

**An Audit of
Department of Public Works
Airport Division**

July 2007

Committee on Finance and Audit

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July 3, 2007

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

We have completed an Audit of the Department of Public Works Airport Division. The report compares General Mitchell International Airport with other airports operated as either governmental units or regional authorities. A variety of financial and passenger statistical data reported to the Federal Aviation Administration was used for the comparisons.

A response from the Airport Director is included as **Exhibit 4**. We appreciate the cooperation extended by airport staff during the audit.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer
Director of Audits

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, Milwaukee County Executive
Rob Henken, Director, Department of Administrative Services
George Torres, Director of Transportation and Public Works
C. Barry Bateman, Airport Director
Terrence Cooley, Chief of Staff, County Board Staff
Cynthia Archer, Fiscal & Budget Administrator, Department of Administrative Services
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An Audit of Public Works - Airport Division

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Summary

The County Board authorized and directed the Department of Audit (County Board Resolution 06-288) to conduct a performance audit of General Mitchell International Airport (GMIA) with particular emphasis on airline charges, including comparison with other airports operated as either governmental units or regional authorities.

Financial and passenger statistical data needed for comparing airport operations were obtained from the Federal Aviation Administration (FAA), which requires annual financial and statistical reports from all public airports and airlines. We translated this data into a “per passenger” basis to allow for comparability between three different groups of airports: (1) the top 100 airports across the country, (2) 37 mid-sized airports of which includes GMIA, and (3) 19 “snow belt” airports (airports of similar size and climates).

We used this information to compare GMIA’s revenues, expenses, and overall net income to the other airports in each of the three strata mentioned above. The results showed that GMIA compared favorably in nearly all revenue and cost categories. For overall net income, GMIA was 23rd out of the top 100 busiest airports nationally, sixth out of the 37 medium-sized airports, and sixth out of the 19 snow belt airports.

We also used financial information to compare, as a group, airports operated by governmental units (cities, counties and states) with those operated by regional authorities. We again stratified this comparison into the three groups (top 100, medium hubs and snow belt airports) for better comparability. GMIA again compared favorably to each group, where it had a higher average net income per passenger than both authority-operated airports and other government-operated airports for each of the three strata. It was interesting to note that GMIA’s personnel cost per passenger, an issue that has been raised as part of the discussion concerning potentially creating a regional airport authority to oversee GMIA, was less than both regional authorities as a group and other government operated airports in each of the three strata.

Another basis for comparing airports financially and as a going concern is their bond ratings. Credit rating agencies such as Moody’s, Standard & Poor’s and Fitch are called on to assess the credit worthiness of airports and other governmental bodies seeking to borrow funds for capital projects by reviewing key financial and operational information. Their ratings provide insight into how well an airport is being operated. GMIA’s bond rating of A+ fell into the large majority of airports that are

considered investment grade, in which bonds issued by this group are considered high credit quality, with strong capacity to meet financial obligations and corresponding low level of credit risk.

During the course of our audit, the Airport Director brought to our attention concerns about incidents involving vehicle operation on Airport grounds. This is a problem that occurs not only at GMIA but airports across the nation. There are two types of incidents. The first, known as a surface incident, generally involves unsafe vehicle operation anywhere inside the airport fence line, but does not involve aircraft attempting to take off or land. The second, more serious type, is called a runway incursion as it occurs on a runway while an aircraft is in the process of taking off or landing. The severity of a runway incident is also rated, based on how close to an aircraft the operation occurs.

From January 2005 through May 2006, GMIA experienced two runway incursions caused by County vehicles. Neither was considered having significant potential for causing a collision. Over the same time there were seven surface incidents, four of which involved County vehicles. For each runway incursion and surface incident, our review showed GMIA management responded with a corrective action plan to help prevent reoccurrence of the incident.

To enhance runway safety, the County Board in April 2007 approved \$562,000 for the purchase of ten workstations and five customized training modules, including one named "Driving in the Aircraft Movement Areas." It also approved \$1,026,000 for additional airfield safety improvements, such as redesigning and relocating access roads for vehicles to avoid potential runway incursions. Regional FAA officials noted to us that they were pleased with the responsiveness of GMIA management to runway safety issues, stating they were encouraged by the quality of the actions taken.

We would like to acknowledge the cooperation of Airport management throughout the audit process. A management response is included as **Exhibit 4**.

Background

The County Board authorized and directed the Department of Audit (County Board Resolution 06-288) to conduct a performance audit of General Mitchell International Airport (GMIA), with particular emphasis on airline charges, including comparison with other airports operated as either governmental units or regional authorities.

Milwaukee County operates and maintains GMIA, as well as Lawrence J. Timmerman Field, under authority granted under Chapters 59 and 114 of the Wisconsin Statutes. Both airports are under the management of the Airport Director, who is responsible for an overall 2007 expenditure budget of about \$64.3 million, which includes 216.4 full-time equivalent positions (plus an equivalent of 9.5 positions to cover overtime needs). Organizationally, the Airport Division reports to the Director of Public Works. Under the terms of the negotiated agreement between Milwaukee County and the 12 signatory airlines, all operating expenses and debt service costs for the airport are recovered through rates and charges assessed to users of GMIA facilities through terminal space and land rentals, concession fees and landing fees.

GMIA has five runways, the longest two of which are used primarily for commercial air passenger and cargo jet aircraft. The remaining three smaller runways serve smaller jets and general aviation propeller aircraft. GMIA's main terminal complex is comprised of a central terminal building and three passenger concourses with 42 gates plus three temporary gates. Current expansion will add eight new gates plus additional ground-level boarding gates. Six major airlines and about 11 regional commuter airlines provide scheduled passenger service at GMIA. The major carriers are Midwest, Northwest, US Airways (America West), Delta, Frontier and Air Tran. Midwest is GMIA's dominant carrier, recording about 35% of all enplanements for 2005. [Enplanements refer to the number of passengers taking off from an airport.] Together with its regional commuter partner, Midwest Connect, it was responsible for almost half (47%) of all passenger enplanements. Northwest Airlines was second with 17%.

At the federal level, regulatory control for all airports in the U.S. is maintained by the Federal Aviation Administration (FAA). It accumulates a wealth of financial and statistical information on airport and airline activity from across the country. FAA statistics for 2005 show that 3,602,536 passengers boarded planes at GMIA, making it the 51st busiest airport in the country. At this volume, GMIA is considered to be a medium-sized 'hub' by FAA, defined as any airport that accounts for between 0.25% and 0.99% of total passenger boardings across the country for the

previous calendar year. Large hubs are those greater than 1%, small hubs are those 0.05% - 0.25%, with airports having less than 0.05% of total enplanements designated as non-hubs. For 2005, 37 airports were designated as medium hubs. **Exhibit 2** shows the number of enplanements for 2005 for the 100 busiest airports in the country, along with their hub classification.

The FAA also maintains information on airport ownership and governance. Governance generally falls into two categories, those which are owned and governed by a single jurisdiction (city, county or state) and those governed by a regional authority involving representation from several surrounding jurisdictions. Of the top 100 busiest airports in 2005, 57 were government operated and 42 were operated by regional authorities, with one airport (Tulsa, OK) having operations directed by both a governmental and a regional authority. Details of which airports fell into these categories are also included in **Exhibit 2**. A separate comparison of how GMIA compared with other governmental-run operations and regional authority operations is detailed in **Section 3** of this report.

FAA also maintains Congressionally mandated airport financial information that all airports receiving Airport Improvement Program grant funding must provide. Each airport must annually complete FAA Form 5100-127, which breaks down airport operations into the specific revenue and expense categories. **Exhibit 3** shows an example of GMIA's submission for 2005. The major breakout categories for both revenues and expenses is between Operating and Non-operating. Revenues from operations are further broken down into 'Aeronautical' revenues (landing fees, terminal rental charges to the airlines, etc.) and 'Non-aeronautical' revenues (parking, car rentals, retail sales within the terminal, etc.). We have used this data in this report for comparing GMIA operations with other U.S. airports.

Section 1: Comparison of Financial Operations - Revenues

Financial and passenger statistical data needed for comparing airports are available from the FAA, which requires annual financial and statistical reports from all public airports and airlines.

Financial and passenger statistical data needed for comparing airport operations are available through the Federal Aviation Administration (FAA), which requires annual financial and statistical reports from all public airports and airlines. We translated this data into a “per passenger” basis to allow for comparability between three different groups of airports, as noted below.

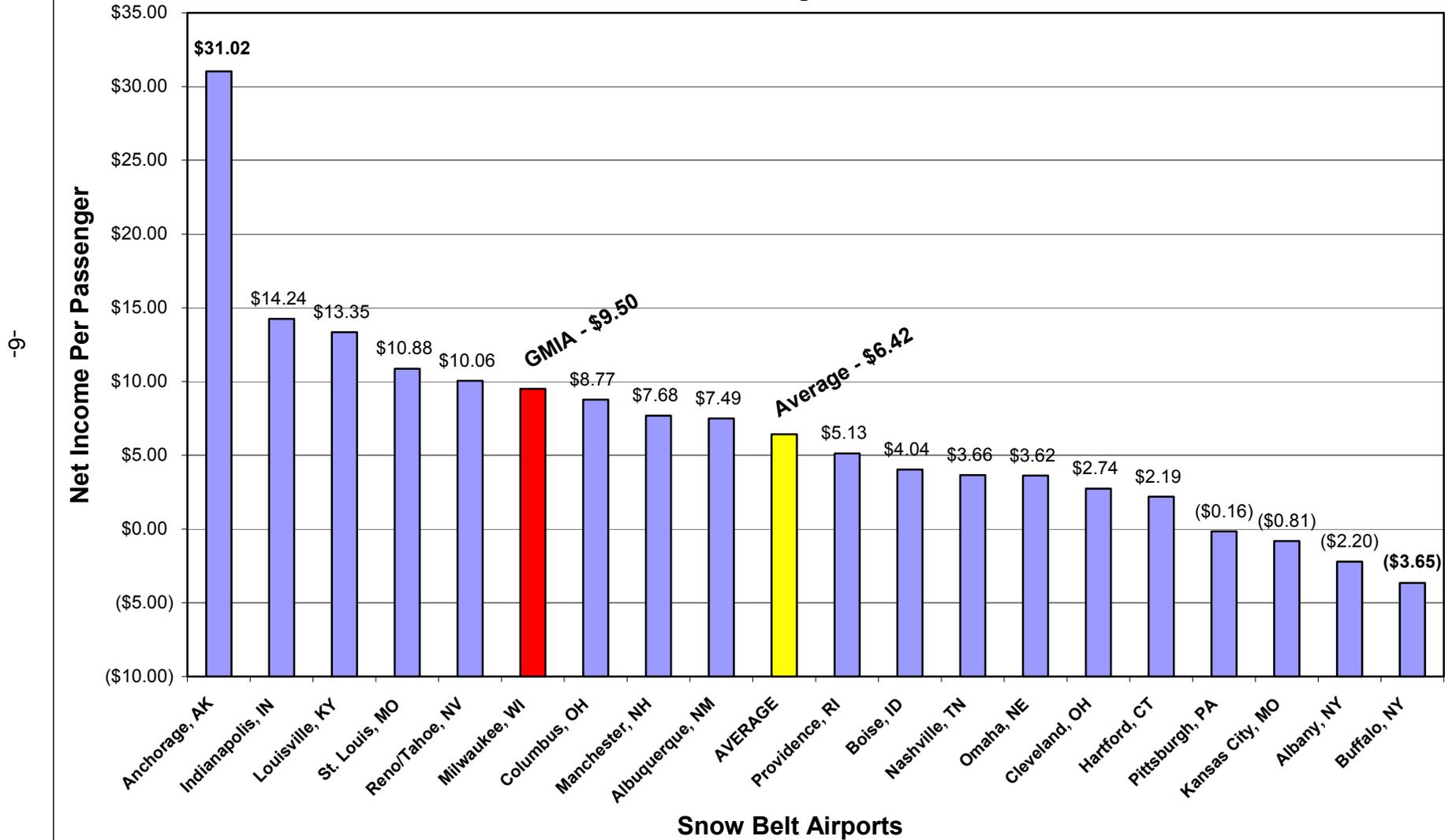
Comparison of Net Income

Net income, as the name implies, is the sum total of all airport income regardless of source (excluding bond proceeds), offset by all associated airport expenses. This is arguably the best output measure for comparing overall airport operations since each airport is responsible for managing to its ‘bottom line,’ even though underlying factors may affect comparability of specific revenues or expenses.

