



## Des Moines Airport Authority

Des Moines International Airport  
5800 Fleur Drive  
Des Moines, Iowa 50321  
(515) 256-5100

### Memorandum

**TO:** Airline-Airport Affairs Committee  
**FROM:** Brian Mulcahy, Director of Finance  
**DATE:** September 29, 2014  
**SUBJECT:** Des Moines Budget Consultation

---

The Des Moines Airport Authority will be holding the 2015 budget consultation meeting on October 3<sup>rd</sup> at 10:00 am Central. The meeting will be held in the Authority Board Room if attending in person or via conference call at the following:

Dial In Number: 866-685-1580  
Conference Code: 5624109164

Attached to this memo are the following tables which will be discussed during the meeting.

#### Calculation of FY 2015 Airline Rates and Charges

Table 1	Landing Fees
Table 2	Terminal Rentals
Table 3	Passenger Terminal Apron Fees
Table 4	Passenger Security Fees
Table 5	Cargo Apron Fees
Table 6	Terminal Space
Table 7	Debt Service Requirement
Table 8	Operation and Maintenance Expenses
Table 9	Revenues
Table 10	Application of Revenues
Table 11	Traffic Activity
Table 12	Cost Per Enplaned Passenger

A separate table presenting the current rates and proposed rates for 2015 is included following table 12. The initial budget will be presented to the Authority Board on October 14<sup>th</sup> and is expected to be finalized at the November meeting.

### **Derivation of Landing Fees**

The landing fee rate is calculated on a cost center residual basis to recover all Airfield costs at DSM, net of Airfield revenues other than scheduled passenger and cargo airline landing fees. The calculation of landing fees is displayed in Table 1. The Airfield Requirement will be computed by summing the following costs:

1. Allocable direct and indirect O&M Expenses less eight percent (8%) of such amount which will be allocated to the Apron Area
2. Allocable Equipment and Capital Outlays
3. Allocable senior and subordinate bond debt service, excluding amounts funded by PFC revenues
4. Allocable required deposits to the reserve accounts established pursuant to the Bond Resolution
5. Allocable Amortization of capital items funded by the Authority from internal cash
6. Allocable amount of any assessment, judgment, settlement, or charge, net of insurance proceeds, to become payable by Authority

The Airfield Requirement is then credited with Airfield revenues other than scheduled passenger and cargo airline landing fees paid at DSM, including (a) fuel flowage fees, (b) cost of goods sold for ground support equipment fuel sold to Airlines, (c) fuel consortium land rents, and (d) farm land rental revenue, to yield a Net Airfield Requirement. The Net Airfield Requirement is then divided by the aggregate Maximum Gross Landed Weight of all scheduled passenger and cargo airlines expected to operate at the Airport to yield the Landing Fee Rate.

### **Derivation of Charges for Use of the Terminal**

**Terminal Rental Rate.** The terminal space rental rate is established using a commercial compensatory ratemaking methodology using Rentable Space as the rental divisor. This calculation is displayed in Table 2. The Terminal Requirement includes the following costs:

1. Allocable direct and indirect O&M Expenses less amounts reimbursed for Security Fees
2. Allocable Equipment and Capital Outlays
3. Allocable senior and subordinate bond debt service, excluding amounts funded by PFC revenues
4. Allocable required deposits to the reserve accounts established pursuant to the Bond Resolution
5. Allocable Amortization of capital items funded by the Authority from internal cash

6. Allocable amount of any assessment, judgment, settlement, or charge, net of insurance proceeds, to become payable by Authority

The Terminal Rental Rate is then calculated by dividing the Terminal Requirement by total rentable space.

