is not an ideal corollary, as it is much smaller than Willard Airport, in terms of enplaned passengers, but it is a much better corollary than the Chicago airports, so it was chosen for in-depth study.

The Quincy airport department is structured like any other city department, such as human resources or the fire department. The airport director in Quincy reports to the administrative

Figure 18: Governance Structure of Quincy Airport;  
Source: Sixel Consulting Group



services office, which runs the City on a day-to-day basis (see Figure 18). The administrative services office is directly overseen by the publically-elected Quincy Mayor and City Council. The airport department is also connected to the City's independent Aeronautics Committee, which is an advisory board for the Airport. The Aeronautics Committee is made up of the Mayor, City Engineer, Director of Field Operations, Director of Utilities, Assistant City Engineer, Airport Director, Director of Operations, three aldermen, and three appointed citizens.

Unlike the structure of governance of Willard Airport, under the University of Illinois' oversight, where the airport manager reports to the office of real estate services, the airport director in Quincy is just one layer of government removed from the publically elected leaders of the City. This structure gives the airport direct access to the city administrator and one-stop access to the Mayor and City Council. This structure allows for decisions to be made on a quicker timeline than the structure at Willard Airport, where airport management is four layers removed from the University's Board of Trustees.

It is important to attempt to quantify the cost of department governance. It is also important to measure airports against each other on a fair basis. In the case of Willard Airport and the Quincy Regional Airport, with such a huge gap in airport size, the best way to measure the relative cost is on a per enplaned passenger basis. This helps to come to conclusions on the efficiency of each governance type, the ability of airports to generate revenue, and the ability of airports to cover their costs. Moreover, the traditional unit of cost and revenue comparison among airports with commercial air service is cost and revenue per enplaned passenger.

Quincy Regional Airport enplaned 60,060 fewer passengers in calendar year 2010 than Willard Airport (see Figure 19). Despite enplaning 830% fewer passengers than Willard Airport, the Quincy airport was able to keep its airline cost much lower, per enplanement, than Willard Airport. In fiscal year 2010, it cost airlines just \$2.59 per enplanement to operate in and out of Quincy. It cost airlines \$9.27 per enplanement to operate in and out of Willard Airport – a difference of almost \$7 per passenger.

*Figure 19: Budget Summary Comparison, Willard Airport vs. Quincy Regional Airport  
Source: Sixel Consulting Group Analysis of FAA Form 127, September 2011*

Per Enplaned Passenger	Willard Airport	Quincy	Difference
Enplaned Passengers	67,290	7,230	-60,060
Airline Cost Per Enplaned Passenger	\$9.27	\$2.59	\$6.68
Airport Revenue Per Enplaned Pax	\$21.15	\$9.89	\$11.26
Terminal Concessions Per Enplaned Pax	\$0.13	\$7.01	-\$6.88
Parking Per Enplaned Passenger	\$7.35	\$0.05	\$7.29
Rental Car Per Enplaned Passenger	\$4.40	\$0.23	\$4.17
<b>Personnel Cost Per Enplaned Passenger</b>	<b>\$12.10</b>	<b>\$48.00</b>	<b>-\$35.91</b>

*Source: Federal Aviation Administration Financial Summary Report Form 127, June 23; 2011*

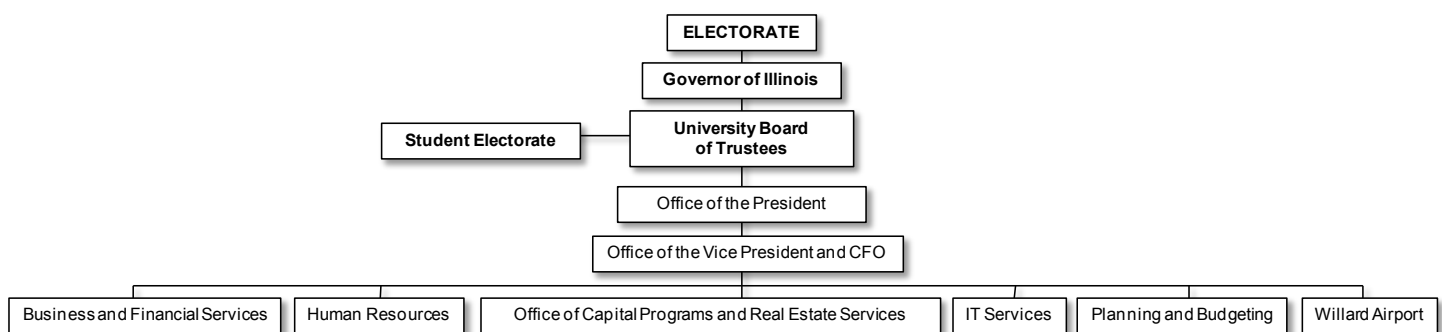
The Quincy Regional Airport, despite its low airline costs, has trouble generating significant ancillary airport revenue from items such as parking, rental cars, and concessions. Willard is able to generate an average of \$21.15 per enplanement in airport revenue, while Quincy generates just \$9.89 (see Figure 19). This is due to the small number of passengers using the Airport relative to the number of passengers using Willard Airport.

At the same time, department governance in Quincy is much more expensive on a unit basis than the current governance of Willard Airport within the University of Illinois. Willard Airport's operating cost per enplaned passenger in 2010 was \$12.10 (see Figure 19). The operating cost per enplaned passenger at Quincy Regional Airport was \$48.00, which was almost four times higher than the cost at Willard. While this is a reflection of the governance cost of an airport department, it is also a reflection of the Quincy Regional Airport spreading its costs over a smaller base of passengers. The total operating cost of personnel at Quincy Regional Airport in 2010 was \$331,000, while the total operating cost of personnel at Willard Airport was \$814,000, according to FAA filings.

The challenge of city or county department governance in the case of Willard Airport is the fact that none of the cities in the region, or Champaign County, expressed a true desire in report interviews to take on the responsibility of running the Airport. The Airport could, effectively, be annexed into Champaign, Urbana, or Savoy, and, through a referendum be made a part of city government, but none of the leaders of cities interview for this report expressed significant interest in doing so. In fact, each of the cities worried about the Airport's impact on their budget. Leaders in Champaign County interviewed for this report had the same concerns, and went as far as to state, in their minds, the County cannot accept the budgetary liability of Willard Airport. Even if the cities, or the County, wanted to take control of the Airport, they could not unless they had some kind of control over the land and the physical plant – like the City of Chicago has at both O'Hare and Midway airports, and like the City of Quincy has at the Quincy Regional Airport.

The other option for independent department governance of Willard Airport is for the University to separate the Airport from the Office of Capital Programs and Real Estate Services and create a new department and department head. This would solve problems with bureaucracy by removing two layers of management and placing a new airport executive director just two steps from the University's Board of Trustees (see Figure 20). Willard Airport would move up to the level of the Office of Capital Programs and Real Estate Services and the director of the airport would likely need to be a vice chancellor level employee.

*Figure 20: Hypothetical Governance Structure of Willard Airport as its Own Department;  
Source: Sixel Consulting Group*



There are several downsides to the arrangement. First, it would not be likely to result in any significant cost savings. The Airport would still be operating under the University's cost structure, which has been demonstrated in this report to increase airport cost versus other airport systems in Illinois. Second, the Airport would still lack community oversight, which was stated by many, including the University, as essential to the future success of the Airport. There would be no



oversight, with Willard Airport operating as a University department, from any locally elected or appointed officials. The only transparency the Airport would have to the taxpayers is through the decision making of the University of Illinois Board of Trustees, which is a group of leaders appointed by the Governor from around the State – not just from the area served by Willard Airport. This arrangement limits local community input into the operation of the Airport, as well as local community oversight of the local asset. If a governance change is to be made, it should involve greater oversight from the local community – not the same oversight that is currently provided.

### **Other University Options**

Like the University of Illinois' arrangement in owning and operating Willard Airport, there are several other airports in other parts of the country owned and operated by state universities. It appears some of these other university-owned airports face the same governance challenges that are faced at Willard Airport. Other universities have developed interesting ways to deal with the challenges of owning and operating airports with commercial service.

Two university owned and operated airports best mirror Willard Airport at the University of Illinois: Easterwood Airport at Texas A&M and University Park Airport at Penn State. Both of these airports have similar amounts of commercial air service. Both also have similar budgets.

Texas A&M University owns and operates the Easterwood Airport in College Station. It is operated in much the same way as Willard Airport, where the airport director reports to the director of facilities for the University. The major difference is that the Airport is not allowed to use State of Texas money to balance its budget, whereas Willard Airport is allowed to use State of Illinois funding to balance its budget. Easterwood Airport does not have a tax levy, but it is operated in a way to balance its budget through user fees.

University Park Airport at Pennsylvania State University (PSU) is mostly owned and operated by the University, with the exception of the airline terminal and the passenger parking lots. PSU owns and operates the runways, hangars, and land on which the airport sits. But the Airport differs from Willard in that the airline terminal and parking area is owned and operated by the Centre County Airport Authority. The Authority is made up of nine appointed members from State College, the county, and the University. The Authority only has control over the airline terminal and the parking area for personal vehicles.

The governance structure at PSU's airport is unique, in that it splits apart the main airfield from the airline-related infrastructure. This allows the community to have direct control over the airline terminal, airline recruitment, parking issues, and airline service, in general. The University has control over the runways, taxiways, hangars, and other infrastructure used by aircraft and other, non-airline tenants. The goal of this arrangement is to involve the community directly in the development and support of airline service, while allowing the University to maintain its airfield for use in its aviation programs.

However, this structure can create a number of challenges. Airlines require a certain airfield design, including runways of adequate length, for their safe operation. While the Airport Authority

director can facilitate access to the terminal, an airline must also work with the University to ensure the airfield has the capabilities it needs to operate in and out of the Airport. At the same time, the University can charge landing fees to all users for access, including airlines, while airlines are hit for separate fees to access the terminal. This can significantly increase cost, as two management structures are required to operate and maintain the overall Airport facility.

For these reasons, it is deemed unlikely the PSU University Park Airport governance structure would be an improvement for Willard Airport or the University of Illinois. Even if the terminal were legally broken away from the University of Illinois and placed under the management of an airport authority, the University would still have significant responsibility in maintaining the airfield and other infrastructure. While this structure would give the community more input into airline recruitment and retention efforts, and more transparent leadership of the terminal, it would likely increase airline cost to the point where Willard would be totally non-competitive, instead of marginally non-competitive as it is today.

*“While this structure would give the community more input... it would likely increase airline cost to the point where Willard would be totally non-competitive.”*

## CONCLUSIONS

University of Illinois Willard Airport is a critical piece of economic infrastructure for Champaign County and east central Illinois. Its service provides easy access, within one stop at a hub, to most major cities around the world. As the gateway to the University it provides a key connection for students, researchers, faculty, and visitors from around the world. For many growing, locally-based businesses Willard Airport is the key to their ability to market and sell their products. Those businesses have other options for air service in the region, but almost all of them report that they prefer the convenience, the time savings, and the money savings of using their local airport.

Despite the value of the Airport to the community and the region, there is a widely held belief by Airport stakeholders that the University of Illinois does not give adequate and requisite attention to the operation of the Airport. The Airport has a difficult time competing against others in central Illinois, for a number of reasons stated in this report. There are numerous reasons for Willard Airport's weak regional position, in terms of available air service, and those reasons go far beyond the current governance of the Airport.

There is no local, Champaign County, oversight of the Airport. The Airport is overseen by the University of Illinois' Board of Trustees, which is appointed by the Governor. There is no local appointment of Trustees to oversee the local airport, reducing the transparency under which the Airport operates. The current Board of Trustees doesn't have a single voting member from east central Illinois, with six from Chicago, and one each from Springfield, Rockford, and the metro east of St. Louis. Airport decisions that affect east central Illinois are being made by a group that doesn't have a single member living in the area served by the Airport.

*“Airport decisions that affect east central Illinois are being made by a group that doesn't have a single member living in the area...”*

The University governance of the Airport adds layers of bureaucracy that slow decision making. There are four layers of management between the Airport and the Board of Trustees. Most airports in Illinois with commercial air service operate with no more than two layers of management between their appointed boards and their directors.

