

Executive Summary of Airport Governance Review University of Illinois Willard Airport

Prepared for the Champaign County Economic Development Corporation



Prepared by

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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.

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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

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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.

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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.

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