**Terminal Apron Fee.** The calculation of the Terminal Apron Fee is displayed in Table 3. The Terminal Apron Area Requirement consists of the following costs:

1. Apron Area share of Airfield Area direct and indirect O&M Expenses (at 8%) times the percentage of square footage that the Terminal Apron Area is of the total square footage of Apron Area pavement (45.48%)
2. Direct O&M Expenses allocable to the Terminal Apron Area, consisting of stormwater charges
3. Allocable Equipment and Capital Outlays
4. Allocable senior and subordinate bond debt service, excluding amounts funded by PFC revenues
5. Allocable required deposits to the reserve accounts established pursuant to the Bond Resolution
6. Allocable Amortization of capital items funded by the Authority from internal cash
7. Allocable amount of any assessment, judgment, settlement, or other charge, net of insurance proceeds, to become payable by Authority

The estimated Terminal Apron Area Requirement is divided by the aggregate Maximum Gross Landed Weight of all scheduled passenger airlines expected to operate at the Airport to yield the Terminal Apron Fee Rate.

**Security Fee.** The calculation of Security Fee is displayed in Table 4. Security Costs allocable to the Terminal, including the allocable deposit to the O&M Reserve Account, will be reduced by the amount of any reimbursement from the federal government for Law Enforcement Officers and tenant reimbursements to determine the total security requirement. The total security requirement is then divided by the enplaned passengers of the scheduled passenger airlines using the secured passenger boarding areas to yield the Security Fee per enplaning passenger.

### **Derivation of Cargo Apron Fees**

The calculation of the Cargo Apron Fee is displayed in Table 5. The Cargo Apron Area Requirement consists of the following costs and credits:

1. Apron Area share of Airfield Area direct and indirect O&M Expenses (at 8%) times the percentage of square footage that the Cargo Apron Area is of the total square footage of Apron Area pavement (54.52%)
2. Direct O&M Expenses allocable to the Cargo Apron Area, consisting of stormwater charges
3. Allocable Equipment and Capital Outlays
4. Allocable senior and subordinate bond debt service, excluding amounts funded by PFC revenues
5. Allocable required deposits to the reserve accounts established pursuant to the Bond Resolution
6. Allocable Amortization of capital items funded by the Authority from internal cash
7. Allocable amount of any assessment, judgment, settlement, or other charge, net of insurance proceeds, to become payable by Authority

The estimated Cargo Apron Area Requirement is then be divided by the aggregate Maximum Gross Landed Weight of all scheduled cargo airlines expected to operate at the Airport to yield the Cargo Apron Fee Rate.

### **Underlying Assumptions and Supporting Tables**

Tables 6-12 include supporting information and traffic activity assumptions that will be discussed during our meeting. The final page of this memo includes the current AIP Capital Improvement Plan outlook for future years.

Table 1  
**Landing Fee Rate**  
**Des Moines Airport Authority**  
**(Fiscal Year Ending December 31, 2015; in thousands except as noted)**

		2014	2015
<b>AIRFIELD AREA COST</b>			
O&M Expenses	[A]	\$ 4,365	\$ 4,784
Less: Apron Area Share of O&M Expense (8%)	[A] * 8%	<u>(349)</u>	<u>(383)</u>
Net O&M Expenses		\$ 4,016	\$ 4,401
Deposit to O&M Reserve Account	[B]	-	-
Equipment and Capital Outlays	[C]	56	35
Annual General Obligation Bonds Debt Service	[A]	-	-
Annual Airport Revenue Bonds Debt Service	[D]	952	952
Amortization of Capital Improvements	[E]	<u>377</u>	<u>276</u>
Airfield Area Cost	[F] = [A] THRU [E]	\$ 5,402	\$ 5,664
Less Airfield Revenues other than Scheduled Airline landing fees:			
Military Airfield Use Fee	[G]	-	-
Fuel Sales -- Fuel Flowage	[H]	(256)	(256)
Fuel Sales -- GSE Fuel Sales to Airlines	[I]	(247)	(251)
Fuel Consortium Land Rent	[J]	(15)	(16)
Farmland Rentals	[K]	<u>(110)</u>	<u>(175)</u>
Net Airfield Area Requirement	[L] = [F] THRU [K]	\$ 4,774	\$ 4,967
Scheduled Passenger and Cargo Airline Landed Weight (1,000 lbs)	[M]	1,768	1,797
Landing Fee Rate	[L]/[M]	<b>\$ 2.70</b>	<b>\$ 2.76</b>
Passenger Airline Landing Fees		\$ 3,603	\$ 3,756
Cargo Airline Landing Fees		\$ 1,171	\$ 1,211