The other effect of University ownership and operation is an increased cost to run the Airport, making it more expensive, per enplaned passenger to operate, than most other types of governance. The impact of these increased costs is that it is more expensive for airlines to operate out of Willard Airport than other airports in the region. This causes airlines to choose other airports in the region over Willard Airport when launching new service.

The Airport, University leaders said in interviews for this report, is not part of the University's "core competence." The University would prefer to allow a regional coalition to oversee and operate the Airport, with some University oversight.

Under current statutes, airport authorities and port districts in Illinois must own the airports they oversee. Additionally, for a city or county governance, the city or county governing the airport must own the airport and its land under current Illinois law.

Many of the options for future governance could lower the cost of operating the Airport. In the case of private management, the estimated personnel cost of the airport, based on the cost of operating the privately managed Bob Hope Airport in Burbank, California, could be reduced by 16%, saving about \$130,000 per year in operating costs. Still, the personnel cost savings are just a small portion of the overall Willard Airport budget shortfall, which was just under \$440,000 in fiscal year 2010. Even with new outside management, the Airport would likely still run a deficit in excess of \$300,000 per year that the University would have to cover. The University would also have to pay management fees to any of the potential new management groups.

*“Many of the options for future governance could lower the cost of operating the Airport.”*

Any of the potential options for future governance would have difficulty in developing new, non-airport revenues. A private management firm would have no mechanism for taxing authority to raise revenue, while the MTD and the RPC would both have to take tax measures to the ballot – and both would have to be property tax measures under current statutes.

In interviews for this report other tax options were brought up by various regional political leaders. The Champaign County Board members interviewed for this report indicated they would be willing to consider devoting some or all new wind turbine tax revenue to Willard Airport, in exchange for a larger voice in decisions made for the Airport, but the full County Board has not weighed-in on the option. This turbine revenue is estimated to be between

\$200,000 and \$300,000 with 200 turbines in operation in the next three to five years. Turbine revenue, combined with operating costs, could close the budget gap, with airport user fees covering the rest of the budget.

*Figure 21: Hotel Tax Revenue in Champaign and Urbana Fiscal Year 2010; Source: Cities of Champaign and Urbana*

Another revenue generation option would be an increased hotel tax, targeting the very people who use Willard Airport. The current 5% hotel tax in Champaign generates \$1.45 million in revenue per year,

<b>Hotel Tax Analysis</b> Champaign and Urbana Fiscal Year 2010			
	Hotel Revenue	Hotel Tax Rate	Hotel Tax Revenue
Champaign	\$29,000,000	5%	\$1,450,000
Urbana	\$13,000,000	5%	\$650,000
Willard Airport (Est.)	\$42,000,000	1%	\$420,000

while the previous 5% hotel tax in Urbana generated \$650,000 in revenue per year (see Figure 21). The Urbana hotel tax will increase to 6% this year. A 1% hotel tax increase in both Champaign and Urbana, with funding dedicated to the Airport, would generate \$420,000 per year based on fiscal year 2010 numbers – enough to likely close the Airport budget gap. A hotel tax increase would not have to be approved by the voters. It could be approved by the County or any of the cities in the region and dedicated to Willard Airport.

The final idea expressed to generate revenue for Willard Airport is a tax increment financing (TIF) district adjacent to the Airport. The district would dedicate new property taxes generated by new development on Champaign County land adjacent to the Airport, itself. Since development is not imminent, it is impossible to estimate what the total tax impact might be, or how it might affect the Airport's budget. This is a longer-term solution to the Airport's budget difficulties, as it will require significant private investment in the area before revenue will be generated.

As previously mentioned, eventually, it should be the goal of the University, and any subsequent governing agencies, to operate Willard Airport entirely through user fees, as many other airports operate within the State. In order for this to happen, the Airport will need to have success in the recruitment of additional air service, success in retaining a larger proportion of local air travelers, and success in reducing the personnel cost of the Airport. If these objectives can be achieved, Willard Airport will have a much better foundation for continuing air service in the coming decades.

## APPENDIX ONE: COMMISSION ON INTERGOVERNMENTAL COOPERATION

The following pages detail the statutes in Illinois covering each potential district structure for the governance of airports in the State. This information is courtesy the *Legislator's Guide to Local Governments in Illinois* produced by the Illinois Commission on Intergovernmental Cooperation.

### AIRPORT AUTHORITIES

<b>OVERVIEW</b>	Municipal airport authorities are charged with the establishment, maintenance and operation of safe, adequate and necessary public airports and public airport facilities within the state. Authorities are governed by boards of commissioners and may levy property taxes and issue bonds.
<b>STATUTE CITATION</b>	70 ILCS 5/1 – 5/21 Effective Date: July 1, 1945
<b>ESTABLISHMENT</b> 70 ILCS 5/2 to 5/5	<p><b>Request:</b> An authority may be established in areas that are contiguous, have a population of not less than 5,000, contain at least one or more municipalities, and are not currently included in an airport authority or do not have within their corporate limits public airports. Authorities may be established in counties with a population greater than 600,000 but less than three million that are adjacent to a county with a population of at least one million. An authority may be proposed in a petition filed by at least 500 legal voters of the district.</p> <p><b>Procedure:</b> The secretary of the Department of Transportation is notified and a hearing is held in circuit court.</p> <p><b>Authorization:</b> The proposed district must be approved by referendum.</p> <p><b>Annexation:</b> The annexation of contiguous areas not already part of the authority may be accomplished by referendum or resolution depending on whether the land is occupied.</p>
<b>DISSOLUTION</b> 5/17 to 5/17.2	<p><b>Request:</b> An authority may be dissolved if it has never established an airport or ceases to own one and has fully discharged its debts and obligations or has arranged for another public agency to assume them. A dissolution ordinance is drafted by the board.</p> <p><b>Procedure:</b> The board submits the ordinance to the Department of Transportation and notifies the public regarding the terms of the ordinance.</p> <p><b>Authorization:</b> The dissolution may be subject to a backdoor referendum if a petition signed by 500 voters is brought within 60 days. Barring such action, the dissolution is final.</p> <p><b>Disconnection:</b> Under certain circumstances, areas may disconnect from an authority with the concurrence of the governing boards of local governments with populations over 5,000 located within the area to be disconnected. The corporate authorities draft a resolution requesting that the question be put to the voters. The resolution is filed with the appropriate election officials and submitted for referendum.</p>
<b>GOVERNANCE</b> 5/3-5/6	<p><b>Governing Body:</b> Board of Commissioners</p> <p><b>Members:</b> The number of board members is determined by the number of counties and municipalities in the authority which have a population of 5,000 or more. Board members are compensated according to the population within their authority. Members of authorities with 500,000 or less population receive no more than \$150 per month. Members of authorities with populations in excess of 500,000 receive no more than \$10,000 per year.</p> <p><b>Selection:</b> Commissioners representing the county are appointed by the county board chair. Commissioners representing municipalities are appointed by the mayor. If the authority is located in more than one county, members of the General Assembly whose legislative districts encompass any part of the authority, appoint at-large commissioners in addition to those appointed by the counties and the municipalities.</p> <p><b>Key Officials:</b> The board selects a chair from among its members, and a secretary and treasurer, who need not be members of the board.</p>

<p><b>POWERS</b> § 5/8-5/9, 5/10-5/12, 5/14</p>	<p>In addition to the usual powers of special districts (<i>see page v</i>), authorities may locate, construct, improve, maintain, operate, and lease a public airport(s) and related facilities within their corporate limits or upon adjacent property. Authorities have the power of eminent domain.</p>
<p><b>REVENUE</b> § 5/8.04, 5/13 to 5/14.5</p>	<p><b>Corporate Tax:</b> Authorized by the board, the rate limit is 0.075%. Any authority that had already established a maximum annual tax rate less than 0.075% may raise its maximum rate up to 0.075% by referendum. Funds are used to pay the cost of operating and maintaining any public airport facility.</p> <p><b>Bonds and Interest Tax:</b> Authorized by the board, there is no rate limit.</p> <p><b>Tax Anticipation Warrants:</b> No provision</p> <p><b>Other Revenue:</b> An authority may charge and collect reasonable rentals, tolls and fees for the use of any public airport.</p>
<p><b>DEBT MANAGEMENT</b> 5.8.08, 5/14.1 to 5/15.2</p>	<p><b>Revenue Bonds:</b> Authorized by the board, these bonds may be used for any corporate purpose. An authority may also issue revenue bonds to finance office or other facilities at a public airport for lease to the Department of Transportation. All revenue bonds must be repaid within 30 years.</p> <p><b>General Obligation Bonds:</b> These bonds may be authorized by the board unless the bond issue causes the total outstanding general obligation debt to exceed 0.075% of EAV in which case it is subject to a referendum. An authority's total outstanding general obligation debt is limited to 2.0% of EAV. These bonds must mature within 20 years.</p> <p><b>Total Debt Limit:</b> 2.3% of EAV</p>
<p><b>FISCAL PROCEDURE</b> 5/11, 5/13, ch. 50 ILCS 310/2 to 310/3</p>	<p><b>Fiscal Year:</b> The board determines the fiscal year.</p> <p><b>Financial Reports:</b> An annual audit of all financial records is required, but need not be conducted by a CPA nor be made available to any public office. Authorities also are required to file an annual financial report with the Illinois Comptroller. Those authorities appropriating \$200,000 or more in a fiscal year must file an annual audit with the Comptroller.</p>

#### AIRPORT AUTHORITIES IN ILLINOIS

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<p><i>Alexander County</i> Alexander County Airport Authority</p>	<p><i>Jackson County</i> Southern Illinois Airport Authority</p>	<p><i>Montgomery County</i> Litchfield Airport Authority</p>
<p><i>Bond County</i> Greenville Airport Authority</p>	<p><i>Jefferson County</i> Mt Vernon Airport Authority</p>	<p><i>Morgan County</i> Jacksonville Airport Authority</p>
<p><i>Carroll County</i> Tri-Township Airport Authority</p>	<p><i>Kane County</i> Northwest Kane Airport Authority</p>	<p><i>Peoria County</i> Greater Peoria Airport Authority</p>
<p><i>Clay County</i> Flora Airport Authority</p>	<p><i>Kankakee County</i> Kankakee Valley Airport Authority</p>	<p><i>Randolph County</i> Sparta Airport Authority</p>
<p><i>Coles County</i> Coles County Airport Authority</p>	<p><i>Madison County</i> St. Louis Regional Airport Authority</p>	<p><i>Richland County</i> Olney-Noble Airport Authority</p>
<p><i>Crawford County</i> Robinson Community Airport Authority</p>	<p><i>Marion County</i> Salem Airport Authority</p>	<p><i>Rock Island County</i> Metropolitan Airport Authority of Rock Island County</p>
<p><i>Dupage County</i> Dupage Airport Authority</p>	<p><i>McDonough County</i> Macomb Airport Authority</p>	<p><i>Saline County</i> Harrisburg-Raleigh Airport Authority</p>
<p><i>Henry County</i> Kewanee Airport Authority</p>	<p><i>McLean County</i> Bloomington Normal Airport Authority</p>	