GMIA’s net income per passenger in 2005 ranked sixth out of the 19 snow belt airports.

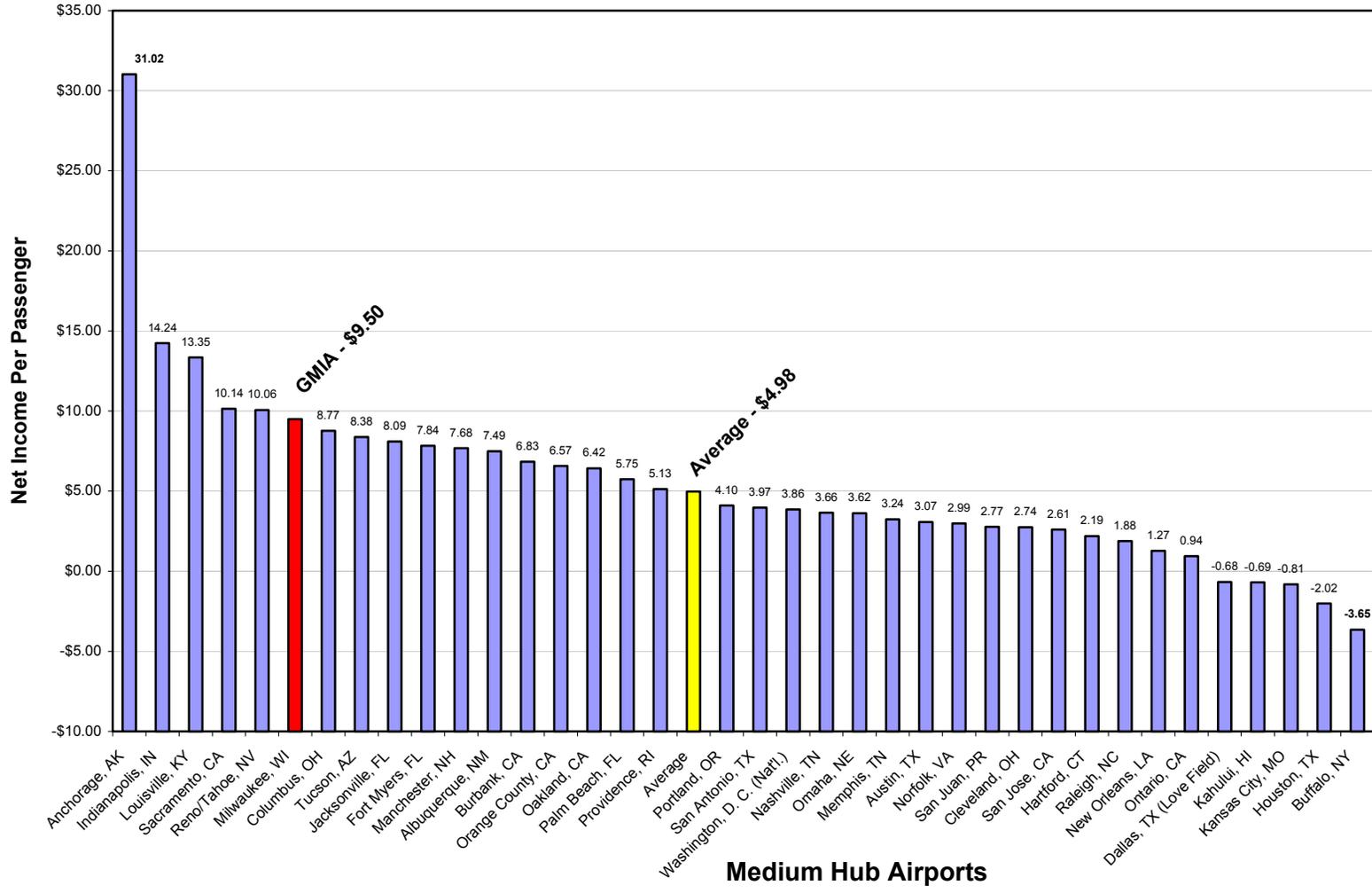
We first compared GMIA to 18 other U.S. airports of similar size and climates, referred to in the remainder of this report as ‘snow belt’ airports. This grouping was done to account for climatic conditions that uniquely affect financial operations. As shown in **Chart 1**, GMIA’s net income per passenger in 2005 ranked sixth out of the 19 snow belt airports.

Chart 1
Net Income Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 6th



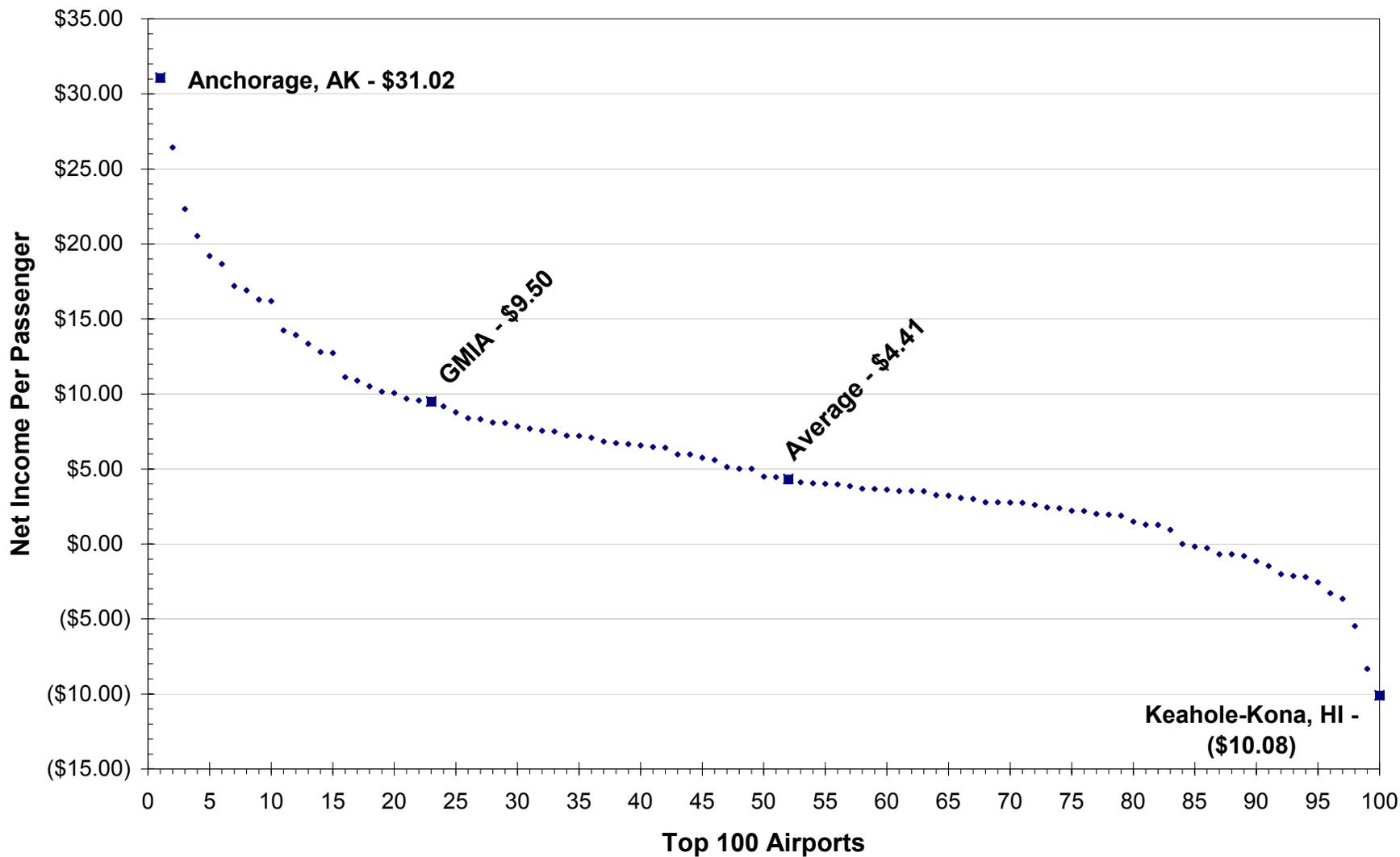
We also compared GMIA to 36 other medium sized airports, regardless of location. For this comparison, GMIA's net income per passenger in 2005 ranked sixth out of the 37 medium sized airports, as shown in **Chart 2**.

Chart 2
Net Income Per Passenger - 2005
37 Medium Hubs Airports
GMAA Ranking - 6th



We also showed where GMIA ranked within the top 100 busiest airports in the U.S. as measured by the number of outbound passengers. For 2005, GMIA was the 51st busiest airport based on outbound passengers. Its net income placed it 23rd out of the top 100 U.S. airports, as displayed in **Chart 3**.

Chart 3
Net Income Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 23rd



The remainder of **Section 1** will focus on airport **revenue**. It will compare total airport revenue, specific revenue groups, and some specific revenue generators. **Section 2** will follow the same methodology with airport **expenses**.

For 2005, GMIA's aeronautical revenue sources represented 25.9% of its total revenue of \$85.5 million.

Total Airport Revenues

The report that airports submit to the FAA (Form 5100-127) groups airport revenues into three groups. The first group, aeronautical operating revenue, is derived from airfield operations, such as landing fees and charges to airlines for use of the main airport terminal. For 2005, GMIA's aeronautical revenue sources represented 25.9% of its total revenue of \$85.5 million.

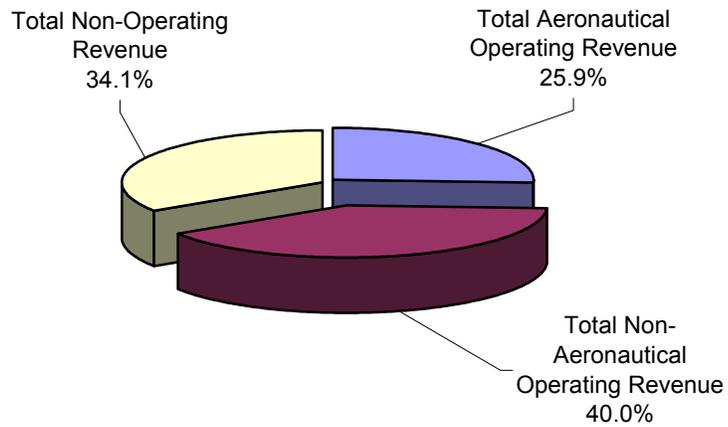
For 2005, non-aeronautical revenue represented 40.0% of total airport revenue.

The second group, non-aeronautical operating revenue, is generally associated with the main terminal building functions such as food, beverage and retail concessions, car rentals and parking. For 2005, non-aeronautical revenue represented 40.0% of total airport revenue.

The remaining 34.1% of GMIA's income for 2005 came from non-operating revenue sources.

The remaining 34.1% of GMIA's income for 2005 came from non-operating revenue sources. This includes passenger facility charges (PFC, a \$3 charge for each enplaned passenger), grant income, such as the federally funded Airport Improvement Program (AIP), and interest income. [Since PFC and grant revenues are generally for capital improvements, they are not included in the Airport Division's Adopted Budget. Revenues from these two sources in 2005 totaled \$27 million.] **Chart 4** shows the breakdown of GMIA's total revenue of \$85.8 million by these three general sources.

Chart 4
Breakout of Total Revenues - 2005
Total Amount - \$85.8 Million



Compared to other U.S. airports, GMIA's total income per passenger in 2005 ranked 12th out of the 19 snow belt airports, 21st out of the 37 medium hub airports, and 56th out of the top 100 busiest airports, as noted in the following three charts.