Table 2

**Terminal Rental Rate****Des Moines Airport Authority****(Fiscal Year Ending December 31, 2015; in thousands except as noted)**

		2014	2015
<b>TERMINAL AREA COST</b>			
O&M Expenses	[A]	\$ 7,909	\$ 8,024
Less: Allocation to Security Fee	[F]	<u>(2,017)</u>	<u>(1,895)</u>
Net O&M Expenses	[G] = [A] - [F]	\$ 5,892	\$ 6,129
Deposit to O&M Reserve Account	[B]	-	-
Equipment and Capital Outlays	[C]	321	65
Annual General Obligation Bonds Debt Service	[A]	-	-
Annual Airport Revenue Bonds Debt Service	[D]	119	119
Amortization of Capital Improvements	[E]	<u>775</u>	<u>692</u>
Terminal Requirement	[H] = [G] THRU [E]	\$ 7,108	\$ 7,005
Less:			
100% Basement & 2nd Floor Rentals		-	-
50% Concession Revenue		-	-
100% Terminal Telephone System Revenue		-	-
Rentable Space (SF)	[I]	<u>129</u>	<u>129</u>
<b>Terminal Rental Rate (per SF per year)</b>	<b>[H]/[I] = [J]</b>	<b>\$ 55.13</b>	<b>\$ 54.34</b>
Scheduled Airline Rented Space (SF) - Main Floor	[K]	<u>67</u>	<u>67</u>
Main Floor Terminal Rentals	[L] = [J] * [K]	\$ 3,690	\$ 3,636
Concourse Sublevel Rental Rate (per SF per year)	[M]	\$ 25.00	\$ 25.00
Scheduled Airline Rented Space (SF) - Concourse Sublevel	[N]	<u>9</u>	<u>9</u>
Concourse Sublevel Terminal Rentals	[O] = [M] * [N]	\$ 223	\$ 223
2nd Floor Rental Rate (per SF per year)	[P]	\$ 15.00	\$ 15.00
Scheduled Airline Rented Space (SF) - 2nd Floor	[Q]	<u>1</u>	<u>1</u>
2nd Floor Terminal Rentals	[R] = [P] * [Q]	\$ 14	\$ 14
Scheduled Airline Terminal Rentals	[L] + [O] + [R]	\$ 3,926	\$ 3,873

Table 3

**Passenger Terminal Apron Fee****Des Moines Airport Authority****(Fiscal Year Ending December 31, 2015; in thousands except as noted)**

		2014	2015
<b>TERMINAL APRON COST</b>			
Terminal and Cargo Apron share of Airfield O&M Expenses	[A]	\$ 349	\$ 383
Share of Terminal Apron Area	[F]	<u>45.48%</u>	<u>45.48%</u>
Terminal Apron Operating Expenses	[G] = [A] * [F]	\$ 159	\$ 174
Stormwater Charges	[H]	<u>626</u>	<u>619</u>
Total Terminal Apron O&M Expenses	[I] = [G] +[H]	\$ 785	\$ 793
Deposit to O&M Reserve Account	[B]	-	-
Equipment and Capital Outlays	[C]	8	8
Annual Airport Revenue Bonds Debt Service	[D]	143	143
Amortization of Capital Improvements	[E]	<u>25</u>	<u>27</u>
Terminal Apron Requirement	[J] = [I] THRU [E]	\$ 961	\$ 971
Scheduled Passenger Airline Landed Weight (1,000 lbs)	[K]	1,318	1,342
Terminal Apron Fee Rate (per 1,000-lb unit)	[J]/[K]	<b>\$ 0.73</b>	<b>\$ 0.72</b>

Table 4

**Security Fee****Des Moines Airport Authority****(Fiscal Year Ending December 31, 2015; in thousands except as noted)**

		2014	2015
<b>SECURITY FEE</b>			
Security Costs allocable to the Terminal	[A]	\$ 2,017	\$ 1,895
Deposit to O&M Reserve Account	[B]	-	-
Less:			
Federal Reimbursement for Law Enforcement Officers	[G]	(143)	(146)
Other Tenant Reimbursements	[H]	(56)	(58)
Net Security Operating Expenses	[I] = [A] THRU [H]	\$ 1,818	\$ 1,691
Enplaned Passengers	[J]	1,158	1,180
Security Fee per Enplaned Passenger	[I]/[J]	<b>\$ 1.57</b>	<b>\$ 1.43</b>