*Sangamon County*  
*Springfield Airport Authority*

*Shelby County*  
Shelby County Airport Authority

*Vermilion County*  
Vermilion County Airport Authority

*Williamson County*  
Williamson County Airport Authority



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## PORT DISTRICTS

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<b>OVERVIEW</b>	Port districts plan, acquire, construct, improve, and operate terminals and port facilities in order to enhance commerce in the district. Districts may also issue permits for construction of structures within 50 feet of navigable waters within the district (e.g. wharves, piers, jetties, and bridges). Port districts are governed by boards of various sizes and may levy property taxes and issue bonds.
<b>STATUTE CITATION</b>	<i>70 ILCS 1810/1 to 1820/35 (see specific citations on page 77).</i> <b>Effective Date:</b> July 1, 1951
<b>ESTABLISHMENT</b>	<b>Request:</b> Port districts are established by state statute ( <i>see page 77</i> ). <b>Procedure:</b> Not applicable <b>Authorization:</b> Not applicable <b>Annexation:</b> Most port districts have provisions for annexation. In general, a request for annexation may be proposed by a petition signed by 5% of the legal voters in the district. In cases where there are no legal voters residing in the district, the petition must be signed by all of the owners of record.
<b>DISSOLUTION</b> <i>§ 1815/3.1</i>	<b>Request:</b> No provision <b>Procedure:</b> No provision <b>Authorization:</b> No provision <b>Disconnection:</b> Only one district, the Illinois Valley Port District, has a provision for disconnection. It requires 5% of legal voters in the territory wishing to disconnect to petition the State Board of Elections. The disconnection must be approved by referendum.
<b>GOVERNANCE</b>	<b>Governing Body:</b> Port Authority Board <b>Members:</b> Between three and 23 members serve staggered terms. Three years is common, but some serve as long as five or six years. In general, board members, with the exception of the secretary and treasurer, receive no compensation, but are reimbursed for their expenses. <b>Selection:</b> A portion of the members are usually appointed by the governor with the advice and consent of the Senate. The balance is appointed by the mayor or mayors of participating communities or chairs of the county boards. <b>Key Officials:</b> The board selects a chair from among its members. It also selects a secretary and treasurer who need not be board members.
<b>POWERS</b>	With some exceptions, port districts have the following powers: to acquire, own, construct, lease, operate and maintain terminals and port facilities; issue permits for the construction of wharves, piers, jetties, bridges within 50 feet of navigable waters within the port district; acquire, construct, improve or maintain industrial projects; establish, organize own or participate in export trading companies; study existing harbor facilities and make recommendations to the appropriate authorities. Some districts are authorized to establish and maintain airport facilities, broadcast stations, aquariums, and/or museums.
<b>REVENUE</b>	<b>Corporate Tax:</b> Authorized by referendum, the rate limit is 0.05%. <b>Bonds and Interest Tax:</b> Authorized by referendum, there is no rate limit. <b>Tax Anticipation Warrants:</b> No provision <b>Other Revenue:</b> Districts may assess user fees.

**DEBT  
MANAGEMENT**

**Revenue Bonds:** All districts issue these bonds for the purpose of acquiring, constructing, reconstructing, and extending port facilities, as well as for acquiring working cash. These bonds are authorized by the board and must be paid solely from income or revenues from port districts.

**General Obligation Bonds:** Authorized by referendum, these bonds are permitted for the above purposes in all but the Havana Port District, White County Port District and Illinois Valley Regional Port District.

**Total Debt Limit:** No provision

**FISCAL  
PROCEDURE**  
50 ILCS 310/2-3

**Fiscal Year:** No provision

**Financial Report:** Boards are required to submit a financial statement to the governor and the county clerk of each county in which the district is located, as soon as possible after the end of the fiscal year. Districts are required to file an annual financial report with the Illinois Comptroller. Those districts appropriating \$200,000 or more in a fiscal year must also file an annual audit with the Comptroller.

Port District Name	Citation	Effective Date	Location	Rev. Bonds	GO Bonds
Havana RPD	§ 1805/0.01 to 1805/38	9-5-67	Havana Township	Yes	No
Illinois International PD	§ 1810/1 to 1810/27	7-1-51	Lake Calumet Area	Yes	No
Illinois Valley RPD	§ 1815/1 to 1815/49	12-20-71	Putnam County. and portions of LaSalle and Bureau	Yes	No
Jackson-Union RPD	§ 1820/1 to 1820/35	9-7-76	Jackson and Union Counties	Yes	Yes
Joliet RPD	§ 1825/1 to 1825/33	7-6-57	Various townships in Will County adjoining the Illinois River	Yes	Yes
Kaskaskia RPD	§ 1830/1 to 1830/50	7-1-65	Monroe, Randolph Cos. and some twps. in St Clair	Yes	Yes
Mid America Intermodel PD	§ 1832/1 to 1832/190	7-24-98	Corporate limits of Adams, Brown, Cass, Hancock, Pike, Schuyler, Henderson, Warren, Morgan, Mercer, and Scott Counties.	Yes	No
Mt. Carmel RPD	§ 1835/1 to 1835/38	10-9-69	Corporate limits of Mt. Carmel	Yes	Yes
Seneca PD	§ 1845/1 to 1845/34	8-9-61	Various townships in LaSalle County.	Yes	Yes
Shawneetown RPD	§ 1850/1 to 1850/36	8-9-61	Various twps. in Gallatin County	Yes	Yes
Southwest RPD	§ 1855/1 to 1855/38	8-9-61	Various twps. in St. Clair County.	Yes	Yes
Tri-City RPD	§ 1860/1 to 1860/34	4-1-59	Granite City, Venice, Nameoki Twps. and other parts of Madison County.	Yes	Yes
Waukegan PD	§ 1865/1 to 1865/34	7-1-55	City of Waukegan and parts of adjoining townships	Yes	Yes
White County PD	§ 1870/0.01 to 1870/38	7-1-71	White County and Grayville	Yes	No

**PORT DISTRICTS IN ILLINOIS**

**Cook County**  
Illinois International Port District

**Gallatin County**  
Shawneetown Port District

**Jackson County**  
Jackson-Union Port District

**Lake County**  
Waukegan Port District

**LaSalle County**  
Illinois Valley Regional Port District  
Seneca Port District

**Madison County**  
Tri-City Reg Port Authority

**Mason County**  
Havana Regional Port District

**Randolph County**  
Kaskaskia Port District

**St. Clair County**  
Southwest Regional Port District

**Wabash County**  
Mt. Carmel Port District

**White County**  
White County Port District

**Will County**  
Joliet Port District

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## MASS TRANSIT DISTRICTS

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<b>OVERVIEW</b>	Mass transit districts provide public transportation by acquiring, constructing, operating, and maintaining mass transit lines or by subsidizing the service of mass transit. Districts are governed by boards of trustees and may levy a property tax and issue bonds.
<b>STATUTE CITATION</b>	<i>70 ILCS 3610/1 to 3610/9</i> Effective Date: July 21, 1959
<b>ESTABLISHMENT</b> <i>§ 3610/3 to 3610/3.1</i> <i>3610/8.5</i>	<b>Request:</b> A mass transit district may be established by any municipality or county, or by any combination of adjoining municipalities and/or counties. A district may be established by resolution or referendum. By resolution, a proposed district must be approved by the governing bodies of the local governments included in the district. By referendum, a district must be proposed in a petition filed by at least 500 voters. <b>Procedure:</b> A hearing is held in circuit court. <b>Authorization:</b> The proposed district must be approved by referendum. <b>Annexation:</b> Annexation may take place when the district has no tax levy in effect and has no bonded indebtedness. A petition for annexation may be adopted by resolution. It must be approved by a majority vote of the corporate authorities of the municipality or the county board, as well as two-thirds of the members of the district board of trustees.
<b>DISSOLUTION</b> <i>§ 3610/8.4, 3610/9</i>	<b>Request:</b> Upon determining that there is no longer a public need for its transportation services, the board may enact a resolution to dissolve. <b>Procedure:</b> The adopted resolution is sent to the participating counties and municipalities for review. <b>Authorization:</b> The proposed dissolution must be approved by ordinance or resolution by the participating counties and municipalities. <b>Disconnection:</b> Under certain circumstances, landowners may petition the circuit court to disconnect their land from the district. A hearing is held in circuit court and the court makes the final determination.
<b>GOVERNANCE</b> <i>§ 3610/3.1 to 3610/4</i>	<b>Governing Body:</b> Board of Trustees <b>Members:</b> Three, five, or seven-member boards serve staggered four-year terms. <b>Selection:</b> In districts created by a single county or municipality, municipal authorities or the county board chair, with the advice and consent of the county board, appoint members. If the district is created by multiple municipalities and/or counties, each appoints one trustee for every 100,000 inhabitants or fraction thereof. Trustees receive compensation of \$50 for each day devoted to district business (not to exceed \$200 per month), and are reimbursed for their expenses. <b>Key Officials:</b> The board selects a chairman and vice-chairman from among its members.
<b>POWERS</b> <i>§ 3610/3, 3610/5,</i> <i>3610/5.05</i>	In addition to the usual powers of special districts ( <i>see page v</i> ), mass transit districts may determine the disposition of transportation routes and ancillary facilities, and establish and amend rate schedules. They may, after establishing or acquiring mass transit facilities, contract with any person or corporation to operate those facilities. These districts have the power of eminent domain.
<b>REVENUE</b> <i>§ 3610/5.1, 3610/5</i> <i>3610/5(11)</i>	<b>Corporate Tax:</b> Authorized by the board, the rate limit is 0.05%. It may be increased to 0.25% by referendum. A referendum is required to levy this tax if the district was created after July 1, 1967. <b>Bonds and Interest Tax:</b> No provision <b>Tax Anticipation Warrants:</b> Permitted

**DEBT  
MANAGEMENT**  
§ 3610/5(9)

**Revenue Bonds:** Authorized by the board, these bonds must be repaid solely from revenues derived from operations and within 40 years.  
**General Obligation Bonds:** No provision  
**Total Debt Limit:** No provision

**FISCAL  
PROCEDURE**  
§ 3610/7, 50 ILCS  
310/2-3

**Fiscal Year:** No provision  
**Financial Report:** An audit must be conducted by a CPA within four months of the end of each fiscal year and filed with the Secretary of State and the governing body or bodies that created the district. Districts are required to file an annual financial report with the Illinois Comptroller. Those districts appropriating \$200,000 or more in a fiscal year must also file an annual audit with the Comptroller.

**MASS TRANSIT DISTRICTS IN ILLINOIS**

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***Champaign County***

Champaign-Urbana Mass Transit District

***Cook County***

Chicago South Suburban Mass Transit District  
Chicago Transit Authority  
Metra Commuter Rail Board  
North Suburban Mass Transit District  
Nw Suburban Mass Transit District  
Pace Suburban Board  
Regional Transportation Authority  
West Suburban Mass Transit District

***Hardin County***

Rides Mass Transit District

***Macon County***

Decatur Public Transit District

***Madison County***

Madison Mass Transit District

***Peoria County***

Greater Peoria Mass Transit District 1

***Rock Island County***

Rock Island County Metro  
Mass Transit District

***Sangamon County***

Springfield Mass Transit District

***St Clair County***

Metro-East Transit District

***Tazewell County***

East Peoria Mass Transit District

***Winnebago County***

Rockford Mass Transit District

## APPENDIX TWO: MASS TRANSIT DISTRICT STATUTE

(70 ILCS 3610/1) (from Ch. 111 2/3, par. 351)

Sec. 1. This Act shall be known and cited as the "Local Mass Transit District Act".

(Source: Laws 1959, p. 1635.)

(70 ILCS 3610/2) (from Ch. 111 2/3, par. 352)

Sec. 2. Definitions. For the purposes of this Act:

(a) "Mass transit facility" means any local public transportation facility, whether buses, trolley-buses, or railway systems, utilized by a substantial number of persons for their daily transportation, and includes not only the local public transportation facility itself but ancillary and supporting facilities such as, for example, motor vehicle parking facilities, as well.

(b) "Participating municipality and county" means the municipality or municipalities, county or counties creating the local Mass Transit District pursuant to Section 3 of this Act.

(c) "Municipality" means a city, village, township, or incorporated town.

(d) "Corporate authorities" means (1) the city council or similar body of a city, (2) the board of trustees or similar body of a village or incorporated town, (3) the council of a municipality under the commission form of municipal government, and (4) the board of trustees in a township.

(e) "County board" means the governing board of a county.

(f) "District" means a local Mass Transit District created pursuant to Section 3 of this Act.

(g) "Board" means the Board of Trustees of a local Mass Transit District created pursuant to Section 3 of this Act.

(h) "Interstate transportation authority" shall mean any political subdivision created by compact between this State and another state, which is a body corporate and politic and a political subdivision of both contracting states, and which operates a public mass transportation system.