Chart 5
Total Revenues Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 12th

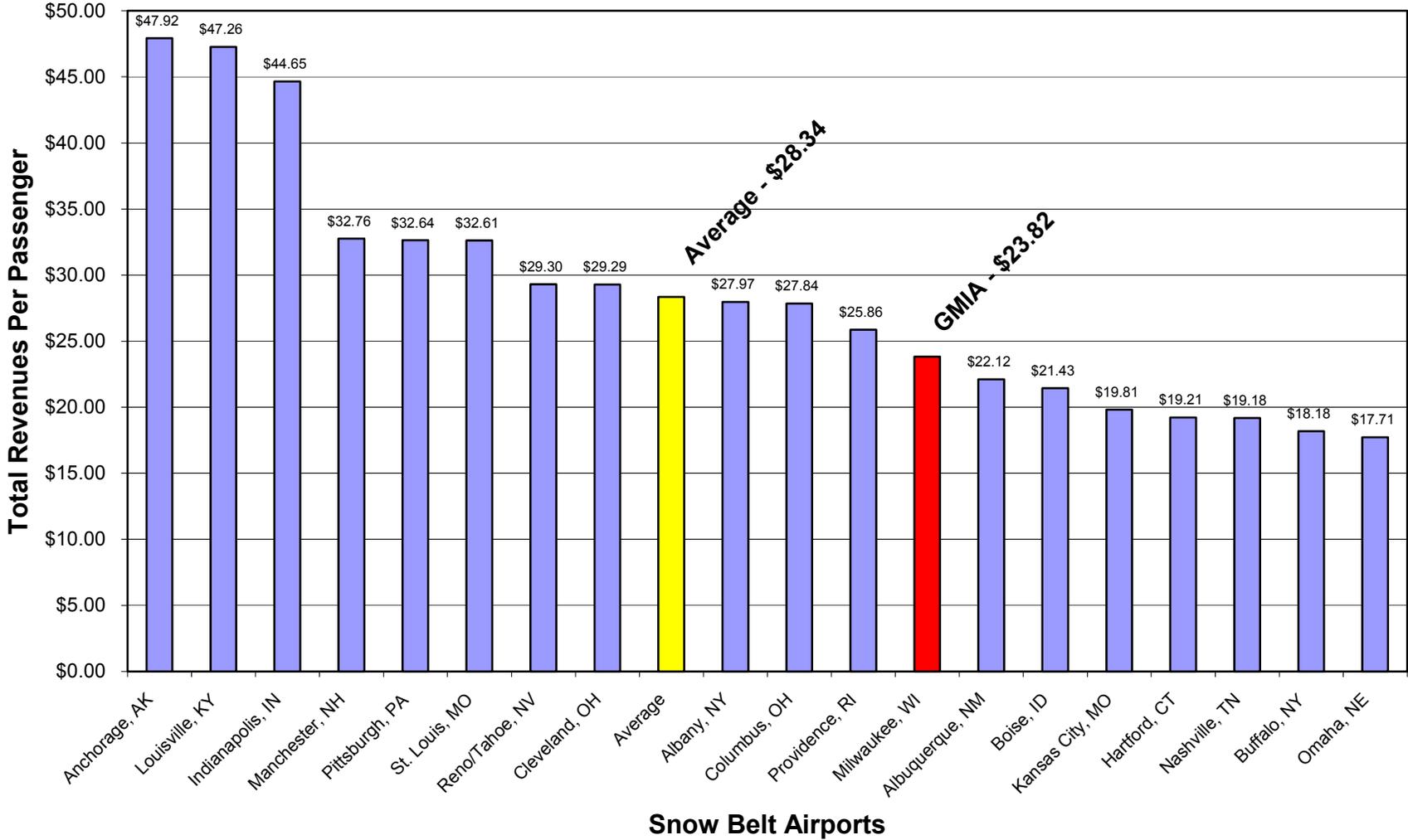


Chart 6
Total Revenues Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 21st

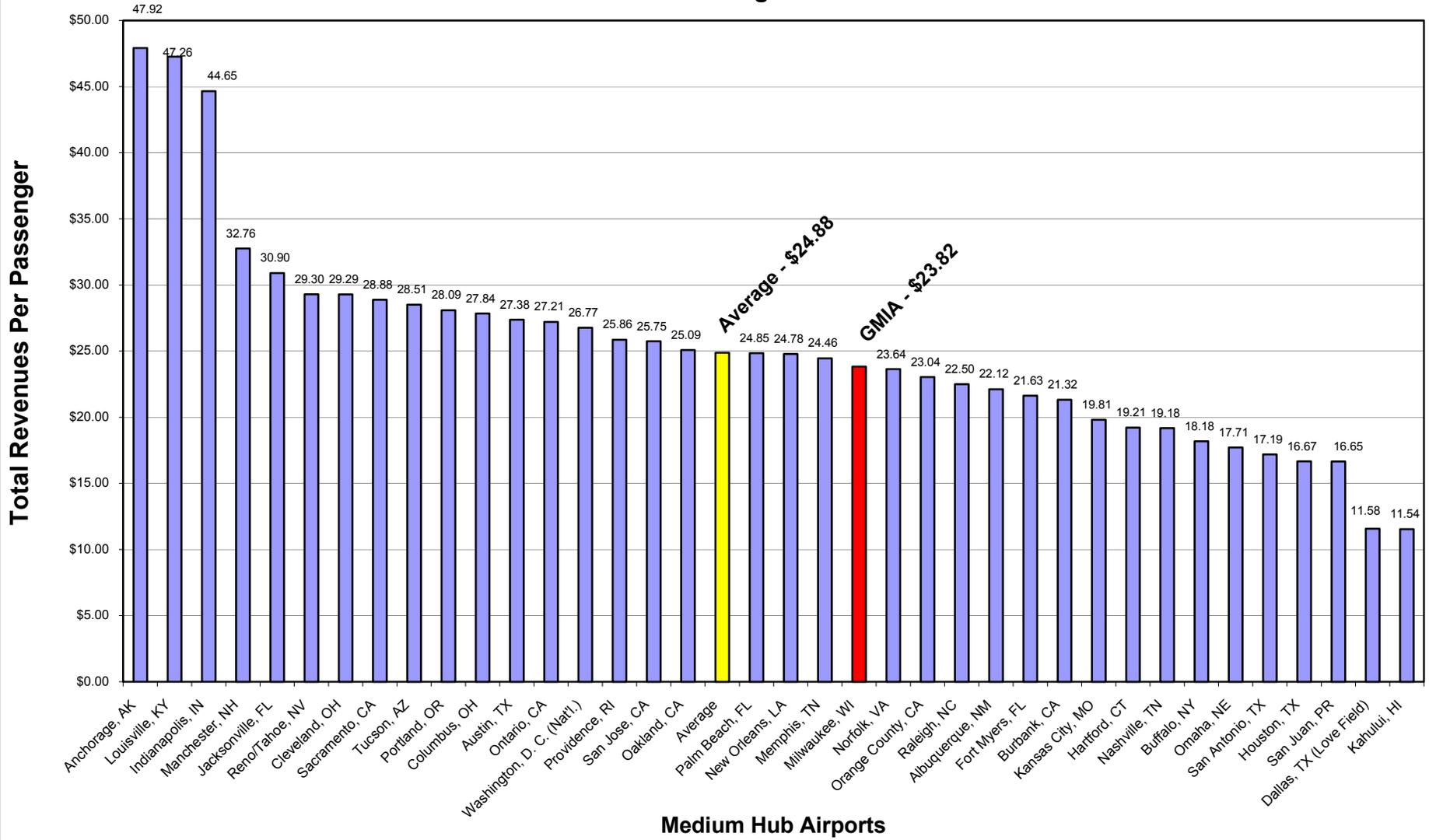
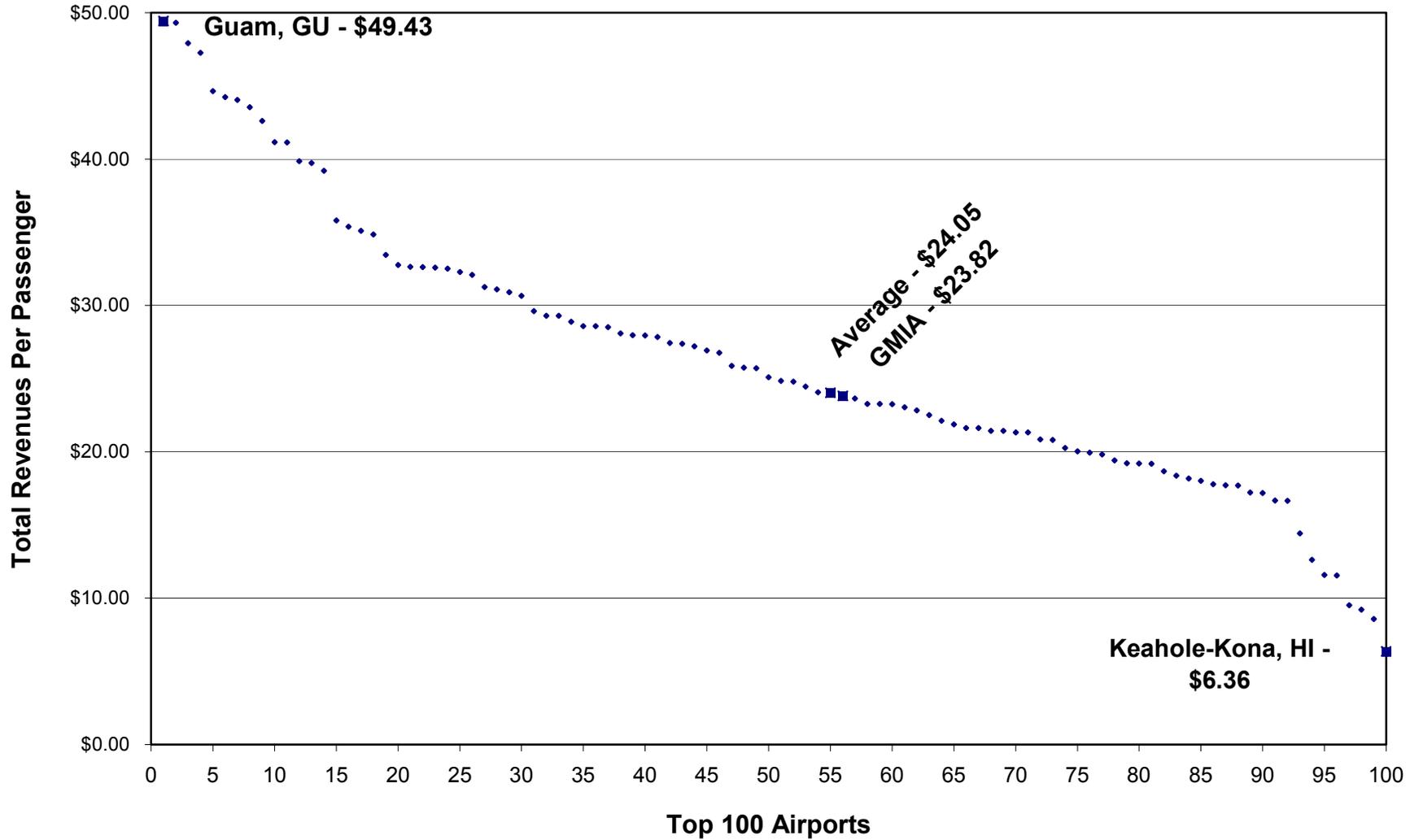


Chart 7
Total Revenues Per Passenger
Top 100 Airports
GMIA Ranking - 56th



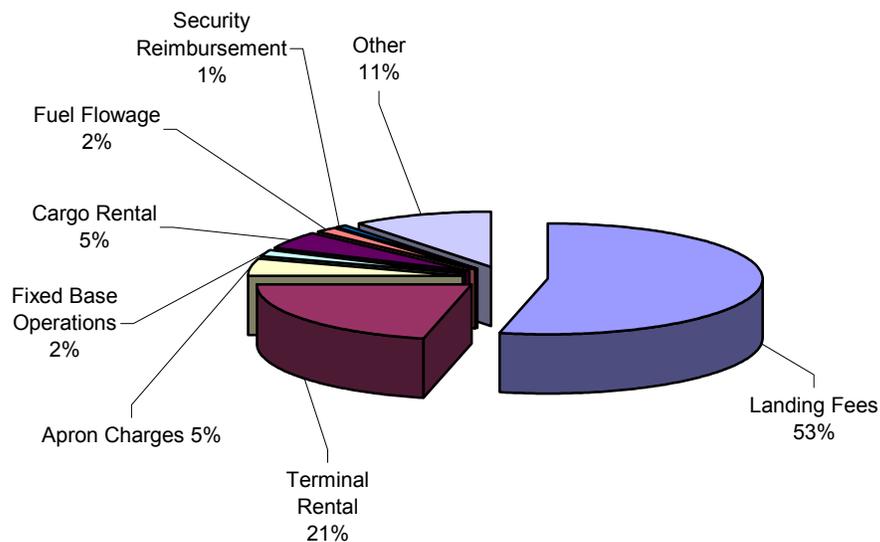
Aeronautical revenue sources are those coming from the operation of the airfield proper and related buildings, excluding passenger terminal buildings.