Table 5

**Cargo Apron Fee****Des Moines Airport Authority****(Fiscal Year Ending December 31, 2015; in thousands except as noted)**

		2014	2015
<b>CARGO APRON COST</b>			
Terminal and Cargo Apron share of Airfield O&M Expenses	[A]	\$ 349	\$ 383
Share of Cargo Apron Area	[F]	<u>54.52%</u>	<u>54.52%</u>
Cargo Apron Area Operating Expenses	[G] = [A] * [F]	\$ 190	\$ 209
Stormwater Charges	[H]	<u>434</u>	<u>392</u>
Total Cargo Apron O&M Expenses	[I] = [G] + [H]	\$ 624	\$ 601
Deposit to O&M Reserve Account	[B]	-	-
Equipment and Capital Outlays	[C]	5	8
Annual Airport Revenue Bonds Debt Service	[D]	210	210
Amortization of Capital Improvements	[E]	<u>25</u>	<u>27</u>
Cargo Apron Requirement	[J] = [I] THRU [E]	\$ 864	\$ 845
Scheduled Cargo Airline Landed Weight (1,000 lbs)	[K]	430	434
<b>Cargo Apron Fee Rate (per 1,000-lb unit)</b>	<b>[J]/[K]</b>	<b>\$ 2.01</b>	<b>\$ 1.95</b>

Table 6  
**Terminal Space**  
**Des Moines Airport Authority**  
(square feet)  
**(Fiscal Year Ending December 31, 2015; in thousands except)**

	<u>2015</u>
<b>TERMINAL RENTABLE SPACE</b>	
Airline Rentable Space	
Exclusive Use	
Main Floor	
Ticket Counter	1.3
1st Floor Office	4.0
Lost Baggage Storage	0.3
Concourse Sublevel	
Concourse Office	4.6
Concourse Operations	7.3
2nd Floor	0.9
Common Use	
Main Floor	
Concourse Holdrooms	19.2
Airline Common Use - TSA	19.0
Baggage Make-up	10.1
Skycap Area	0.3
Baggage Claim	14.1
Concourse Sublevel	
Triturator Room	<u>0.6</u>
Subtotal Airline Rentable Space	81.8
Concession/TSA Space	25.8
Authority's 2nd Floor	13.5
Basement/2nd Floor	<u>7.8</u>
Total Rentable Space	128.9
<b>TERMINAL NON-RENTABLE SPACE</b>	
Authority	
Main/Concourse	5.7
Basement	6.5
Public	
Main/Concourse	61.0
Basement/2nd Floor	<u>13.5</u>
Total Usable Space	215.7
Mechanical Space	<u>48.5</u>
Gross Building Area	264.1
<b>AIRLINE RENTED SPACE</b>	
Exclusive Use	
Main Floor	
Ticket Counter	1.0
1st Floor Office	2.3
Lost Baggage Storage	0.3
Concourse Sublevel	
Concourse Office	4.6
Concourse Operations	4.3
2nd Floor	<u>0.9</u>
	13.4
Common Use	
Main Floor	
Concourse Holdrooms	19.2
Security Screening	19.0
Baggage Make-up	10.1
Skycap Area	0.3
Baggage Claim	14.1
Concourse Sublevel	
Triturator Room	<u>0.6</u>
	<u>63.4</u>
Total Airline Rented Space	76.7
<b>Exclusive Use Area by Airline</b>	
Allegiant Air	0.3
American Airlines	3.5
Southwest (formerly AirTran)	0.1
Delta Air Lines	2.6
Frontier	0.5
United Airlines	4.9
US Airways	1.4
Other	<u>-</u>
Total Airline Exclusive Use	13.4