(i) "Metro East Mass Transit District" means one or more local mass transit districts created pursuant to this Act, composed only of Madison, St. Clair or Monroe Counties, or any combination thereof or any territory annexed to such district.

(j) "Public mass transportation system" shall mean a transportation system or systems owned and operated by an interstate transportation authority, a municipality, District, or other public or private authority, employing motor busses, rails or any other means of conveyance, by whatsoever type or power, operated for public use in the conveyance of persons, mainly providing local transportation service within an interstate transportation district, municipality, or county.

(k) "Southeast Commuter Rail Transit District" means one or more local mass transit districts created pursuant to this Act, composed only of municipalities located within Cook County or Will County, or both, or any territory annexed to such district.

(Source: P.A. 95-331, eff. 8-21-07; 96-1542, eff. 3-8-11.)

(70 ILCS 3610/3) (from Ch. 111 2/3, par. 353)

Sec. 3. Creation of a district. For the purpose of acquiring, constructing, owning, operating and maintaining mass transit facilities for

public service or subsidizing the operation thereof a local Mass Transit District may be created, composed of one or more municipalities or one or more counties or any combination thereof, by ordinance approved by a majority vote of the corporate authorities or by resolution approved by a majority vote of the county board of each participating municipality and county. A Metro East Mass Transit District created by one or more counties shall include: (1) those townships which were served by regularly scheduled mass transit routes operated by an interstate transportation authority on June 1, 1980; (2) in the case of a county without townships, any municipality or unincorporated portion of a road district which was served by regularly scheduled mass transit routes operated by an interstate transportation authority on June 1, 1980; (3) any other townships or municipalities whose participation is approved by ordinance adopted by a majority vote of their Board of Trustees or corporate authorities; plus (4) in the case of a county without townships, the unincorporated portion of any road district, the participation of which is approved by an ordinance adopted by a majority vote of the Board of Commissioners of the county in which it is located. Such District shall be known as the "... Mass Transit District", inserting all or any significant part of the name or names of the municipality or the county, or both, creating the District, or a name descriptive of the area to be served if the District is created by more than one municipality, more than one county, or any combination thereof. A Southeast Commuter Rail Transit District shall include: the Village of Crete, the Village of Steger, the Village of South Chicago Heights, the City of Chicago Heights, the Village of Glenwood, the Village of Thornton, the Village of South Holland, the Village of Dolton, the City of Calumet City, the Village of Lansing, and the Village of Lynwood.

The District created pursuant to this Act shall be a municipal corporation and shall have the right of eminent domain to acquire private property which is necessary for the purposes of the District, and shall have the power to contract for public mass transportation with an Interstate Transportation Authority.

Upon the creation of any District, the clerk of the municipality or of the county, or the clerks of the several municipalities or counties, as the case may be, shall certify a copy of the ordinance or resolution creating the District, and the names of the persons first appointed Trustees thereof, and shall file the same with the county clerk for recording as certificates of incorporation and the county clerk shall cause duplicate certified copies thereof to be filed with the Secretary of State.

(Source: P.A. 96-1542, eff. 3-8-11.)

(70 ILCS 3610/3.01) (from Ch. 111 2/3, par. 353.01)

Sec. 3.01. Any municipality or county may be annexed to a District, other than a Metro East Transit District, formed pursuant to Section 3 when the District has no tax levy in effect and has no bonded indebtedness if a petition for annexation is adopted by an ordinance or resolution approved by a majority vote of the corporate authorities of such municipality or the county board of such county and such ordinance or resolution is approved by a 2/3 vote of the members of the board of trustees of the District. Upon the approval of such a petition of annexation by the board of trustees of a District, a certified copy of the ordinance of annexation shall be filed by the secretary of the board in the same manner as provided for upon creation of the District.

Any contiguous township of any county, not already participating in a Metro East Transit District, may be annexed to a Metro East Transit District formed by one county pursuant to Section 3 of this Act if a petition for annexation, which is signed by at least 10% of the registered voters in the last general election who are residents of the township to be annexed or approved by a majority vote of the township board of the township to be annexed, is adopted by resolution approved by a majority vote of the county board in which the District was formed and such resolution is approved by a 2/3 vote of the members of the board of trustees of the District. Upon the approval of such petition of annexation by the board of trustees of a District, a certified copy of the ordinance of annexation shall be filed by the secretary of the board in the same manner as provided for upon creation of the District. (Source: P.A. 93-590, eff. 1-1-04.)

(70 ILCS 3610/3.1) (from Ch. 111 2/3, par. 353.1)

Sec. 3.1. Also in the manner provided in this Act as amended, a "Local Mass Transit District" may be created with boundary to enclose a unit area of contiguous land, to be known as the "participating area". Such a "participating area" may be organized as a district under this Act without regard to boundaries of counties or other political subdivisions or municipal corporations.

(a) Any 500 or more legal voters who are residents within such "participating area" may file a petition in the circuit court of the county where the proposed district or a major part thereof is located, asking that the question of creating such district be submitted under this Act by referendum to the voters residing within the proposed district. By their power of attorney signed by them and filed in the cause the petitioners may authorize a committee of their number named by the petitioners, to conduct and pursue the cause for them to a conclusion. Such petition shall define the boundaries of the proposed district, shall indicate distances to nearest mass transportation lines in each direction, naming them, shall have attached a fair map of the proposed district, and shall suggest a name for the proposed district.

(b) The circuit clerk shall present to the circuit judge any petition so filed in the court. The judge shall enter an order of record to set a date, hour and place for judicial hearing on the petition. That order shall include instructions to the circuit clerk to give notice by newspaper publication to be made and completed at least 20 days before the hearing is to be held, in 2 or more newspapers published or circulating generally among the people residing within the proposed district. The circuit clerk shall prepare that notice and cause such publication notice to be given as directed.

(c) After proof of such newspaper publication of notice has been made and filed in the cause and shown to the court in full accord with the prior order, the circuit judge shall hear all persons who attend and so request, as to location and boundary and name for the proposed district. After the hearing on such petition is completed, the circuit court by an order



of record, shall determine and establish the location, name and boundary for such proposed district, and shall order the proposition submitted at an election in accordance with the general election law to the voters resident within such proposed district. The circuit clerk shall certify the proposition to the proper election officials who shall submit the proposition in accordance with the general election law.

(d) The county clerk shall canvass the ballots and other returns from such referendum, and prepare a full certification of the result and shall file same in the cause pending in the circuit court. When the vote is in favor of the creation of such district as determined by the court order, a true map of such district shall be filed with such report in the circuit court.

(e) When the vote is in favor of creation of such district, the circuit court by an order of record shall confirm the result of election. If the district is wholly contained within a single county the presiding officer of the county board with the advice and consent of the county board shall appoint 5 trustees, not more than 3 of whom shall be affiliated with the same political party, to govern the district and serve one each for 1, 2, 3, 4 and 5 years respectively; upon the expiration of the term of a trustee who is in office on the effective date of this amendatory Act of 1989, the successor shall, at the time of the appointment, and thereafter at all times while serving as trustee, be a resident of the Mass Transit District for which such person is appointed as trustee. If a trustee removes his residence to a place outside of the District, a trustee shall be appointed in the same manner as herein provided to take the place of the trustee who so removed his residence. If however the district is located in more than one county, the number of trustees who are residents of a county shall be in proportion, as nearly as practicable, to the number of residents of the district who reside in that county in relation to the total population of the district.

Upon the expiration of the term of a trustee who is in office on the effective date of this amendatory Act of 1975, the successor shall be a resident of whichever county is entitled to such representation in order to bring about the proportional representation required herein, and he shall be appointed by the county board of that county, or in the case of a home rule county as defined by Article VII, Section 6 of the Constitution of 1970, the chief executive officer of that county, with the advice and consent of the county board in accordance with the provisions previously enumerated. Successors shall serve 5 year overlapping terms.

Thereafter, each trustee shall be succeeded by a resident of the same county who shall be appointed by the same appointing authority; however, the provisions of the preceding paragraph shall apply to the appointment of the successor to each trustee who is in office at the time of the publication of each decennial Federal census of population.

(f) Upon the creation of such district, the circuit clerk shall prepare and certify a copy of the final court order confirming the referendum creating the district, and a duplicate of the map of such district, from the record of the

circuit court, and shall file the same with the county clerk for recording in his office as "Certificate of Incorporation" for the district. The county clerk shall cause a duplicate of such "Certificate of Incorporation" to be filed in the office of the Secretary of State of Illinois.

(g) The Board of Trustees of such "Local Mass Transit District" shall have and exercise all the powers and shall perform all the duties of any Board of Trustees of any district created under this Act, as now or hereafter amended.

(h) The circuit court shall require the petitioners to post a surety bond for the payment of all costs and expenses of such proceeding and such referendum. When a district is created, the circuit court shall order the district to pay or reimburse others for all such costs and expenses. The surety bond shall not be released until complete receipts for all such costs and expenses have been filed in the cause and fully audited by the circuit and county clerks.

(i) If the District is wholly contained within a single county, the County Board of such county may, by resolution, provide that, effective upon the next appointment of a Trustee, after the effective date of this amendatory Act of 1989, that the Board of Trustees of such Mass Transit District shall be comprised of 7 Trustees, with no more than 4 members of the same political party. This Subsection shall not apply to any Mass Transit District in the State which receives funding in whole or in part from the Regional Transportation Authority or any of its service boards.

(Source: P.A. 86-472.)

(70 ILCS 3610/3.5) (from Ch. 111 2/3, par. 353.5)

Sec. 3.5. If the district acquires a mass transit facility, all of the employees in such mass transit facility shall be transferred to and appointed as employees of the district, subject to all rights and benefits of this Act, and these employees shall be given seniority credit in accordance with the records and labor agreements of the mass transit facility. Employees who left the employ of such a mass transit facility to enter the military service of the United States shall have the same rights as to the district, under the provisions of the Service Member's Employment Tenure Act as they would have had thereunder as to such mass transit facility. After such acquisition the district shall be required to extend to such former employees of such mass transit facility only the rights and benefits as to pensions and retirement as are accorded other employees of the district.

(Source: P.A. 93-590, eff. 1-1-04; 93-828, eff. 7-28-04.)

(70 ILCS 3610/4) (from Ch. 111 2/3, par. 354)

Sec. 4. The powers of the local Mass Transit District shall repose in, and be exercised by, a Board of Trustees. If the District is created by only one municipality or only one county the corporate authorities or the county board chairman with the consent of the county board of such municipality or

county shall appoint either 3 or 5 trustees to the Board; provided that in any Metro East Mass Transit District created by a single county, 5 trustees shall be appointed and the trustees so appointed shall be: (1) a mayor of a municipality within the District; (2) a township supervisor from within the District, or if in a county without township supervisors, another mayor within the District; (3) the county board chairman in which the District was formed or such other county board member as he shall designate; and (4) 2 members of the general public. If the District is created by one or more municipalities or one or more counties or any combination thereof, the corporate authorities and the county board chairman of each participating municipality or county shall determine the percentage of service that the District provides to each municipality or county. Each participating municipality and county shall appoint trustees in proportion to the percentage of service received from the District by that municipality or county. The corporate authorities or the county board chairman, with the consent of the county board, of each participating municipality or county shall appoint one trustee to the Board for each 30% or fraction thereof of service that the municipality or county receives from the District. If an even number of trustees are appointed to the Board, the corporate authorities or the county board chairman, with the consent of the county board, of the municipality or county that receives the largest percentage of service from the District shall appoint one additional trustee. The first Trustees appointed to the Board and any 2 additional trustees, initially appointed as a result of this amendatory Act of 1983 shall serve for terms of 4 years or less, the terms to be staggered to the extent possible so that they expire one year apart and so that the terms of not more than 2 trustees expire in the same year, with the Trustees to serve less than 4 years to be selected by lot. Thereafter, their successors shall serve for 4 years. Vacancies shall be filled for the unexpired term in the same manner as the original appointment.