Total Aeronautical Revenues

Aeronautical use includes any activity that involves, makes possible, is required for the safety of, or is otherwise directly related to the operation of aircraft. This includes services provided by air carriers related directly and substantially to the movement of passengers, baggage, mail, and cargo on the airport.

Total aeronautical revenues totaled \$22.2 million in 2005. Chart 8 depicts the eight revenue sources that made up total aeronautical and their relation to the whole.

**Chart 8
Breakdown of Total Aeronautical Revenues - 2005
Total Amount - \$22.2 Million**



Compared to other U.S. airports, GMIA's total aeronautical revenue per passenger for 2005 ranked 15th out of 19 snow belt airports, 27th out of 37 medium hub airports, and 65th of the top 100 busiest airports, as shown in the following three charts.

Chart 9
Total Aeronautical Revenue Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 15th

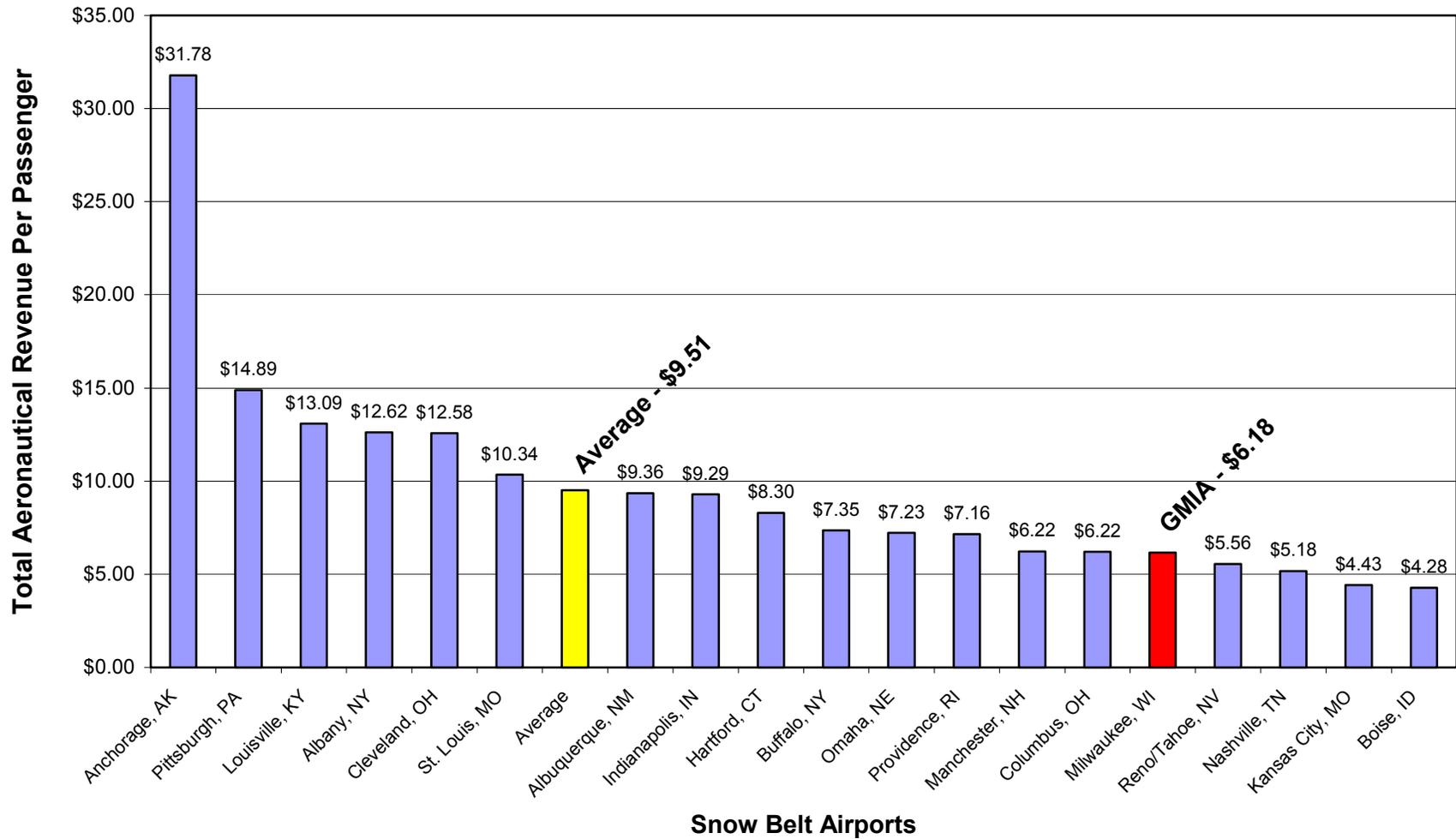


Chart 10
Total Aeronautical Revenues Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 27th

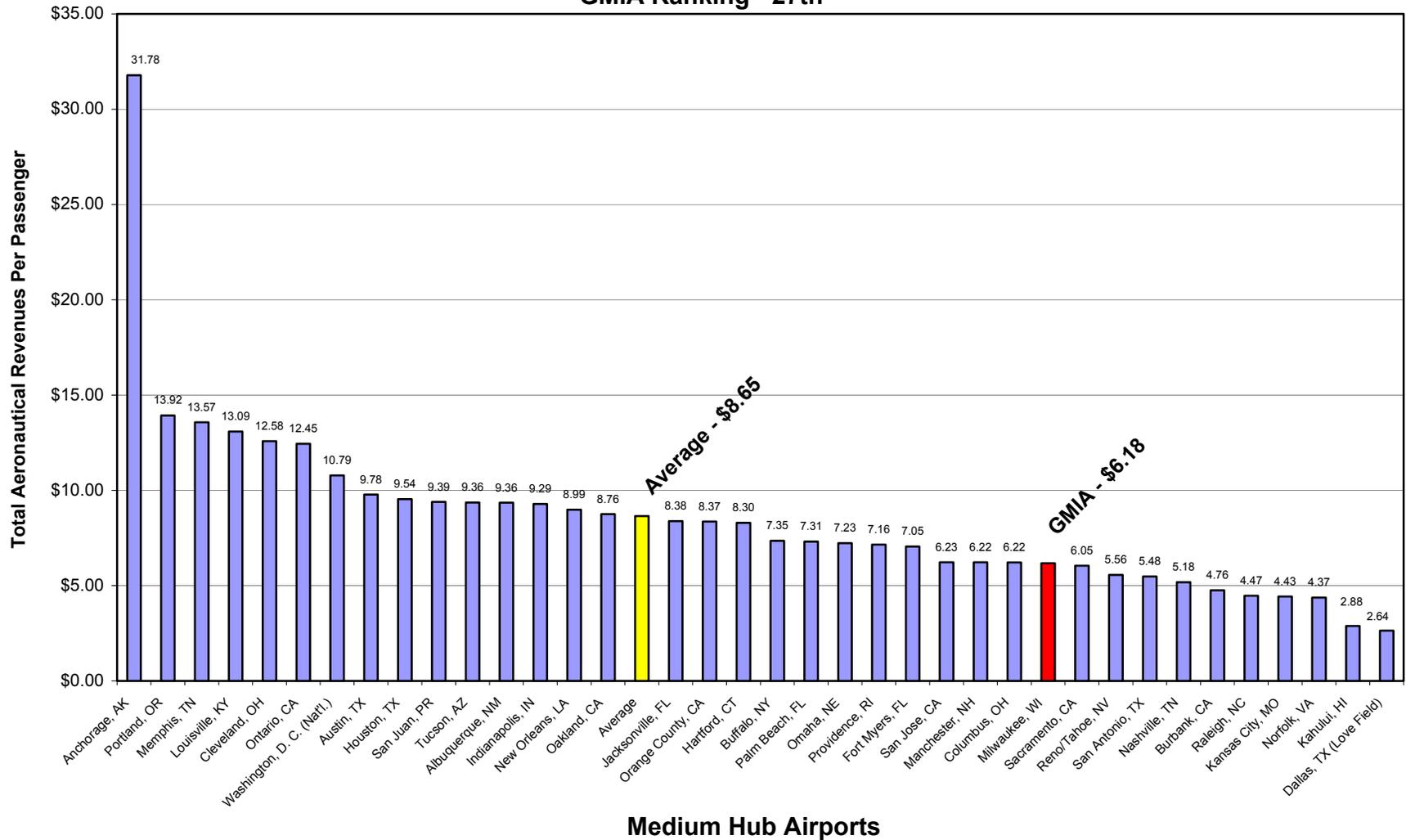
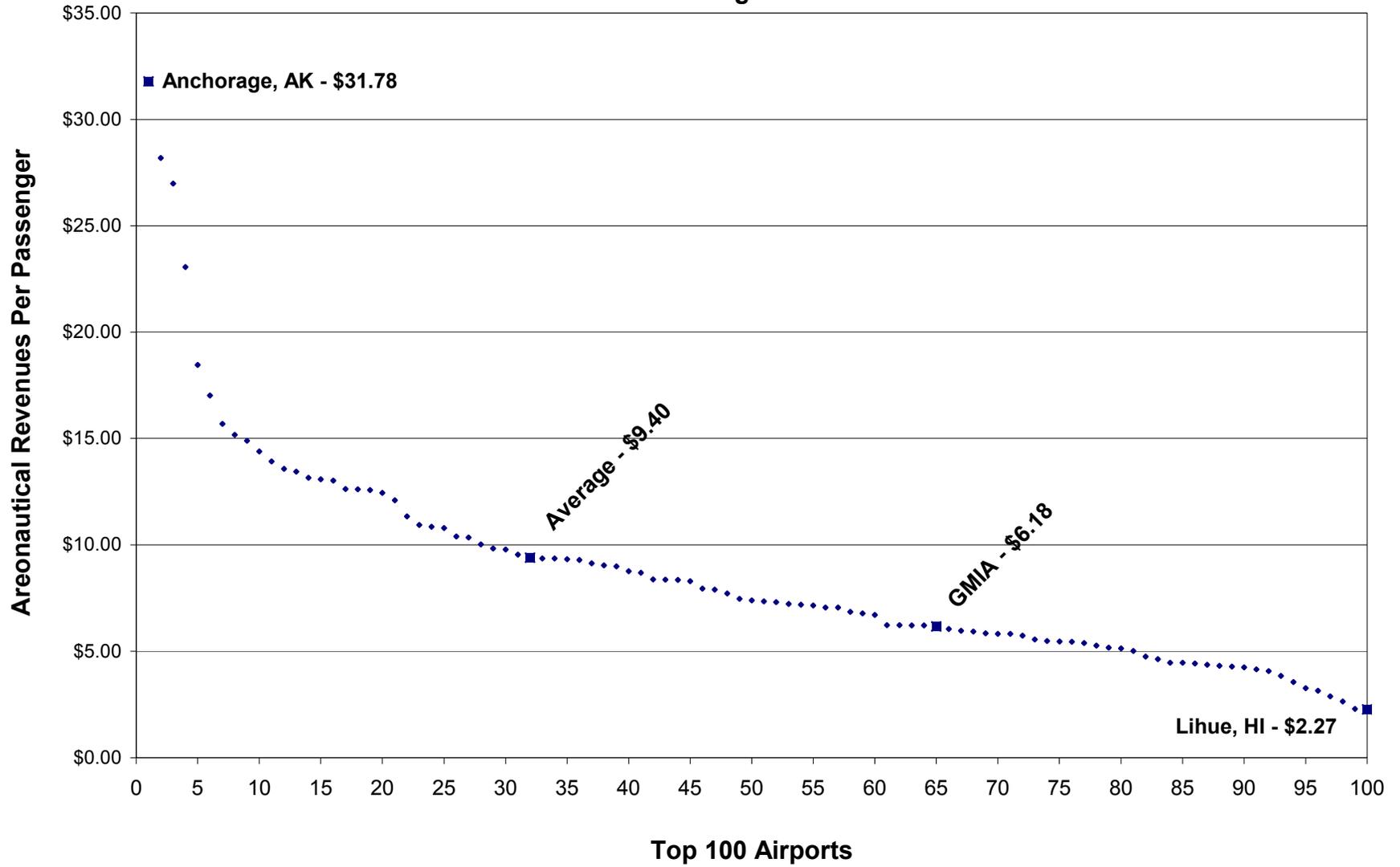


Chart 11
Total Aeronautical Revenues Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 65th



In the following two subsections we will discuss the two largest revenue generators

Landing fees of \$11.9 million for 2005 represent the largest aeronautical revenue source for GMIA, making up 53.5% of total aeronautical revenues.