Table 7  
**Debt Service Requirement**  
**Des Moines Airport Authority**  
(Fiscal Year Ending December 31, 2015; in  
thousands except as noted)

---

	<u>2015</u>
Debt Service Requirement	
2010A	\$ 254
2010B	856
2010C	1,806
2010D	251
2012	<u>547</u>
Total Senior Bonds (net of PFCs)	\$ 3,714
Allocation by Cost Center	
Terminal	\$ 119
Airfield	952
Loading Bridges	-
Common-Use System	-
Terminal Apron	143
Cargo Apron	210
Parking & Roadways	1,637
GA and Other	653
Car Rental Facility	-
Administration	<u>-</u>
Total	\$ 3,714

Table 8  
**Operation and Maintenance Expenses**  
**Des Moines Airport Authority**  
(Fiscal Year Ending December 31, 2015; in  
thousands except as noted)

	2014	2015
Operation and Maintenance Expenses		
Wages, Salaries, & Benefits	\$ 8,630	\$ 8,518
Utilities	1,553	1,659
Contractual Services	4,312	5,247
Other Government Services	1,263	1,122
Repair and Maintenance	2,573	2,424
Supplies	2,695	2,725
Travel/Training	55	75
Total Expenses	\$ 21,081	\$ 21,770
Allocation by Cost Center		
Terminal	\$ 7,109	\$ 7,348
Common-Use System/1	271	293
Total Terminal	\$ 7,380	\$ 7,641
Passenger Loading Bridges	529	383
Airfield	4,365	4,784
Terminal Apron/2	626	619
Cargo Apron/2	434	392
Parking & Roadways	4,085	4,203
GA and Other	1,716	1,745
Car Rental Facility	1,946	2,004
Total	\$ 21,081	\$ 21,770

- 
1. Sub-cost center within the Terminal Cost Center
  2. Stormwater charges only.

Table 9  
**Revenues**  
**Des Moines Airport Authority**  
**(Fiscal Year Ending December 31, 2015; in**  
**thousands except as noted)**

	2014	2015
Passenger Airline Rates and Charges		
Landing Fees	\$ 3,603	\$ 3,756
Terminal Rentals	3,926	3,873
Terminal Apron Fees	961	971
Loading Bridge Fees	-	-
TSR Security Fees	<u>1,818</u>	<u>1,691</u>
Subtotal	\$ 10,308	\$ 10,291
Cargo Airline Rates and Charges		
Landing Fees	\$ 1,171	\$ 1,211
Cargo Apron Fees	<u>864</u>	<u>845</u>
Subtotal	\$ 2,035	\$ 2,056
Nonairline Revenues		
Airfield Revenues	\$ 629	\$ 698
Terminal Concession Revenues	1,153	1,185
Other Terminal Revenues	1,132	1,145
Parking Revenues	9,517	10,595
Rental Car Revenues	2,360	2,300
Rental Car Lot	58	182
RAC Occupancy Fee and Fuel Sales	1,153	1,167
Ground Rentals	1,243	1,284
Other Building and Grounds Revenues	<u>-</u>	<u>840</u>
Subtotal	\$ 17,244	\$ 19,396
Nonoperating Revenues		
TSA LEO Grants	\$ 143	\$ 80
Interest Income	<u>61</u>	<u>45</u>
Nonoperating Revenues	\$ 204	\$ 125
<b>REVENUES</b>	<b>\$ 29,791</b>	<b>\$ 31,868</b>

Table 10  
**Application of Revenues**  
**Des Moines Airport Authority**  
(Fiscal Year Ending December 31, 2015; in thousands except as  
noted)

---

	<u>2015</u>
Revenues	\$ 31,868
PFC Collections	<u>4,679</u>
	36,546
 <b>Application of Revenues (Section 7.2 (a)(i)) of Bond Resolution</b>	
Current Operation and Maintenance Expenses Account	\$ 21,770
ARFF Costs not included in ratemaking	469
Senior Bonds Principal and Interest Fund	3,714
Senior Debt Service Reserve Fund	-
Subordinate Bond Fund	-
Rebate Fund	-
O&M Reserve Account	-
General Obligation Bond Fund	-
Surplus Fund	<u>10,593</u>
Total Application of Revenues	\$ 36,546