Except in a Metro East Mass Transit District, no Trustee of any District may be an elected official of the municipality or municipalities or county or counties creating the District. A Trustee shall hold office until his successor has been appointed and has qualified. A certificate of the appointment or reappointment of any Trustee shall be filed with the clerk or clerks and such certificate shall be conclusive evidence of the due and proper appointment of such Trustee. A Trustee shall receive, as compensation for his services, not more than \$100 for each day devoted to the business of the Board but not more than \$400 per month. For the purposes of this Section, each District may determine what constitutes a business day. He shall also be entitled to the necessary expenses, including traveling expenses, incurred in the discharge of his duties. The powers of each District and the Board shall be vested in the Trustees thereof in office from time to time. A majority shall constitute a quorum of the Board for the purpose of conducting its business and exercising its powers and for all other purposes. Action may be taken by the Board upon a vote of the majority of the Trustees present, unless in any case the bylaws of the Board shall require a larger number. The

Board shall select a chairman and a vice-chairman from among the Trustees.

No Trustee or employee of the Board shall acquire or have any interest direct or indirect in any contract or proposed contract for materials or services to be furnished or used in connection with operations of the District. For inefficiency or neglect of duty or misconduct in office, a Trustee may be removed by the person or body which made the original appointment, but a Trustee shall be removed only after he shall have been given a copy of the charges against him at least 10 days prior to the hearing thereon and has had an opportunity to be heard in person or by counsel. In the event of the removal of any Trustee, a record of the proceedings, together with the charges and findings thereon, shall be filed in the office of the clerk or clerks of the creating county or counties or municipality or municipalities.

The Board shall employ a managing director of the District and may employ a secretary, treasurer, technical experts and such other officers, agents and employees, permanent and temporary, as it may require, and shall fix and determine their qualifications, duties and compensation and the amount of bond to be furnished for such offices and positions. For such legal services as it may require, the Board may call upon any chief law officers of the municipality, municipalities, or the county or counties as the case may be, or may employ and fix the compensation of its own counsel and legal staff. The Board may delegate to one or more of its agents or employees such powers and duties as it may deem proper. Notwithstanding the other provisions of this paragraph, employment of any person other than a managing director or secretary by any Metro East Mass Transit District created by a single county shall require the authorization of the county board of such county.

Neither the District, the members of its Board nor its officers or employees shall be held liable for failure to provide a security or police force or, if a security or police force is provided, for failure to provide adequate police protection or security, failure to prevent the commission of crimes by fellow passengers or other third persons or for the failure to apprehend criminals.

(Source: P.A. 93-590, eff. 1-1-04; 93-792, eff. 7-22-04.)

(70 ILCS 3610/5) (from Ch. 111 2/3, par. 355)

Sec. 5. (a) The Board of Trustees of every District may establish or acquire any or all manner of mass transit facility. The Board may engage in the business of transportation of passengers on scheduled routes and by contract on nonscheduled routes within the territorial limits of the counties or municipalities creating the District, by whatever means it may decide. Its routes may be extended beyond such territorial limits with the consent of the governing bodies of the municipalities or counties into which such operation is extended.

(b) The Board of Trustees of every District may for the purposes of the District, acquire by gift, purchase, lease,

legacy, condemnation, or otherwise and hold, use, improve, maintain, operate, own, manage or lease, as lessor or lessee, such cars, buses, equipment, buildings, structures, real and personal property, and interests therein, and services, lands for terminal and other related facilities, improvements and services, or any interest therein, including all or any part of the plant, land, buildings, equipment, vehicles, licenses, franchises, patents, property, service contracts and agreements of every kind and nature. Real property may be so acquired if it is situated within or partially within the area served by the District or if it is outside the area if it is desirable or necessary for the purposes of the District.

(c) The Board of Trustees of every District which establishes, provides, or acquires mass transit facilities or services may contract with any person or corporation or public or private entity for the operation or provision thereof upon such terms and conditions as the District shall determine.

(d) The Board of Trustees of every District shall have the authority to contract for any and all purposes of the District, including with an interstate transportation authority, or with another local Mass Transit District or any other municipal, public, or private corporation entity in the transportation business including the authority to contract to lease its or otherwise provide land, buildings, and equipment, and other related facilities, improvements, and services, for the carriage of passengers beyond the territorial limits of the District or to subsidize transit operations by a public or private or municipal corporation operating entity providing mass transit facilities.

(e) The Board of Trustees of every District shall have the authority to establish, alter and discontinue transportation routes and services and any or all ancillary or supporting facilities and services, and to establish and amend rate schedules for the transportation of persons thereon or for the public or private use thereof which rate schedules shall, together with any grants, receipts or income from other sources, be sufficient to pay the expenses of the District, the repair, maintenance and the safe and adequate operation of its mass transit facilities and public mass transportation system and to fulfill the terms of its debts, undertakings, and obligations.

(f) The Board of Trustees of every District shall have perpetual succession and shall have the following powers in addition to any others in this Act granted:

- (1) to sue and be sued;
- (2) to adopt and use a seal;
- (3) to make and execute contracts loans, leases, subleases, installment purchase agreements, contracts, notes and other instruments evidencing financial obligations, and other instruments necessary or convenient in the exercise of its powers;
- (4) to make, amend and repeal bylaws, rules and regulations not inconsistent with this Act;
- (5) to sell, lease, sublease, license, transfer, convey or otherwise dispose of any of its real or personal property, or interests therein, in whole or in part, at any time upon such terms and conditions as it may

determine, with public bidding if the value exceeds \$1,000 at negotiated, competitive, public, or private sale;

(6) to invest funds, not required for immediate disbursement, in property, agreements, or securities legal for investment of public funds controlled by savings banks under applicable law;

(7) to mortgage, pledge, hypothecate or otherwise encumber all or any part of its real or personal property or other assets, or interests therein;

(8) to apply for, accept and use grants, loans or other financial assistance from any private entity or municipal, county, State or Federal governmental agency or other public entity;

(9) to borrow money from the United States Government or any agency thereof, or from any other public or private source, for the purposes of the District and, as evidence thereof, to issue its revenue bonds, payable solely from the revenue derived from the operation of the District. These bonds may be issued with maturities not exceeding 40 years from the date of the bonds, and in such amounts as may be necessary to provide sufficient funds, together with interest, for the purposes of the District. These bonds shall bear interest at a rate of not more than the maximum rate authorized by the Bond Authorization Act, as amended at the time of the making of the contract of sale, payable semi-annually, may be made registerable as to principal, and may be made payable and callable as provided on any interest payment date at a price of par and accrued interest under such terms and conditions as may be fixed by the ordinance authorizing the issuance of the bonds. Bonds issued under this Section are negotiable instruments. They shall be executed by the chairman and members of the Board of Trustees, attested by the secretary, and shall be sealed with the corporate seal of the District. In case any Trustee or officer whose signature appears on the bonds or coupons ceases to hold that office before the bonds are delivered, such officer's signature, shall nevertheless be valid and sufficient for all purposes, the same as though such officer had remained in office until the bonds were delivered. The bonds shall be sold in such manner and upon such terms as the Board of Trustees shall determine, except that the selling price shall be such that the interest cost to the District of the proceeds of the bonds shall not exceed the maximum rate authorized by the Bond Authorization Act, as amended at the time of the making of the contract of sale, payable semi-annually, computed to maturity according to the standard table of bond values.

The ordinance shall fix the amount of revenue bonds proposed to be issued, the maturity or maturities, the interest rate, which shall not exceed the maximum rate authorized by the Bond Authorization Act, as amended at the time of the making of the contract of sale, and all the details in connection with the bonds. The ordinance may contain such covenants and restrictions upon the issuance of additional revenue bonds thereafter, which will share equally in the revenue of the District, as may

be deemed necessary or advisable for the assurance of the payment of the bonds first issued. Any District may also provide in the ordinance authorizing the issuance of bonds under this Section that the bonds, or such ones thereof as may be specified, shall, to the extent and in the manner prescribed, be subordinated and be junior in standing, with respect to the payment of principal and interest and the security thereof, to such other bonds as are designated in the ordinance.

The ordinance shall pledge the revenue derived from the operations of the District for the purpose of paying the cost of operation and maintenance of the District, and, as applicable, providing adequate depreciation funds, and paying the principal of and interest on the bonds of the District issued under this Section.

(10) subject to Section 5.1, to levy a tax on property within the District at the rate of not to exceed .25% on the assessed value of such property in the manner provided in "The Illinois Municipal Budget Law", approved July 12, 1937, as amended;

(11) to issue tax anticipation warrants;

(12) to contract with any school district in this State to provide for the transportation of pupils to and from school within such district pursuant to the provisions of Section 29-15 of the School Code;

(13) to provide for the insurance of any property, directors, officers, employees or operations of the District against any risk or hazard, and to self-insure or participate in joint self-insurance pools or entities to insure against such risk or hazard;

(14) to use its established funds, personnel, and other resources to acquire, construct, operate, and maintain bikeways and trails. Districts may cooperate with other governmental and private agencies in bikeway and trail programs; and

(15) to acquire, own, maintain, construct, reconstruct, improve, repair, operate or lease any light-rail public transportation system, terminal, terminal facility, public airport, or bridge or toll bridge across waters with any city, state, or both.

With respect to instruments for the payment of money issued under this Section either before, on, or after the effective date of this amendatory Act of 1989, it is and always has been the intention of the General Assembly (i) that the Omnibus Bond Acts are and always have been supplementary grants of power to issue instruments in accordance with the Omnibus Bond Acts, regardless of any provision of this Act that may appear to be or to have been more restrictive than those Acts, (ii) that the provisions of this Section are not a limitation on the supplementary authority granted by the Omnibus Bond Acts, and (iii) that instruments issued under this Section within the supplementary authority granted by the Omnibus Bond Acts are not invalid because of any provision of this Act that may appear to be or to have been more restrictive than those Acts.

This Section shall be liberally construed to give effect to its purposes.

(Source: P.A. 93-590, eff. 1-1-04.)

(70 ILCS 3610/5.01) (from Ch. 111 2/3, par. 355.01)

Sec. 5.01. Metro East Mass Transit District; use and occupation taxes.

(a) The Board of Trustees of any Metro East Mass Transit District may, by ordinance adopted with the concurrence of two-thirds of the then trustees, impose throughout the District any or all of the taxes and fees provided in this Section. All taxes and fees imposed under this Section shall be used only for public mass transportation systems, and the amount used to provide mass transit service to unserved areas of the District shall be in the same proportion to the total proceeds as the number of persons residing in the unserved areas is to the total population of the District. Except as otherwise provided in this Act, taxes imposed under this Section and civil penalties imposed incident thereto shall be collected and enforced by the State Department of Revenue. The Department shall have the power to administer and enforce the taxes and to determine all rights for refunds for erroneous payments of the taxes.

(b) The Board may impose a Metro East Mass Transit District Retailers' Occupation Tax upon all persons engaged in the business of selling tangible personal property at retail in the district at a rate of 1/4 of 1%, or as authorized under subsection (d-5) of this Section, of the gross receipts from the sales made in the course of such business within the district. The tax imposed under this Section and all civil penalties that may be assessed as an incident thereof shall be collected and enforced by the State Department of Revenue. The Department shall have full power to administer and enforce this Section; to collect all taxes and penalties so collected in the manner hereinafter provided; and to determine all rights to credit memoranda arising on account of the erroneous payment of tax or penalty hereunder. In the administration of, and compliance with, this Section, the Department and persons who are subject to this Section shall have the same rights, remedies, privileges, immunities, powers and duties, and be subject to the same conditions, restrictions, limitations, penalties, exclusions, exemptions and definitions of terms and employ the same modes of procedure, as are prescribed in Sections 1, 1a, 1a-1, 1c, 1d, 1e, 1f, 1i, 1j, 2 through 2-65 (in respect to all provisions therein other than the State rate of tax), 2c, 3 (except as to the disposition of taxes and penalties collected), 4, 5, 5a, 5c, 5d, 5e, 5f, 5g, 5h, 5i, 5j, 5k, 5l, 6, 6a, 6b, 6c, 7, 8, 9, 10, 11, 12, 13, and 14 of the Retailers' Occupation Tax Act and Section 3-7 of the Uniform Penalty and Interest Act, as fully as if those provisions were set forth herein.