Aeronautical Revenues – Landing Fees

Landing fees of \$11.9 million for 2005 represent the largest aeronautical revenue source for GMIA, making up 53.5% of total aeronautical revenues. These are fees charged to aircraft owners and operators for the use of runways, taxiways, landing strips, runway protection zones and clearways. The fee itself is based on a formula that takes into consideration total aircraft landing weight and past landing volume.

Compared to other U.S. airports, GMIA's landing fees per passenger for 2005 ranked 10th out of 19 snow belt airports, 17th out of 37 medium hub airports, and 37th of the top 100 busiest airports, as shown in the following three charts.

Chart 12
Landing Fee Revenue Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 10th

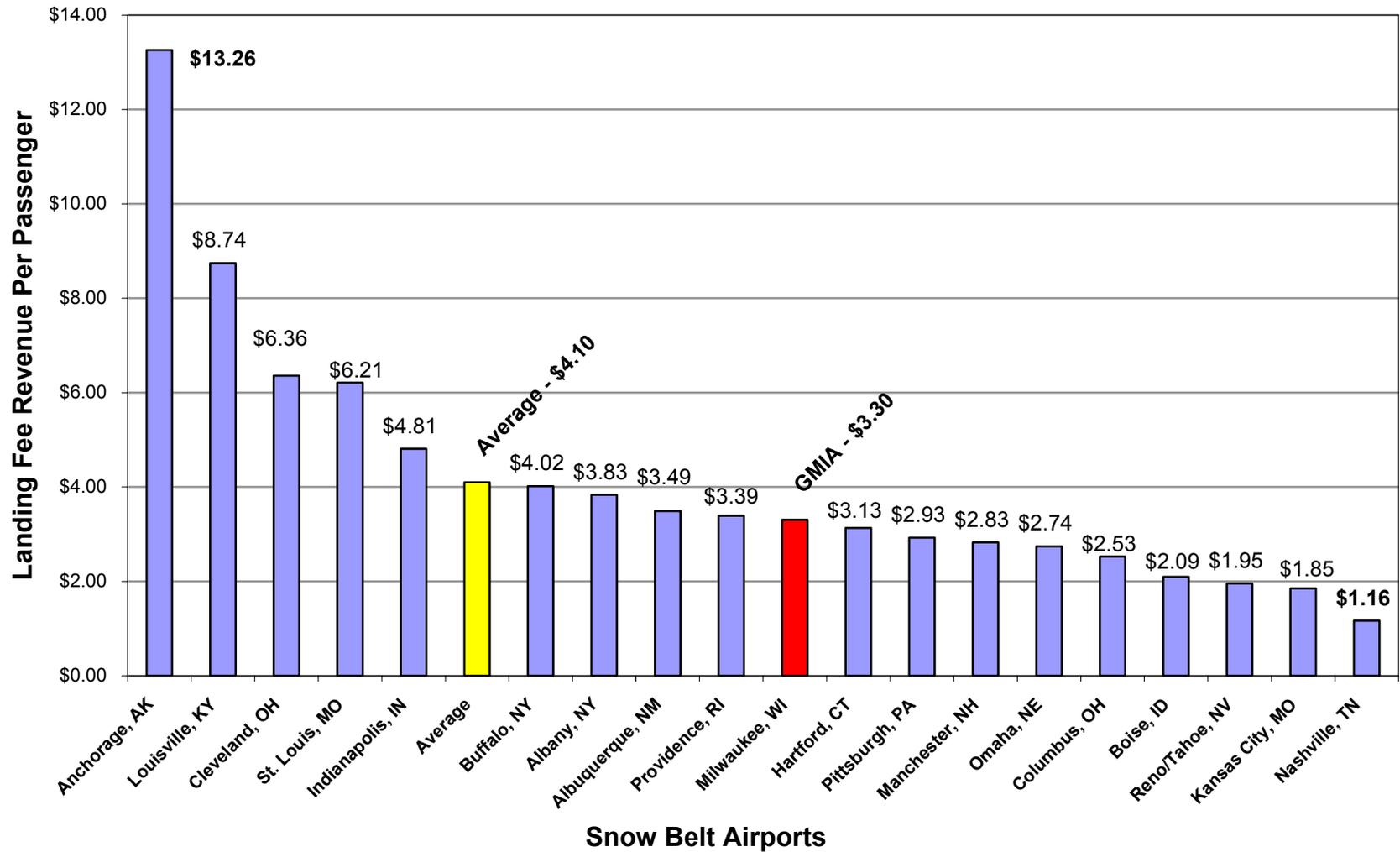
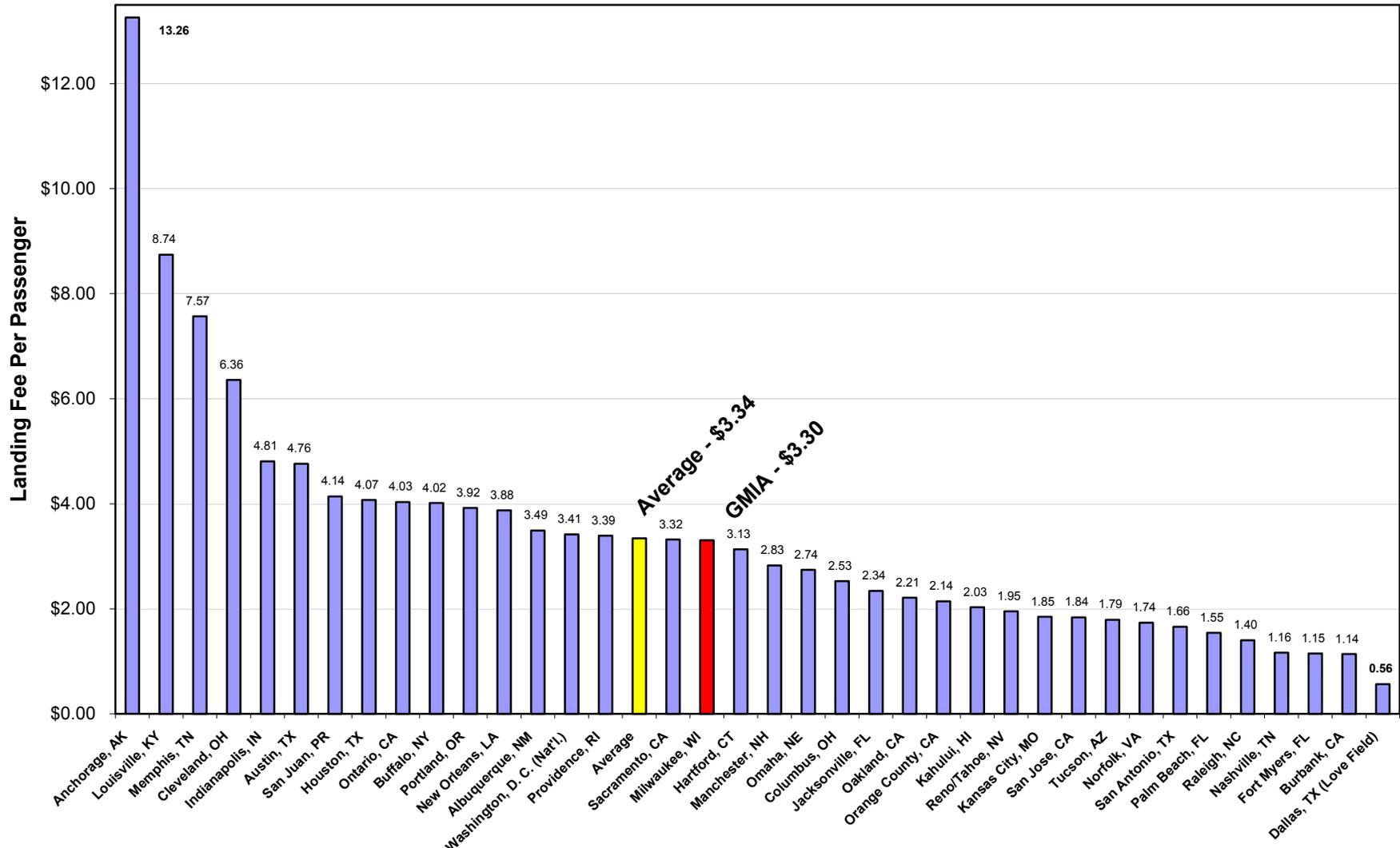
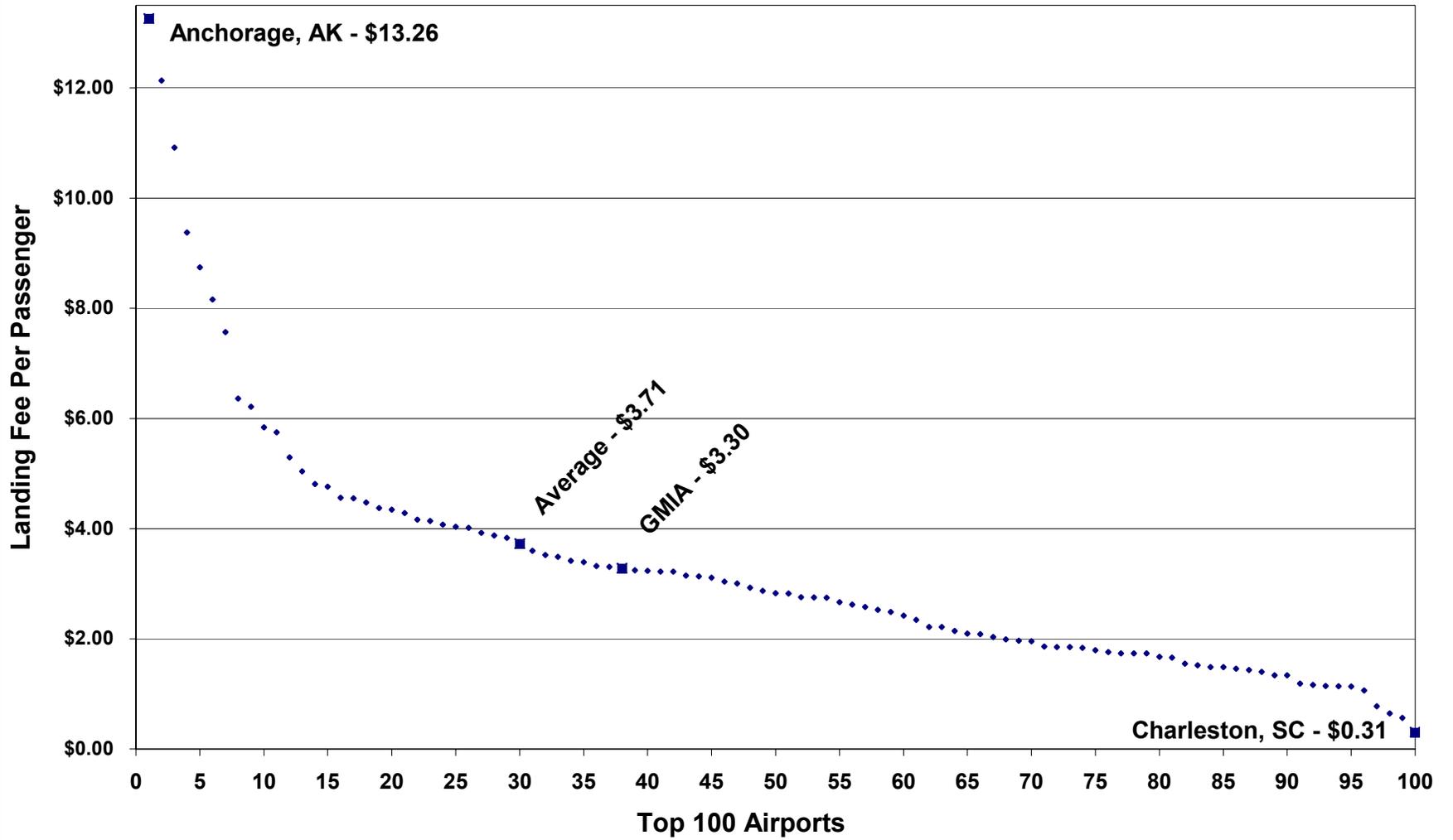


Chart 13
Landing Fee Revenue Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 17th



Medium Hub Airports

Chart 14
Landing Fee Revenue Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 37th



GMIA reported \$4.8 million in terminal rental fees, making it GMIA's second largest aeronautical revenue source, accounting for 21.6% of total aeronautical revenue.