---

<b>Surplus Fund Transactions</b>	
Starting Balance	<u>\$ 28,822</u>
Deposit of Operating Net Revenues	10,593
Capital Expenditures	(8,021)
CFC Repayment of QTA Capital Cost	793
CFC Repayment Allocable Other Costs	<u>663</u>
Total Ending Balance	\$ 32,850

Table 11

**Traffic Activity****Des Moines Airport Authority****(2010-2012 ending June 30; 2013 ending December 31; in thousands except as noted)**

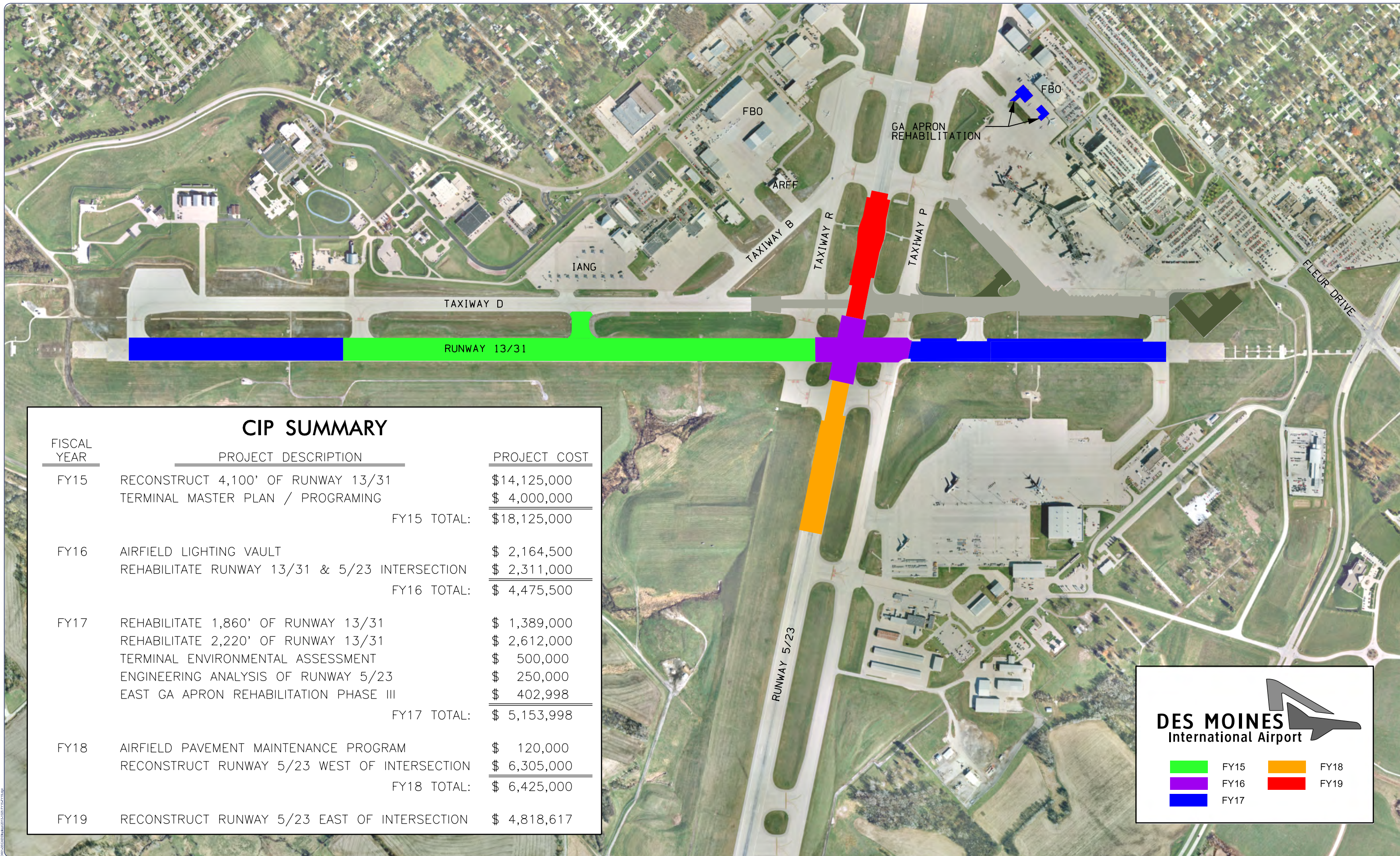
	Fiscal Years Ending June 30					
	2010	2011	2012	2013	2014	2015
<b>Enplaned Passengers</b>	890	929	1,001	1,097	1,158	1,180
<b>Landed Weight - 1,000 lb Units</b>						
<b>Passenger Airlines</b>	1,124	1,085	1,152	1,265	1,335	1,359
<b>Cargo Carriers</b>	454	426	435	429	434	438
	1,578	1,511	1,587	1,694	1,768	1,797