Persons subject to any tax imposed under the Section may reimburse themselves for their seller's tax liability hereunder by separately stating the tax as an additional charge, which charge may be stated in combination, in a single amount, with State taxes that sellers are required to collect under the Use Tax Act, in accordance with such bracket schedules as the Department may prescribe.

Whenever the Department determines that a refund should be made under this Section to a claimant instead of issuing a credit memorandum, the Department shall notify the State Comptroller, who shall cause the warrant to be drawn for the amount specified, and to the person named, in the notification from the Department. The refund shall be paid by the State Treasurer out of the Metro East Mass Transit District tax fund established under paragraph (h) of this Section.



If a tax is imposed under this subsection (b), a tax shall also be imposed under subsections (c) and (d) of this Section.

For the purpose of determining whether a tax authorized under this Section is applicable, a retail sale, by a producer of coal or other mineral mined in Illinois, is a sale at retail at the place where the coal or other mineral mined in Illinois is extracted from the earth. This paragraph does not apply to coal or other mineral when it is delivered or shipped by the seller to the purchaser at a point outside Illinois so that the sale is exempt under the Federal Constitution as a sale in interstate or foreign commerce.

No tax shall be imposed or collected under this subsection on the sale of a motor vehicle in this State to a resident of another state if that motor vehicle will not be titled in this State.

Nothing in this Section shall be construed to authorize the Metro East Mass Transit District to impose a tax upon the privilege of engaging in any business which under the Constitution of the United States may not be made the subject of taxation by this State.

(c) If a tax has been imposed under subsection (b), a Metro East Mass Transit District Service Occupation Tax shall also be imposed upon all persons engaged, in the district, in the business of making sales of service, who, as an incident to making those sales of service, transfer tangible personal property within the District, either in the form of tangible personal property or in the form of real estate as an incident to a sale of service. The tax rate shall be 1/4%, or as authorized under subsection (d-5) of this Section, of the selling price of tangible personal property so transferred within the district. The tax imposed under this paragraph and all civil penalties that may be assessed as an incident thereof shall be collected and enforced by the State Department of Revenue. The Department shall have full power to administer and enforce this paragraph; to collect all taxes and penalties due hereunder; to dispose of taxes and penalties so collected in the manner hereinafter provided; and to determine all rights to credit memoranda arising on account of the erroneous payment of tax or penalty hereunder. In the administration of, and compliance with this paragraph, the Department and persons who are subject to this paragraph shall have the same rights, remedies, privileges, immunities, powers and duties, and be subject to the same conditions, restrictions, limitations, penalties, exclusions, exemptions and definitions of terms and employ the same modes of procedure as are prescribed in Sections 1a-1, 2 (except that the reference to State in the definition of supplier maintaining a place of business in this State shall mean the Authority), 2a, 3 through 3-50 (in respect to all provisions therein other than the State rate of tax), 4 (except that the reference to the State shall be to the Authority), 5, 7, 8 (except that the jurisdiction to which the tax shall be a debt to the extent indicated in that Section 8 shall be the District), 9 (except as to the disposition of taxes and penalties collected, and except that the returned merchandise credit for this tax may not be taken against any State tax), 10, 11, 12 (except the reference therein to Section 2b of the Retailers' Occupation Tax Act), 13 (except that any reference to the State shall mean the District), the first paragraph of Section 15, 16, 17, 18, 19 and 20 of the Service Occupation Tax Act and Section 3-7 of the Uniform Penalty and Interest Act, as fully as if those provisions were set forth herein.

Persons subject to any tax imposed under the authority granted in this paragraph may reimburse themselves for their serviceman's tax liability hereunder by separately stating the tax as an additional charge, which charge may be stated in combination, in a single amount, with State tax that servicemen are authorized to collect under the Service Use Tax Act, in accordance with such bracket schedules as the Department may prescribe.

Whenever the Department determines that a refund should be made under this paragraph to a claimant instead of issuing a credit memorandum, the Department shall notify the State Comptroller, who shall cause the warrant to be drawn for the amount specified, and to the person named, in the notification from the Department. The refund shall be paid by the State Treasurer out of the Metro East Mass Transit District tax fund established under paragraph (h) of this Section.

Nothing in this paragraph shall be construed to authorize the District to impose a tax upon the privilege of engaging in any business which under the Constitution of the United States may not be made the subject of taxation by the State.

(d) If a tax has been imposed under subsection (b), a Metro East Mass Transit District Use Tax shall also be imposed upon the privilege of using, in the district, any item of tangible personal property that is purchased outside the district at retail from a retailer, and that is titled or registered with an agency of this State's government, at a rate of 1/4%, or as authorized under subsection (d-5) of this Section, of the selling price of the tangible personal property within the District, as "selling price" is defined in the Use Tax Act. The tax shall be collected from persons whose Illinois address for titling or registration purposes is given as being in the District. The tax shall be collected by the Department of Revenue for the Metro East Mass Transit District. The tax must be paid to the State, or an exemption determination must be obtained from the Department of Revenue, before the title or certificate of registration for the property may be issued. The tax or proof of exemption may be transmitted to the Department by way of the State agency with which, or the State officer with whom, the tangible personal property must be titled or registered if the Department and the State agency or State officer determine that this procedure will expedite the processing of applications for title or registration.

The Department shall have full power to administer and enforce this paragraph; to collect all taxes, penalties and interest due hereunder; to dispose of taxes, penalties and interest so collected in the manner hereinafter provided; and to determine all rights to credit memoranda or refunds arising on account of the erroneous payment of tax, penalty or interest hereunder. In the administration of, and compliance with, this paragraph, the Department and persons who are subject to this paragraph shall have the same rights, remedies, privileges, immunities, powers and duties, and be subject to the same conditions, restrictions, limitations, penalties, exclusions, exemptions and definitions of terms and employ the same modes of procedure, as are prescribed in Sections 2 (except the definition of "retailer maintaining a place of business in this State"), 3 through 3-80 (except provisions pertaining to the State rate of tax, and except provisions concerning collection or refunding of the tax by retailers), 4, 11, 12, 12a, 14, 15, 19 (except the portions pertaining to claims by retailers and except the last paragraph concerning refunds), 20, 21 and 22 of the Use Tax Act and Section 3-7 of the Uniform Penalty and Interest Act, that are not inconsistent with this paragraph, as fully as if those provisions were set forth herein.

Whenever the Department determines that a refund should be made under this paragraph to a claimant instead of issuing a credit memorandum, the Department shall notify the State Comptroller, who shall cause the order to be drawn for the amount specified, and to the person named, in the notification from the Department. The refund shall be paid by the State Treasurer out of the Metro East Mass Transit District tax fund established under paragraph (h) of this Section.

(d-5) (A) The county board of any county participating in the Metro East Mass Transit District may authorize, by ordinance, a referendum on the

question of whether the tax rates for the Metro East Mass Transit District Retailers' Occupation Tax, the Metro East Mass Transit District Service Occupation Tax, and the Metro East Mass Transit District Use Tax for the District should be increased from 0.25% to 0.75%. Upon adopting the ordinance, the county board shall certify the proposition to the proper election officials who shall submit the proposition to the voters of the District at the next election, in accordance with the general election law.

The proposition shall be in substantially the following form:

Shall the tax rates for the Metro East Mass Transit District Retailers' Occupation Tax, the Metro East Mass Transit District Service Occupation Tax, and the Metro East Mass Transit District Use Tax be increased from 0.25% to 0.75%?

(B) Two thousand five hundred electors of any Metro East Mass Transit District may petition the Chief Judge of the Circuit Court, or any judge of that Circuit designated by the Chief Judge, in which that District is located to cause to be submitted to a vote of the electors the question whether the tax rates for the Metro East Mass Transit District Retailers' Occupation Tax, the Metro East Mass Transit District Service Occupation Tax, and the Metro East Mass Transit District Use Tax for the District should be increased from 0.25% to 0.75%.

Upon submission of such petition the court shall set a date not less than 10 nor more than 30 days thereafter for a hearing on the sufficiency thereof. Notice of the filing of such petition and of such date shall be given in writing to the District and the County Clerk at least 7 days before the date of such hearing.

If such petition is found sufficient, the court shall enter an order to submit that proposition at the next election, in accordance with general election law.

The form of the petition shall be in substantially the following form: To the Circuit Court of the County of (name of county):

We, the undersigned electors of the (name of transit district), respectfully petition your honor to submit to a vote of the electors of (name of transit district) the following proposition:

Shall the tax rates for the Metro East Mass Transit District Retailers' Occupation Tax, the Metro East Mass Transit District Service Occupation Tax, and the Metro East Mass Transit District Use Tax be increased from 0.25% to 0.75%?

Name	Address, with Street and Number.
.....	.....
.....	.....

(C) The votes shall be recorded as "YES" or "NO". If a majority of all votes cast on the proposition are for the increase in the tax rates, the Metro East Mass Transit District shall begin imposing the increased rates in the District, and the Department of Revenue shall begin collecting the increased amounts, as provided under this Section. An ordinance imposing or discontinuing a tax hereunder or effecting a change in the rate thereof shall be adopted and a certified copy thereof filed with the Department on or before the first day of October, whereupon the Department shall proceed to administer and enforce this Section as of the first

day of January next following the adoption and filing, or on or before the first day of April, whereupon the Department shall proceed to administer and enforce this Section as of the first day of July next following the adoption and filing.

(D) If the voters have approved a referendum under this subsection, before November 1, 1994, to increase the tax rate under this subsection, the Metro East Mass Transit District Board of Trustees may adopt by a majority vote an ordinance at any time before January 1, 1995 that excludes from the rate increase tangible personal property that is titled or registered with an agency of this State's government. The ordinance excluding titled or registered tangible personal property from the rate increase must be filed with the Department at least 15 days before its effective date. At any time after adopting an ordinance excluding from the rate increase tangible personal property that is titled or registered with an agency of this State's government, the Metro East Mass Transit District Board of Trustees may adopt an ordinance applying the rate increase to that tangible personal property. The ordinance shall be adopted, and a certified copy of that ordinance shall be filed with the Department, on or before October 1, whereupon the Department shall proceed to administer and enforce the rate increase against tangible personal property titled or registered with an agency of this State's government as of the following January 1. After December 31, 1995, any reimposed rate increase in effect under this subsection shall no longer apply to tangible personal property titled or registered with an agency of this State's government. Beginning January 1, 1996, the Board of Trustees of any Metro East Mass Transit District may never reimpose a previously excluded tax rate increase on tangible personal property titled or registered with an agency of this State's government. After July 1, 2004, if the voters have approved a referendum under this subsection to increase the tax rate under this subsection, the Metro East Mass Transit District Board of Trustees may adopt by a majority vote an ordinance that excludes from the rate increase tangible personal property that is titled or registered with an agency of this State's government. The ordinance excluding titled or registered tangible personal property from the rate increase shall be adopted, and a certified copy of that ordinance shall be filed with the Department on or before October 1, whereupon the Department shall administer and enforce this exclusion from the rate increase as of the following January 1, or on or before April 1, whereupon the Department shall administer and enforce this exclusion from the rate increase as of the following July 1. The Board of Trustees of any Metro East Mass Transit District may never reimpose a previously excluded tax rate increase on tangible personal property titled or registered with an agency of this State's government.

(d-6) If the Board of Trustees of any Metro East Mass Transit District has imposed a rate increase under subsection (d-5) and filed an ordinance with the Department of Revenue excluding titled property from the higher rate, then that Board may, by ordinance adopted with the concurrence of two-thirds of the then trustees, impose throughout the

District a fee. The fee on the excluded property shall not exceed \$20 per retail transaction or an amount equal to the amount of tax excluded, whichever is less, on tangible personal property that is titled or registered with an agency of this State's government. Beginning July 1, 2004, the fee shall apply only to titled property that is subject to either the Metro East Mass Transit District Retailers' Occupation Tax or the Metro East Mass Transit District Service Occupation Tax. No fee shall be imposed or collected under this subsection on the sale of a motor vehicle in this State to a resident of another state if that motor vehicle will not be titled in this State.