Aeronautical Revenues – Terminal Rental Charges

GMIA reported \$4.8 million in terminal rental fees, making it GMIA's second largest aeronautical revenue source, accounting for 21.6% of total aeronautical revenue. Terminal rental fees are the revenues from airlines for the use of the terminal facilities and ground space for the purpose of moving passengers and their baggage. This includes check-in and ticket counters, passenger baggage claim and staging areas, and other operational and maintenance facilities necessary for the air transportation of passengers. As with landing fees, the terminal rental charge is formula driven, one that takes into consideration a number of factors, including actual square footage used by each airline.

In terms of ranking, GMIA ranked last of the 19 snow belt airports, 34th out of 37 medium hub airports, and 88th of the 100 busiest airports, as shown on the following three charts.

This revenue center is where the calculations are made to determine how much the airlines are required to contribute to airport operations to cover costs.

On the surface, this would appear to be an area in which GMIA could improve, based on where GMIA stacks up compared to other airports. But in reality, from the airlines' perspective, the lower this revenue center is, the better. This revenue center is where the calculations are made to determine how much the airlines are required to contribute to airport operations to cover costs. Thus, it actually reflects how well GMIA management has done in overall airport financial management.

Chart 15
Terminal Rental Fees Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 19th

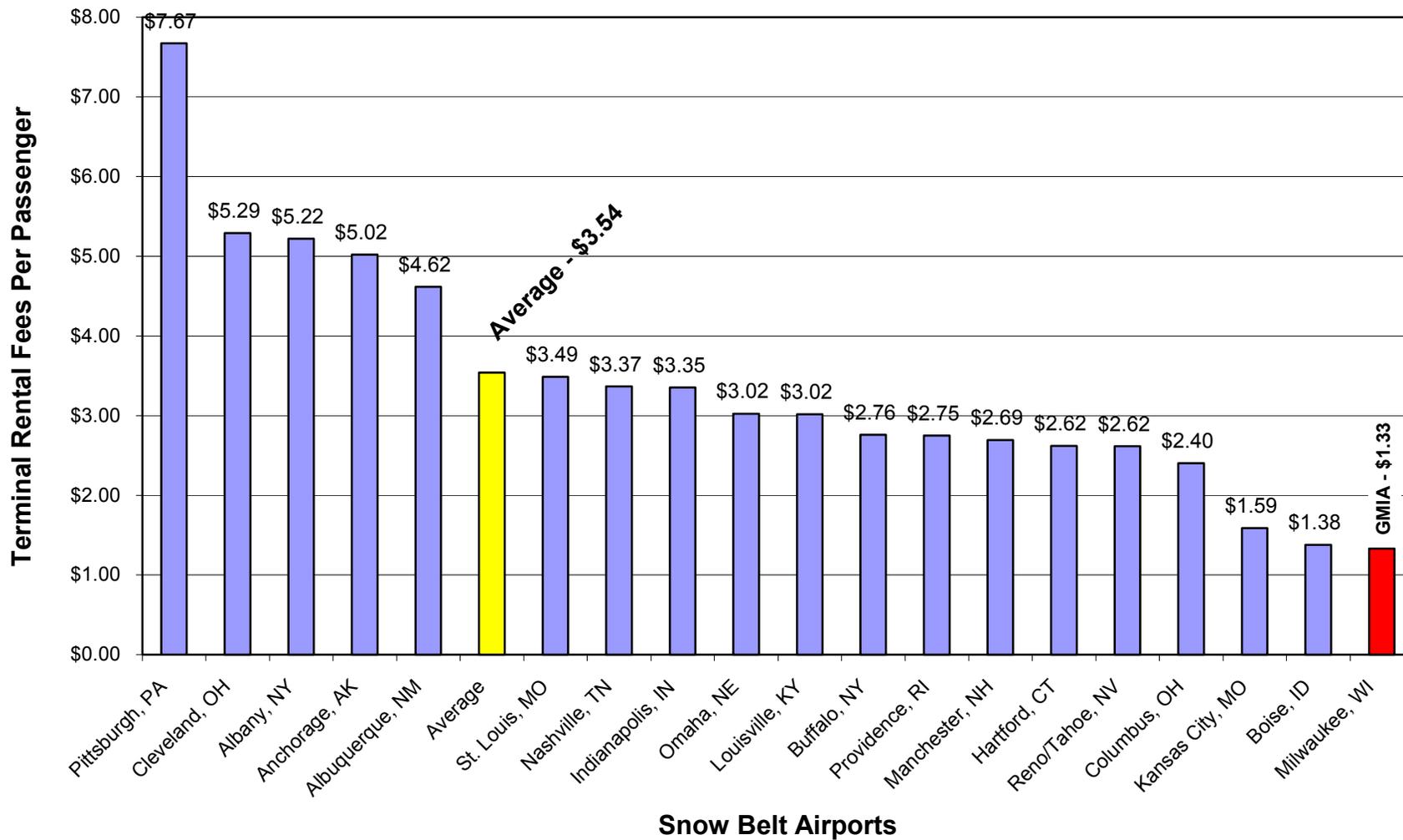


Chart 16
Terminal Rental Fees Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 34th

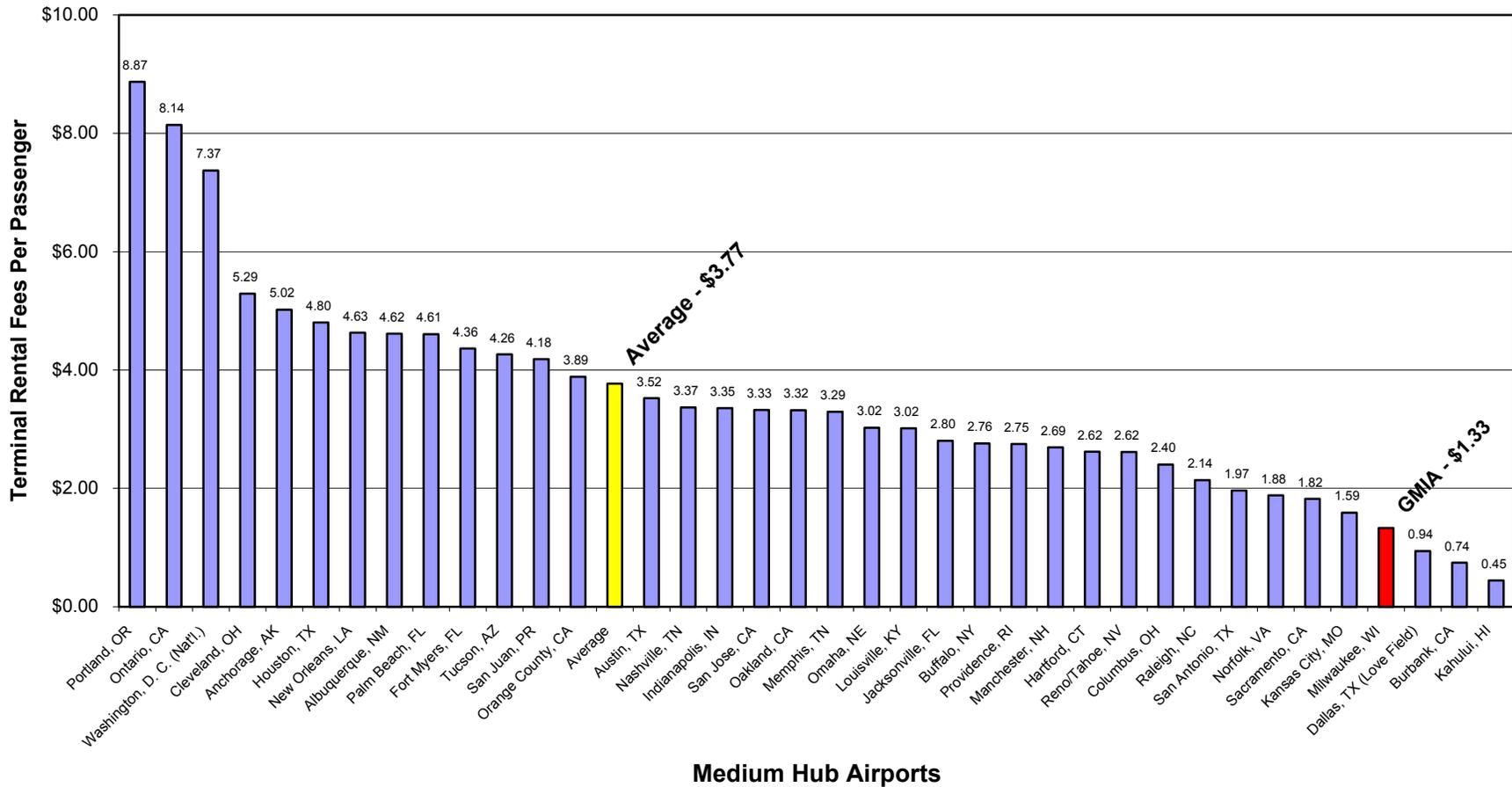
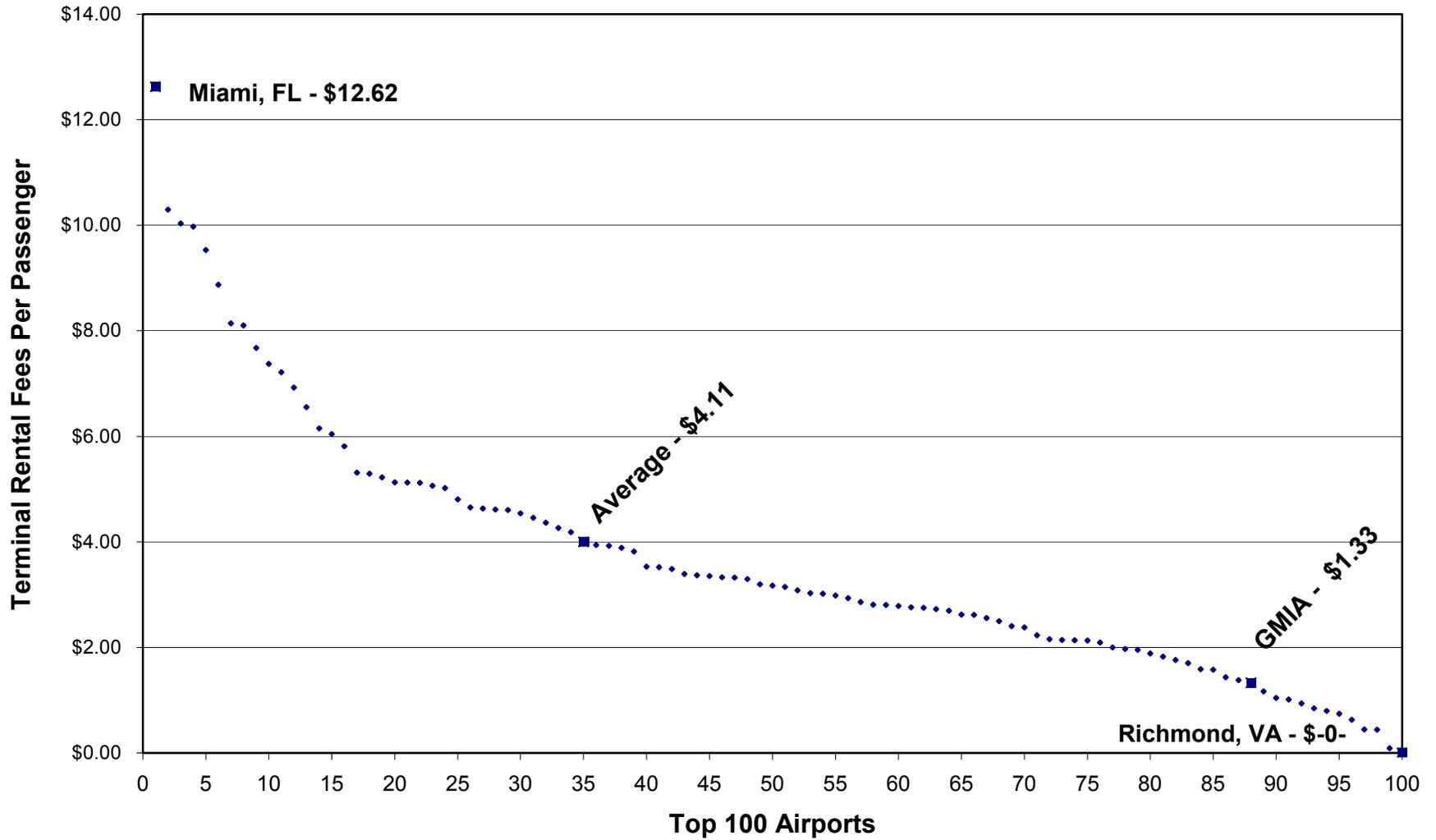


