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MEMORANDUM

(Prepared for the December 8, 2011 Council Meeting)

TO: **Mayor and Council**

FROM: **Tim Wright**

SUBJECT: **Transfer of Airport Operations to the Town From PRAA and Creation of the Payson Airport Commission**

CC: **Debra Galbraith, Town Manager**
LaRon Garrett, Public Works Director

Since late 2010, representatives of the Town and the Payson Regional Airport Authority ("PRAA") have been meeting and discussing potential amendments to the Airport Lease ("the Lease"). Although these discussions originated with the idea of making amendments to the Lease to improve and clarify the working relationship between PRAA and the Town for the betterment of the Airport, both PRAA and the Town now believe that a transfer of daily managerial/operational control to the Town is best for the Airport, its users, and the citizens of Payson.[1]

PRAA and the Town also agree that a group such as PRAA's Board of Directors is beneficial to assist with strategic and long term planning at the Airport. To this end, the Payson Airport Commission is being proposed.

With these goals in mind, representatives of PRAA have agreed to transfer the daily management/ operations of the Airport to the Town. Representatives of both PRAA and the Town have negotiated the Second Amendment to the Airport Lease, which facilitates this transfer and terminates the Lease. On October 19, 2011, the PRAA Board of Directors approved the Second

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1. Some of the factors that went into this decision include: (1) In April, the Town obtained a legal opinion that PRAA is subject to the same governmental operational requirements as the Town, including the Open Meeting Law, the Public Records Law, the governmental Conflict of Interest statutes, public bidding requirements, municipal budgeting requirements, and Arizona's Constitutional Gift Clause. These requirements greatly reduce the efficiencies that the Town and PRAA thought an independent non-profit could achieve; (2) The Town is in a better position to borrow funds and/or issue bonds than is PRAA for future Airport Development; (3) The Town Yard Lease expires in 2019 and PRAA is unsure how it will replace the $75,000+ per year of lost revenues; and (4) by the Town directly managing day to day operations, as far as the FAA is concerned, the Town's role is clarified and the Airport is placed in a better position as to future grant funding.

DEC 08 2011 D. 4. A

Amendment by a vote of 6-0. The basic terms of this Amendment are listed below.[2]

- PRAA will transfer daily management and operational control of the Airport to the Town as of February 1, 2012.

- The Town will create the Payson Airport Commission to assist in the strategic and long term planning for the Airport.[3]

- The Town will hire PRAA's employee to continue the good will that she and PRAA have created, and to create a seamless transition.

As set forth in the attached Timeline, the Council will be asked to consider and act upon the Amendment and accompanying Ordinances and Resolutions at two separate meetings. At the Regular Meeting of December 8, 2011, the Council will have a brief presentation from staff and the first reading/public hearing on the Ordinances creating the Airport Commission (816) and repealing changes made to Chapter 95 of the Town Code (Airport) to facilitate the Airport Lease (817). Staff has scheduled a Special Meeting on Tuesday December 13, 2011 that is dedicated to this transition. At this Special Meeting, the Council will be asked to take action on the following items:

1) Adoption of the Amendment formalizing the Transfer (Resolution 2640),
2) Creation of the Airport Commission (Ordinance 816/Resolution 2641),
3) Appoint the Commissions first members (Resolution 2642),
4) Repeal changes made to Chapter 95 of the Town Code (Airport) to facilitate the original Airport Lease (Ordinance 817),
5) Authorize the creation of the Airport Coordinator in the Pay Plan (Resolution 2643),
6) Approve PRAA's existing Schedule of Fees and Charges; Minimum Standards; and Rules and Regulations (Resolution 2644),
7) Recognize and formally thank PRAA Board Members and volunteers and ask these volunteers to remain involved (Resolution 2645), and
8) Review the Airport Capital Improvements Plan.

It is anticipated that the transition will take approximately 45 days, and that it will be completed by February 1, 2011 per the attached timeline.

If you have any questions regarding this transfer, please feel free to speak with either myself or LaRon Garrett.

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2. A Timeline setting forth how these provisions will be implemented is attached.

3. The proposed responsibilities, powers, and duties of the Airport Commission can be found in Ordinance 816/Resolution 2641.

TIME LINE

Early December 2011

December 8, 2011 (Regular Council Meeting)

(1) Staff Report re transfer back of Airport and process
(2) First Reading on Ordinance 816 creating the Airport Commission.
(3) First Reading on Ordinance 817 repealing of Ordinance 755, amendments made to Chapter 95 when Airport was leased to PRAA.

December 13, 2011 (Tuesday Special Council Meeting)

(1) Resolution 2640 approving Second Amendment to Lease with PRAA with emergency clause to allow immediate effect.
(2) Second Reading on Ordinance 816/Resolution 2641 creating the Airport Commission, effective date of Commission is February 1, 2012.
(3) Resolution 2642 appointing the initial members to Airport Commission effective February 1, 2012.
(4) Second Reading on Ordinance 817 repealing Ordinance 755, effective February 1, 2012.
(5) Resolution 2643 authorizing the creation of Airport Coordinator in the Town Pay Plan and removing the position of Airport Manager from Town Pay Plan.
(6) Resolution 2644 adopting Schedule of Fees and Charges, Minimum Standards, and Rules and Regulations as prepared by PRAA not in conflict with Chapter 95, effective February 1, 2012.
(7) Resolution 2645 thanking all who have served on PRAA Board or as volunteers over last 4 years.
(8) Airport Capital Improvement Plan.

Late December/January, 2011-2012

* December 14 – Second Amendment executed by PRAA and the Town.

* December 14, 15, or 16th - representatives of PRAA and the Town meet to put dates to the following items and appoint representatives to facilitate the transfer.

* Early January - PRAA submits final list of all current leases and contracts.

* PRAA and the Town jointly notify tenants of change of date/address of future rent payments/contacts.

* Town finance department prepares for receipt of lease and other payments as of February 1, 2012.

* Town takes all steps necessary to hire Beth and airport maintenance worker effective February 1, 2012.

* Escrow account opened. December 19, 2011 PRAA will deposit all funds except 'operational funds' ($40,000.00) into the escrow. PRAA and the Town place any monies received during the Transition Period in the escrow.

* All assets of the Airport are prepared for reassignment to the Town as of February 1, 2012.

* Utilities are transferred into the Town's name as of February 1, 2012.

* List of deposits for tie downs, hangars, and gate keys is provided to the Town

* PRAA provides based aircraft lists to the Town.

* PRAA prepares all files (original or copies) for transfer to Town control.

* PRAA and the Town conduct a media outreach re the transfer – to include TOP talk show, KMOG Town day, press release, etc.

* PRAA cancels general liability insurance as of 2/1/12. Town obtains general liability insurance as of 2/1/12,

February 1, 2012

* Town take over operations of the airport (should be seamless because the Town has hired PRAA's employee)

* PRAA's employee becomes a Town Employee

* All additional assets are transferred.

February, 2012

* First meeting of the new Airport Commission

PRAA retains the remainder of the 'operational funds' until the earlier of (a) the end of ACD v. PRAA (CV2011-285) or (b) December 31, 2012 at which time the remainder is transferred to the Town.