(d-7) Until June 30, 2004, if a fee has been imposed under subsection (d-6), a fee shall also be imposed upon the privilege of using, in the district, any item of tangible personal property that is titled or registered with any agency of this State's government, in an amount equal to the amount of the fee imposed under subsection (d-6).

(d-7.1) Beginning July 1, 2004, any fee imposed by the Board of Trustees of any Metro East Mass Transit District under subsection (d-6) and all civil penalties that may be assessed as an incident of the fees shall be collected and enforced by the State Department of Revenue. Reference to "taxes" in this Section shall be construed to apply to the administration, payment, and remittance of all fees under this Section. For purposes of any fee imposed under subsection (d-6), 4% of the fee, penalty, and interest received by the Department in the first 12 months that the fee is collected and enforced by the Department and 2% of the fee, penalty, and interest following the first 12 months shall be deposited into the Tax Compliance and Administration Fund and shall be used by the Department, subject to appropriation, to cover the costs of the Department. No retailers' discount shall apply to any fee imposed under subsection (d-6).

(d-8) No item of titled property shall be subject to both the higher rate approved by referendum, as authorized under subsection (d-5), and any fee imposed under subsection (d-6) or (d-7).

(d-9) (Blank).

(d-10) (Blank).

(e) A certificate of registration issued by the State Department of Revenue to a retailer under the Retailers' Occupation Tax Act or under the Service Occupation Tax Act shall permit the registrant to engage in a business that is taxed under the tax imposed under paragraphs (b), (c) or (d) of this Section and no additional registration shall be required under the tax. A certificate issued under the Use Tax Act or the Service Use Tax Act shall be applicable with regard to any tax imposed under paragraph (c) of this Section.

(f) (Blank).

(g) Any ordinance imposing or discontinuing any tax under this Section shall be adopted and a certified copy thereof filed with the Department on or before June 1, whereupon the Department of Revenue shall proceed to administer and enforce this Section on behalf of the Metro East Mass Transit District as of September 1 next following such adoption and filing. Beginning January 1, 1992, an ordinance or resolution imposing

or discontinuing the tax hereunder shall be adopted and a certified copy thereof filed with the Department on or before the first day of July, whereupon the Department shall proceed to administer and enforce this Section as of the first day of October next following such adoption and filing. Beginning January 1, 1993, except as provided in subsection (d-5) of this Section, an ordinance or resolution imposing or discontinuing the tax hereunder shall be adopted and a certified copy thereof filed with the Department on or before the first day of October, whereupon the Department shall proceed to administer and enforce this Section as of the first day of January next following such adoption and filing, or, beginning January 1, 2004, on or before the first day of April, whereupon the Department shall proceed to administer and enforce this Section as of the first day of July next following the adoption and filing.

(h) Except as provided in subsection (d-7.1), the State Department of Revenue shall, upon collecting any taxes as provided in this Section, pay the taxes over to the State Treasurer as trustee for the District. The taxes shall be held in a trust fund outside the State Treasury.

As soon as possible after the first day of each month, beginning January 1, 2011, upon certification of the Department of Revenue, the Comptroller shall order transferred, and the Treasurer shall transfer, to the STAR Bonds Revenue Fund the local sales tax increment, as defined in the Innovation Development and Economy Act, collected under this Section during the second preceding calendar month for sales within a STAR bond district. The Department shall make this certification only if the local mass transit district imposes a tax on real property as provided in the definition of "local sales taxes" under the Innovation Development and Economy Act.

After the monthly transfer to the STAR Bonds Revenue Fund, on or before the 25th day of each calendar month, the State Department of Revenue shall prepare and certify to the Comptroller of the State of Illinois the amount to be paid to the District, which shall be the then balance in the fund, less any amount determined by the Department to be necessary for the payment of refunds, and less any amounts that are transferred to the STAR Bonds Revenue Fund. Within 10 days after receipt by the Comptroller of the certification of the amount to be paid to the District, the Comptroller shall cause an order to be drawn for payment for the amount in accordance with the direction in the certification.

(Source: P.A. 95-331, eff. 8-21-07; 96-328, eff. 8-11-09; 96-939, eff. 6-24-10.)

(70 ILCS 3610/5.02) (from Ch. 111 2/3, par. 355.02)

Sec. 5.02. (a) The Board of Trustees of any Metro East Mass Transit District may impose a tax upon all persons engaged in the business of renting automobiles in the district at the rate of not to exceed 1% of the gross receipts from such business. The tax imposed by a district pursuant to this paragraph and all civil penalties that may be assessed as an

incident thereof shall be collected and enforced by the State Department of Revenue. The certificate of registration which is issued by the Department to a retailer under the Retailers' Occupation Tax Act, or under the Automobile Renting Occupation and Use Tax Act shall permit such person to engage in a business which is taxable under any ordinance or resolution enacted pursuant to this paragraph without registering separately with the Department under such ordinance or resolution or under this paragraph. The Department shall have full power to administer and enforce this paragraph; to collect all taxes and penalties due hereunder; to dispose of taxes and penalties so collected in the manner hereinafter provided, and to determine all rights to credit memoranda, arising on account of the erroneous payment of tax or penalty hereunder. In the administration of, and compliance with, this paragraph, the Department and persons who are subject to this paragraph shall have the same rights, remedies, privileges, immunities, powers and duties, and be subject to the same conditions, restrictions, limitations, penalties and definitions of terms, and employ the same modes of procedure, as are prescribed in Sections 2 and 3 (in respect to all provisions therein other than the State rate of tax; and with relation to the provisions of the Retailers' Occupation Tax referred to therein, except as to the disposition of taxes and penalties collected, and except for the provision allowing retailers a deduction from the tax to cover certain costs, and except that credit memoranda issued hereunder may not be used to discharge any State tax liability) of the Automobile Renting Occupation and Use Tax Act and Section 3-7 of the Uniform Penalty and Interest Act as fully as if provisions contained in those Sections were set forth herein. Persons subject to any tax imposed pursuant to the authority granted in this paragraph may reimburse themselves for their tax liability hereunder by separately stating such tax as an additional charge, which charge may be stated in combination, in a single amount with State tax which sellers are required to collect under the Automobile Renting Occupation and Use Tax Act pursuant to such bracket schedules as the Department may prescribe. Nothing in this paragraph shall be construed to authorize district to impose a tax upon the privilege of engaging in any business which under the constitution of the United States may not be made the subject of taxation by this State.

(b) The Board of Trustees of any Metro East Mass Transit District may impose a tax upon the privilege of using, in such district, an automobile which is rented from a rentor outside Illinois, and which is titled or registered with an agency of this State's government, at a rate not to exceed 1% of the rental price of such automobile. Such tax shall be collected from persons whose Illinois address for titling or registration purposes is given as being in such district. such tax shall be collected by the Department of Revenue for any district imposing such tax. Such tax must be paid to the State, or an exemption determination must be obtained from the Department of Revenue, before the title or certificate of registration for the property may be issued. The tax or proof of exemption may be transmitted to the Department by way of

the State agency with which, or State officer with whom, the tangible personal property must be titled or registered if the Department and such agency or State officer determine that this procedure will expedite the processing of applications for title or registration. The Department shall have full power to administer and enforce this paragraph to collect all taxes, penalties and interest due hereunder; to dispose of taxes, penalties and interest so collected in the manner hereinafter provided, and to determine all rights to credit memoranda or refunds arising on account of the erroneous payment of tax, penalty or interest hereunder. In the administration of and compliance with this paragraph, the Department and persons who are subject to this paragraph shall have the same rights, remedies, privileges, immunities, powers and duties, and be subject to the same conditions, restrictions, limitations, penalties and definitions of terms, and employ the same modes of procedure, as are prescribed in Sections 2 and 4 (except provisions pertaining to the State rate off tax; and, with relation to the provisions of the Use Tax Act referred to therein, except provisions concerning collection or refunding of the tax by retailers, and except the provisions of Section 19 pertaining to claims by retailers and except that last paragraph concerning refunds, and except that credit memoranda issued hereunder may not be used to discharge any State tax liability) of the Automobile Renting Occupation and Use Tax Act and Section 3-7 of the Uniform Penalty and Interest Act, which are not inconsistent with this paragraph, as fully as if provisions contained in those Sections were set forth herein.

(c) Whenever the Department determines that a refund should be made under this Section to a claimant instead of issuing a credit memorandum, the Department shall notify the State Comptroller, who shall cause the order to be drawn for the amount specified, and to the person named, in such notification from the Department. Such refunds shall be paid by the State Treasurer out of the Metro east Mass Transit District tax fund created pursuant to Section 5.01 of this Act.

(d) The Department shall forth with pay over to the State Treasurer, ex-officio, as trustee, all taxes, penalties and interest collected under this Section. On or before the 25th day of each calendar month, the Department shall prepare and certify to the State Comptroller the disbursement of stated sums of money to named districts from which the Department, during the second preceding calendar month, collected taxes imposed pursuant to this Section. The amount to be paid to each district shall be the amount (not including credit memoranda) collected hereunder during the second preceding calendar month by the Department, and not including an amount equal to the amount of refunds made during the second preceding calendar month by the Department on behalf of such district, less 2% of such balance, which sum shall be retained by the State Treasurer to cover the costs incurred by the Department in administering and enforcing this Section as provided herein. The Department at the time of each monthly disbursement to the districts shall prepare and certify to the State Comptroller the amount, so retained by the State



Treasurer, to be paid into the General Revenue Fund of the State Treasury. Within 10 days after receipt, by the State Comptroller, of the disbursement certification to the districts and the General Revenue Fund, provided for in this Section to be given to the State Comptroller by the Department, the State comptroller shall cause the orders to be drawn for the respective amounts in accordance with the directions contained in such certification.

(e) An ordinance or resolution imposing a tax hereunder or effecting a change in the rate thereof shall be effective on the first day of the calendar month next following the month in which such ordinance or resolution is passed. The Board of Trustees of any district which levies a tax authorized by this Section shall transmit to the Department of Revenue on or not later than 5 days after passage of the ordinance or resolution a certified copy of the ordinance or resolution imposing such tax whereupon the Department of Revenue shall proceed to administer and enforce this Section on behalf of such district of the effective date of the ordinance or resolution. Upon a change in rate of a tax levied hereunder, or upon the discontinuance of the tax, the board of trustees shall, on or not later than 5 days after passage of the ordinance or resolution discontinuing the tax or effecting a change in rate, transmit to the Department of Revenue a certified copy of the ordinance or resolution effecting such change or discontinuance.

(Source: P.A. 87-205.)

(70 ILCS 3610/5.05) (from Ch. 111 2/3, par. 355.05)

Sec. 5.05. In addition to all its other powers, each District shall, in all its dealings with the Regional Transportation Authority established by the "Regional Transportation Authority Act", enacted by the 78th General Assembly, have the following powers:

(a) to cooperate with the Regional Transportation Authority in the exercise by the Regional Transportation Authority of all the powers granted it by such Act;

(b) to receive funds from the Regional Transportation Authority upon such terms and conditions as shall be set forth in an agreement between the District and the Regional Transportation Authority, which contract or agreement may be for such number of years or duration as the Authority and the District may agree, all as provided in the "Regional Transportation Authority Act";

(c) to receive financial grants from a Service Board, as defined in the "Regional Transportation Authority Act", upon such terms and conditions as shall be set forth in a Purchase of Service Agreement or other grant contract between the District and the Service Board, which contract or agreement may be for such number of years or duration as the Service Board and the District may agree, all as provided in the "Regional Transportation Authority Act";

(d) to acquire from the Regional Transportation Authority or Service Board any Public Transportation Facility, as defined in the "Regional Transportation Authority Act", by

purchase contract, gift, grant, exchange for other property or rights in property, lease (or sublease) or installment or conditional purchase contracts, which contracts or leases may provide for consideration to be paid in annual installments during a period not exceeding 40 years; such property may be acquired subject to such conditions, restrictions, liens or security or other interests of other parties as the District may deem appropriate and in each case the District may acquire a joint, leasehold, easement, license or other partial interest in such property;

(e) to sell, sell by installment contract, lease (or sublease) as lessor, or transfer to, or grant to or provide for the use by the Regional Transportation Authority or a Service Board any Public Transportation Facility, as defined in the "Regional Transportation Authority Act" upon such terms and for such consideration, as the District may deem proper;

(f) to cooperate with the Regional Transportation Authority or a Service Board for the protection of employees of the District and users of public transportation facilities against crime and also to protect such facilities, but neither the District, the member of its Board nor its officers or employees shall be held liable for failure to provide a security or police force, or, if a security or police force is provided, for failure to provide adequate police protection or security, failure to prevent the commission of crimes by fellow passengers or other third persons or for the failure to apprehend criminals; and

(g) to file such reports with and transfer such records, papers or documents to the Regional Transportation Authority or a Service Board as may be agreed upon with, or required by, the Regional Transportation Authority or a Service Board.