Chart 17
Terminal Rental Fees Per Passenger - 2005
Top 100 Airports
GMIA Rank - 88th



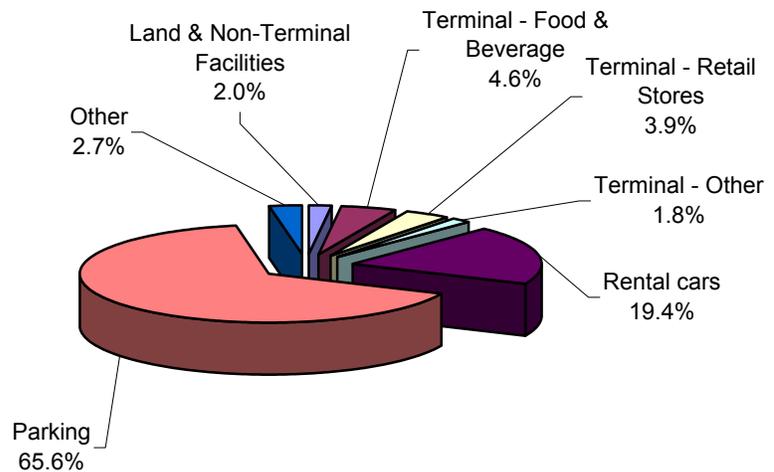
Total Non-Aeronautical Revenues

As the name implies, non-aeronautical revenue sources are those associated with the running and operation of the airport, but do not come from direct airfield operation. Rather, they come from sources generally located in passenger terminal facilities and associated parking structures. Examples include revenues received from concessions and retail sales operations within the terminal, car rentals, and parking.

Examples of non-aeronautical revenue sources include revenues received from concessions and retail sales operations within the terminal, car rentals, and parking.

In 2005, non-aeronautical revenues of \$34.3 million constituted 40.0% of all GMIA revenues. **Chart 18** depicts the seven revenues sources that make up total non-aeronautical revenues and their relation to the whole.

Chart 18
Breakdown of Total Non-Aeronautical Revenues - 2005
Total Amount - \$34.3 Million



Compared to other U.S. airports, GMIA's total non-aeronautical revenue per passenger for 2005 ranked 8th out of 19 snow belt airports, 19th out of 37 medium hub airports, and 48th of the top 100 busiest airports, as shown in the following three charts.

Chart 19
Total Non-Aeronautical Revenues Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 8th

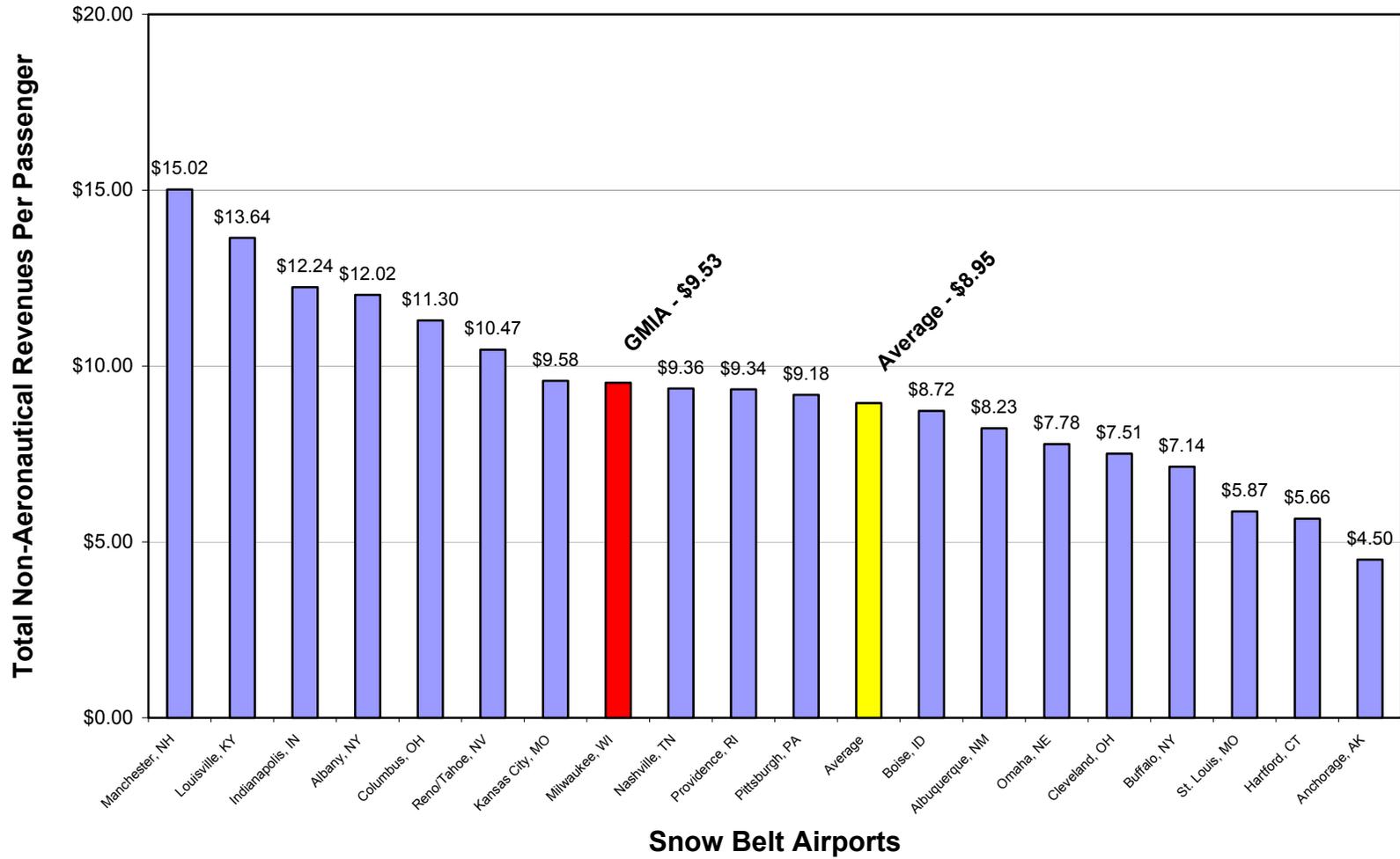


Chart 20
Total Non-Aeronautical Revenues Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 19th

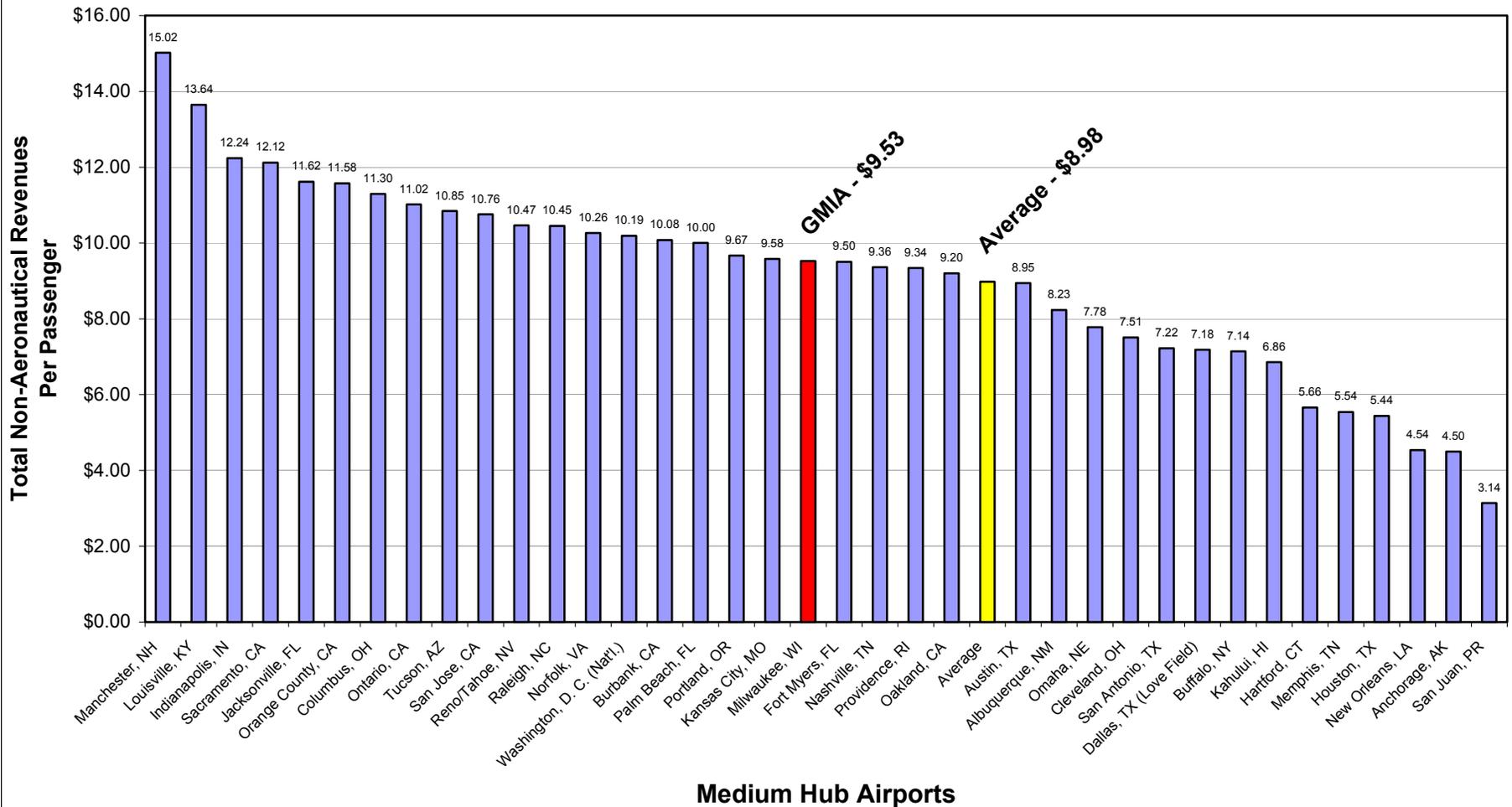
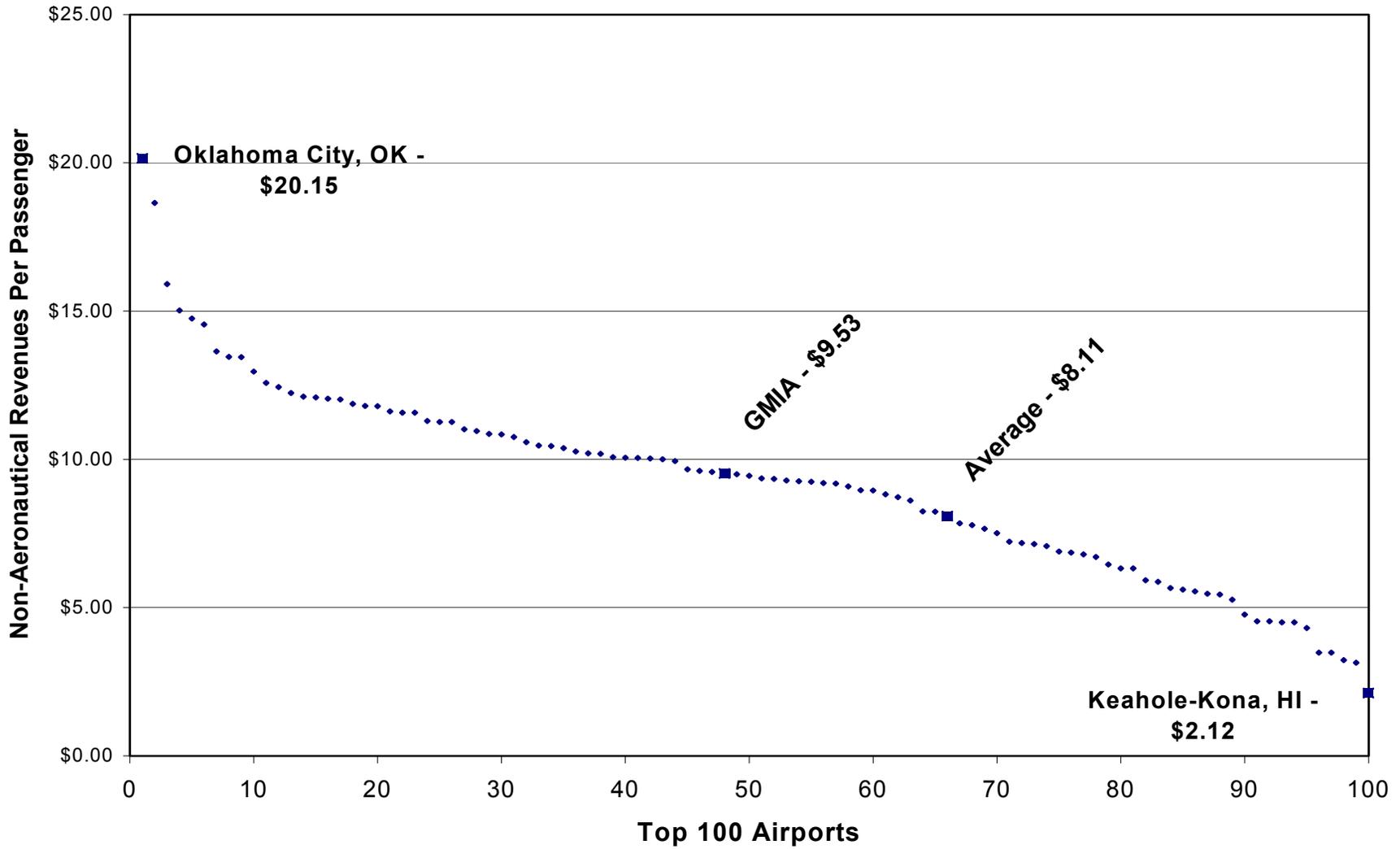