Table 12  
**Projected Cost per Enplaned Passenger by Airline**  
**Des Moines Airport Authority**  
**(Fiscal Year Ending December 31, 2015)**

Cost per Enplaned Passenger		
Allegiant Air	8.46	8.28
American Airlines	8.95	8.79
Southwest (formerly AirTran)	8.66	8.47
Delta Air Lines	8.76	8.60
Frontier	9.59	9.41
United Airlines	8.90	8.73
US Airways	8.98	8.82
Other	16.11	13.38
Average	8.90	8.72



	<b><u>2014 Actual</u></b>	<b><u>2015 Projected</u></b>
<b>Landing Fee</b> (per 1,000 lbs)	\$2.70	\$2.76
<b>Terminal Rental Rate</b> (per sq ft)	\$55.13	\$54.34
<b>Terminal Apron Fee</b> (per 1,000 lbs)	\$.73	\$.72
<b>Security Fee</b> (per passenger)	\$1.57	\$1.43
<b>Cargo Apron Fee</b> (per 1,000 lbs)	\$2.01	\$1.95
<b>CPE</b>	\$8.90	\$8.72



### CIP SUMMARY

FISCAL YEAR	PROJECT DESCRIPTION	PROJECT COST
FY15	RECONSTRUCT 4,100' OF RUNWAY 13/31	\$14,125,000
	TERMINAL MASTER PLAN / PROGRAMING	\$ 4,000,000
	FY15 TOTAL:	\$18,125,000
FY16	AIRFIELD LIGHTING VAULT	\$ 2,164,500
	REHABILITATE RUNWAY 13/31 & 5/23 INTERSECTION	\$ 2,311,000
	FY16 TOTAL:	\$ 4,475,500
FY17	REHABILITATE 1,860' OF RUNWAY 13/31	\$ 1,389,000
	REHABILITATE 2,220' OF RUNWAY 13/31	\$ 2,612,000
	TERMINAL ENVIRONMENTAL ASSESSMENT	\$ 500,000
	ENGINEERING ANALYSIS OF RUNWAY 5/23	\$ 250,000
	EAST GA APRON REHABILITATION PHASE III	\$ 402,998
	FY17 TOTAL:	\$ 5,153,998
FY18	AIRFIELD PAVEMENT MAINTENANCE PROGRAM	\$ 120,000
	RECONSTRUCT RUNWAY 5/23 WEST OF INTERSECTION	\$ 6,305,000
	FY18 TOTAL:	\$ 6,425,000
FY19	RECONSTRUCT RUNWAY 5/23 EAST OF INTERSECTION	\$ 4,818,617

**DES MOINES**  
International Airport

<span style="display:inline-block; width:15px; height:10px; background-color:blue; border:1px solid black;"></span> FY15	<span style="display:inline-block; width:15px; height:10px; background-color:orange; border:1px solid black;"></span> FY18
<span style="display:inline-block; width:15px; height:10px; background-color:purple; border:1px solid black;"></span> FY16	<span style="display:inline-block; width:15px; height:10px; background-color:red; border:1px solid black;"></span> FY19
<span style="display:inline-block; width:15px; height:10px; background-color:blue; border:1px solid black;"></span> FY17	