In exercising any of the powers granted in this Section, the District shall not be subject to the provisions of any Act making public bidding or notice a requirement of any purchase or sale by a District.

(Source: P.A. 84-939.)

(70 ILCS 3610/5.1) (from Ch. 111 2/3, par. 355.1)

Sec. 5.1. (a) The Board of Trustees of any district created after July 1, 1967 (except districts created under Section 3.1) has no authority to levy the tax provided for in subparagraph (10) of paragraph (f) of Section 5 unless the question of authorizing such tax is submitted to the voters of the district and approved by a majority of the voters of the district voting on the question.

The board of trustees of any such district may by resolution cause such question to be submitted to the voters of the district at a regular election as specified in such resolution. The question shall be certified, submitted and notice of the election shall be given in accordance with the general election law. The proposition shall be in substantially the following form:

-----  
 Shall the board of trustees of.....  
 Mass Transit District be authorized to levy a            YES

tax on property within the district at a rate -----  
of not to exceed .25% on the assessed value NO  
of such property?  
-----

(b) The Board of Trustees of any district which has the authority to levy the tax at a rate not to exceed .05% provided for in subparagraph (10) of paragraph (f) of Section 5 of this Act before the effective date of this amendatory Act of 1974 does not have the authority to increase the tax levy to a rate not to exceed .25% unless the question of increasing the taxing authority is submitted to the voters of the district and approved by a majority of the voters of the district voting on the question.

The Board of Trustees of any such district may by resolution cause such question to be submitted to the voters of the district at a regular election as specified in such resolution. The question shall be certified, submitted and notice of the election shall be given in accordance with the general election law. The proposition shall be in substantially the following form:

-----  
Shall the board of trustees of.....  
Mass Transit District be given the authority to YES  
increase their power to levy a tax on property  
within the district from a rate not to exceed -----  
.05% on the assessed value of such property  
to a rate not to exceed .25% on the assessed NO  
value of such property?  
-----

(Source: P.A. 81-1489.)

(70 ILCS 3610/5.2) (from Ch. 111 2/3, par. 355.2)  
Sec. 5.2.

Any district may provide employee benefits through the Illinois Municipal Retirement Fund if it meets the applicable requirements of the Illinois Pension Code and the Federal Social Security Act.

(Source: P. A. 78-811.)

(70 ILCS 3610/5.3) (from Ch. 111 2/3, par. 355.3)

Sec. 5.3. Purchases made pursuant to this Act shall be made in compliance with the "Local Government Prompt Payment Act", approved by the Eighty-fourth General Assembly.

(Source: P.A. 84-731.)

(70 ILCS 3610/5.4)

Sec. 5.4. Eminent domain. Notwithstanding any other provision of this Act, any power granted under this Act to acquire property by condemnation or eminent domain is subject to, and shall be exercised in accordance with, the Eminent Domain Act.

(Source: P.A. 94-1055, eff. 1-1-07.)

(70 ILCS 3610/6) (from Ch. 111 2/3, par. 356)

Sec. 6. Every District shall be exempt from all State, county and municipal taxes and registration and license fees. All property of a District is declared to be public property devoted to an essential public and governmental function and purpose and shall be exempt from all taxes and special assessments of the State or by any subdivision thereof. (Source: Laws 1959, p. 1635.)

(70 ILCS 3610/7) (from Ch. 111 2/3, par. 357)

Sec. 7. It shall be the duty of the Board of Trustees of every District to cause an annual audit of its accounts to be made by a certified public accountant of Illinois. The audit shall be completed, filed with the District within 4 months after the close of each fiscal year of the District. Certified copies of annual audits shall likewise be filed with the Secretary of State and with the governing body or bodies which created the District. (Source: Laws 1959, p. 1635.)

(70 ILCS 3610/8) (from Ch. 111 2/3, par. 358)

Sec. 8. Every District shall be subject to the provisions of "An Act concerning public utilities", approved June 29, 1921, as heretofore and hereafter amended. (Source: Laws 1959, p. 1635.)

(70 ILCS 3610/8.1) (from Ch. 111 2/3, par. 358.1)

Sec. 8.1. Any territory which is contiguous to a local mass transit district organized under Section 3.1 of this Act and which is not included in any local mass transit district may be annexed to such contiguous local mass transit district in the manner provided by this Section.

(a) If there are no legal voters residing in the territory to be annexed, then upon written petition under oath signed by all owners of record of the territory sought to be annexed filed with the secretary of the Board of Trustees requesting annexation, if the Board of Trustees deems it to be in the best interests of the District, such territory may be annexed to the District by an ordinance duly enacted by the Board.

(b) A petition, signed by 2/3 of the legal voters residing in the territory sought to be annexed and addressed to the circuit court of the county in which the local mass transit district to which annexation is sought was organized requesting that the territory described in the petition be annexed to such local mass transit district, may be filed with the clerk of that court. The clerk of the court shall thereupon present such petition to the court which shall be not less than 20 nor more than 45 days after the date the petition was filed. The court shall give notice of the time, place and date of the hearing, by publication in one or more

newspapers having a general circulation within the local mass transit district and within the territory sought to be annexed thereto, which publication shall be made at least 15 days before the date set for the hearing.

(Source: P.A. 93-590, eff. 1-1-04.)

(70 ILCS 3610/8.2) (from Ch. 111 2/3, par. 358.2)

Sec. 8.2. At the hearing provided for in Section 8.1 the court shall preside and any interested person shall be given an opportunity to be heard touching upon the sufficiency of the petition and upon the boundaries of the territory sought to be annexed to the local mass transit district. The court may continue such hearing from time to time as the court may deem necessary.

Upon the conclusion of the hearing the court shall enter an order, which shall be filed of record in the court, finding whether the petition conforms to the requirements of this Act and, if he so finds, describing the territory to be considered for annexation to the local mass transit district and directing that the question of the annexation of such territory be submitted to the board of trustees of the local mass transit district for final action. The clerk of the court shall transmit a certified copy of such order to the chairman of the board of trustees of the local mass transit district.

(Source: P.A. 83-343.)

(70 ILCS 3610/8.3) (from Ch. 111 2/3, par. 358.3)

Sec. 8.3. Within 20 days after receiving a copy of such order, the chairman of the board of trustees of the local mass transit district shall call a meeting of the board to consider the question of annexing the territory described therein to the district. A 2/3 vote of the board is required to annex such territory to the district and action of the board shall be by ordinance of annexation and the vote on such ordinance shall be entered upon the records of the district. If the vote of 2/3 of the members of the board is favorable to annexation of such territory, the secretary of the board shall file a certified copy of the ordinance of annexation with the court that ordered the consideration of the question, and that ordinance shall be filed of record in such court.

(Source: P.A. 83-343.)

(70 ILCS 3610/8.4) (from Ch. 111 2/3, par. 358.4)

Sec. 8.4. (Repealed).

(Source: P.A. 83-343. Repealed by P.A. 93-590, eff. 1-1-04.)

(70 ILCS 3610/8.5) (from Ch. 111 2/3, par. 358.5)

Sec. 8.5. In addition to any other method provided for annexation under this Act, any territory, except property classified as farmland, which (1) lies within the corporate limits of a municipality as defined in this Act, (2) is

contiguous to a local mass transit district organized under this Act, and (3) is not a part of another local mass transit district, may be annexed by the contiguous local mass transit district, by ordinance, after a public hearing has been held thereon by the board of trustees of the district at a location within the territory sought to be annexed, or within 1 mile of any part of the territory sought to be annexed. The annexing district shall cause to be published three times in a newspaper having general circulation within the area considered for annexation, at least 30 days prior to the public hearing thereon, a notice that the local mass transit district is considering the annexation of the territory specified. The notice shall also state the date, time and place of the public hearing. The annexing district shall cause to be delivered to each owner of a parcel of land which is 5 or more acres, which land is proposed to be annexed in whole or in part, a written notice containing the information required to be included in the published notice. The notice shall be delivered by first class mail so that said notice arrives 30 days in advance of the public hearing. The board of trustees of the district shall give due consideration to all testimony. For the purposes of this Section "property classified as farmland" shall mean property classified as farmland for assessment purposes pursuant to the Property Tax Code. This Section shall not apply to any mass transit district in the State which receives funding in whole or in part from the Regional Transportation Authority or any of its service boards.

(Source: P.A. 88-670, eff. 12-2-94.)

(70 ILCS 3610/8.6)

Sec. 8.6. Free services; eligibility.

(a) Notwithstanding any law to the contrary, no later than 60 days following the effective date of this amendatory Act of the 95th General Assembly and until subsection (b) is implemented, any fixed route public transportation services provided by, or under grant or purchase of service contracts of, every District shall be provided without charge to all senior citizens of the District aged 65 and older, under such conditions as shall be prescribed by the District.

(b) Notwithstanding any law to the contrary, no later than 180 days following the effective date of this amendatory Act of the 96th General Assembly, any fixed route public transportation services provided by, or under grant or purchase of service contracts of, every District shall be provided without charge to senior citizens aged 65 and older who meet the income eligibility limitation set forth in subsection (a-5) of Section 4 of the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act, under such conditions as shall be prescribed by the District. The Department on Aging shall furnish all information reasonably necessary to determine eligibility, including updated lists of individuals who are eligible for services without charge under this Section. Nothing in this Section shall relieve the District from providing reduced fares as may be required by federal law.

(Source: P.A. 95-708, eff. 1-18-08; 96-1527, eff. 2-14-11.)

(70 ILCS 3610/8.7)

Sec. 8.7. Transit services for disabled individuals. Notwithstanding any law to the contrary, no later than 60 days following the effective date of this amendatory Act of the 95th General Assembly, all fixed route public transportation services provided by, or under grant or purchase of service contract of, any District shall be provided without charge to all disabled persons who meet the income eligibility limitation set forth in subsection (a-5) of Section 4 of the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act, under such procedures as shall be prescribed by the District. The Department on Aging shall furnish all information reasonably necessary to determine eligibility, including updated lists of individuals who are eligible for services without charge under this Section.

(Source: P.A. 95-906, eff. 8-26-08.)

(70 ILCS 3610/9) (from Ch. 111 2/3, par. 359)

Sec. 9. Whenever the Board of Trustees of any District shall determine that there is no longer a public need for its transportation services or that other adequate services are or can be made available, and that it should terminate its existence and services, it may by resolution so certify to the participating municipalities and counties which created it. If the participating municipalities and counties approve of such discontinuance, they may by ordinance or resolution, as the case may be, authorize the District to discontinue its services and wind up its affairs. A copy of such ordinance or resolution or both, shall be filed with the county or municipal clerk or clerks and the Secretary of State. After payment of all its debts and settlement of all obligations and claims, any funds remaining after the sale and disposition of its property shall be disposed of by payment to the treasurer of the county or municipality which created it, or if created by 2 or more municipalities or counties, by payment to the several treasurers, first, to repay in whole or pro rata, funds advanced to the authority, and the balance, if any, pro rata according to the length of scheduled transportation route miles operated in the several municipalities and unincorporated areas of the several counties during the preceding calendar year.

(Source: Laws 1959, p. 1635.)

# **Airport Governance Structure Review of University of Illinois Willard Airport**

Prepared for the Champaign County Economic Development Corporation

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