Chart 21
Total Non-Aeronautical Revenues Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 48th



Parking revenues are by far the largest non-aeronautical revenue generator, totaling \$22.5 million in 2005, or 65.6% of total non-aeronautical revenues.

Non-Aeronautical Revenues – Parking

This includes revenues earned from the operation of airport parking facilities and/or from management contracts or other operating agreements for on-airport parking. Parking revenues are by far the largest non-aeronautical revenue generator. The \$22.5 million generated in 2005 was 65.6% of total non-aeronautical revenues. This parking revenue percentage for GMIA was higher than all three groups, with the snow belt airports at 51%, medium hubs at 51.5%, and the top 96 busiest airports at 41.6%.

In terms of ranking on a per 'origination and destination' passenger basis, GMIA ranked second out of 19 snow belt airports, third out of 37 medium hub airports, and 13th of the top 96 busiest U.S. airports, as shown in the following three charts.

Chart 22
Parking Revenues Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 2nd

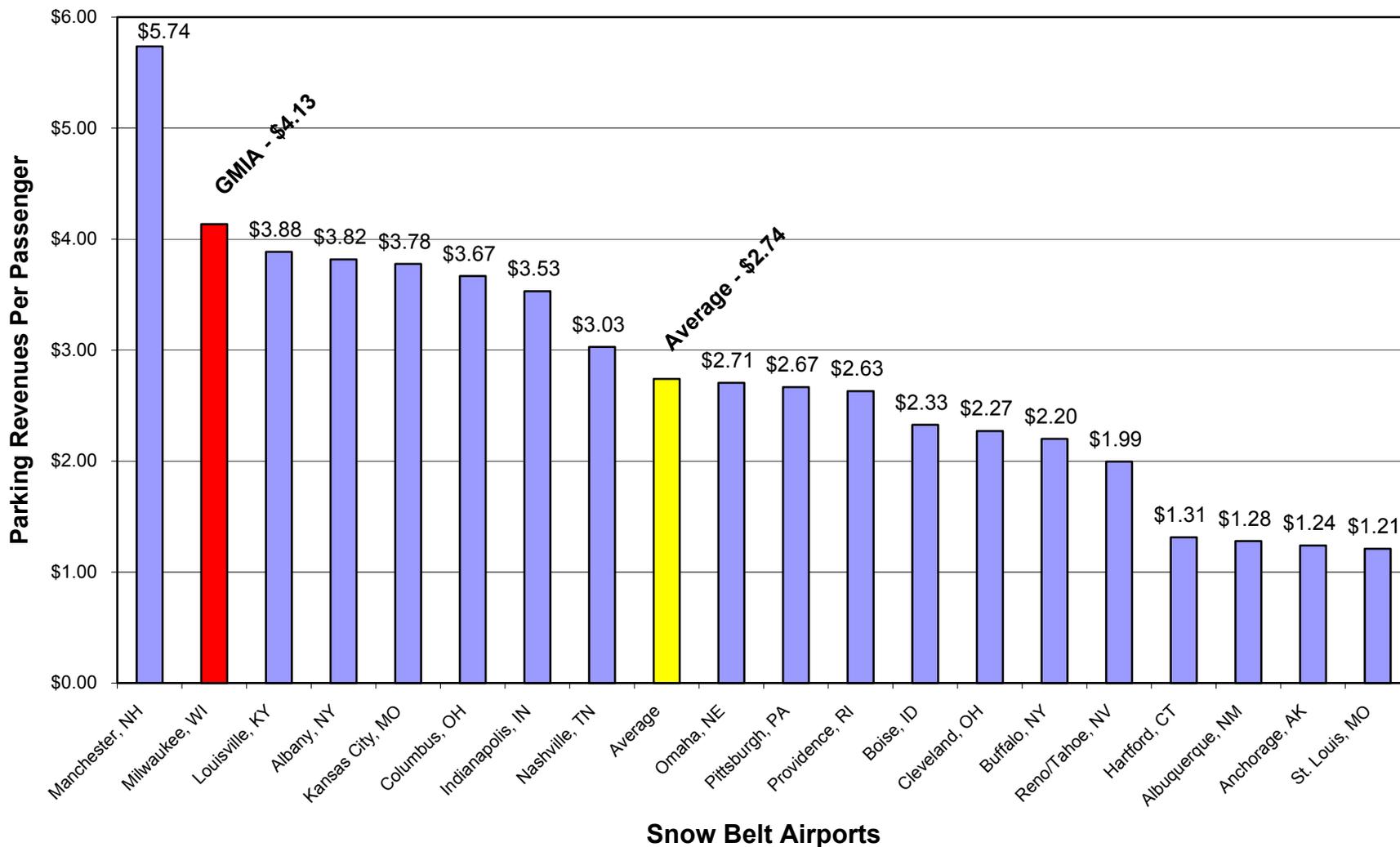


Chart 23
Parking Revenues Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 3rd

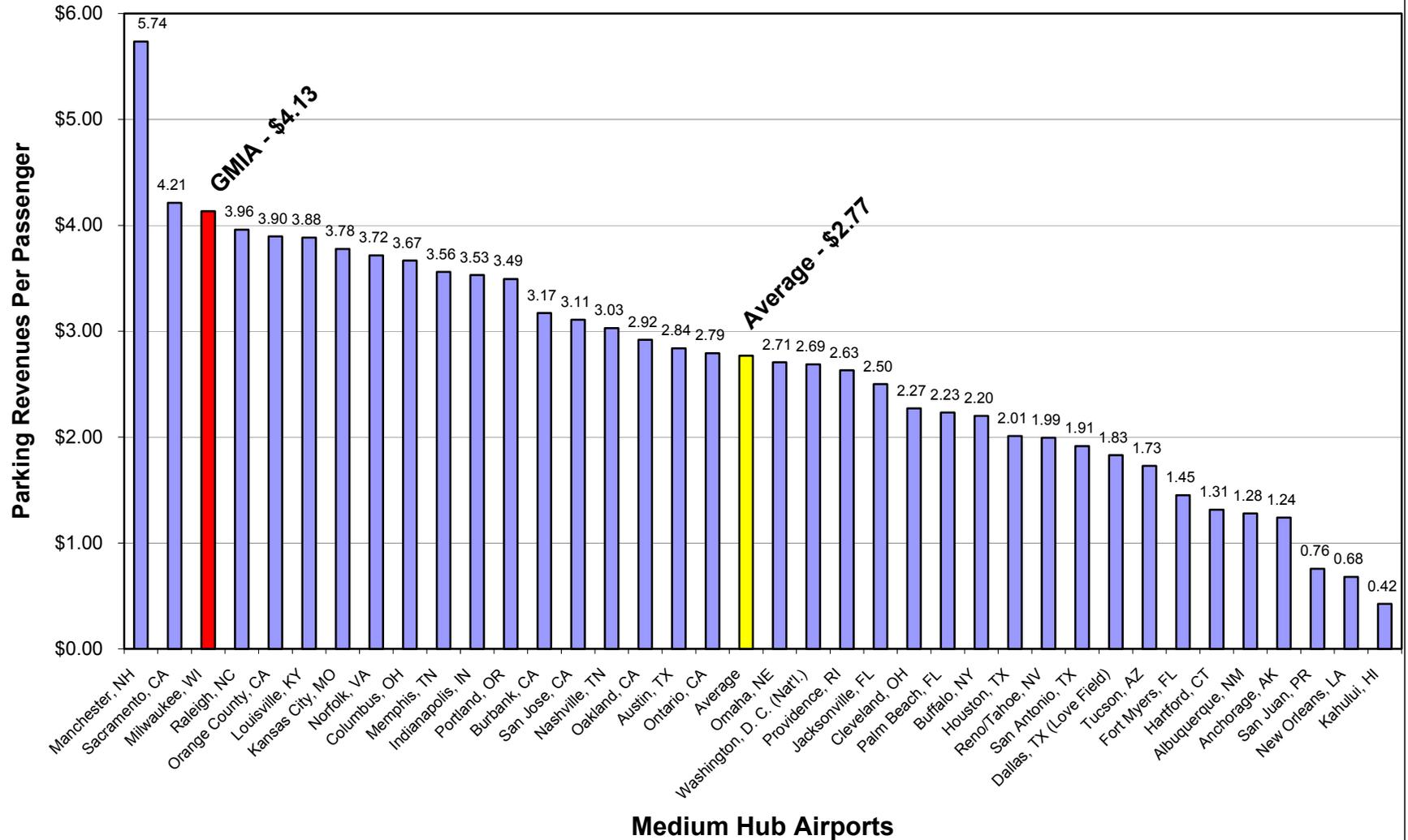
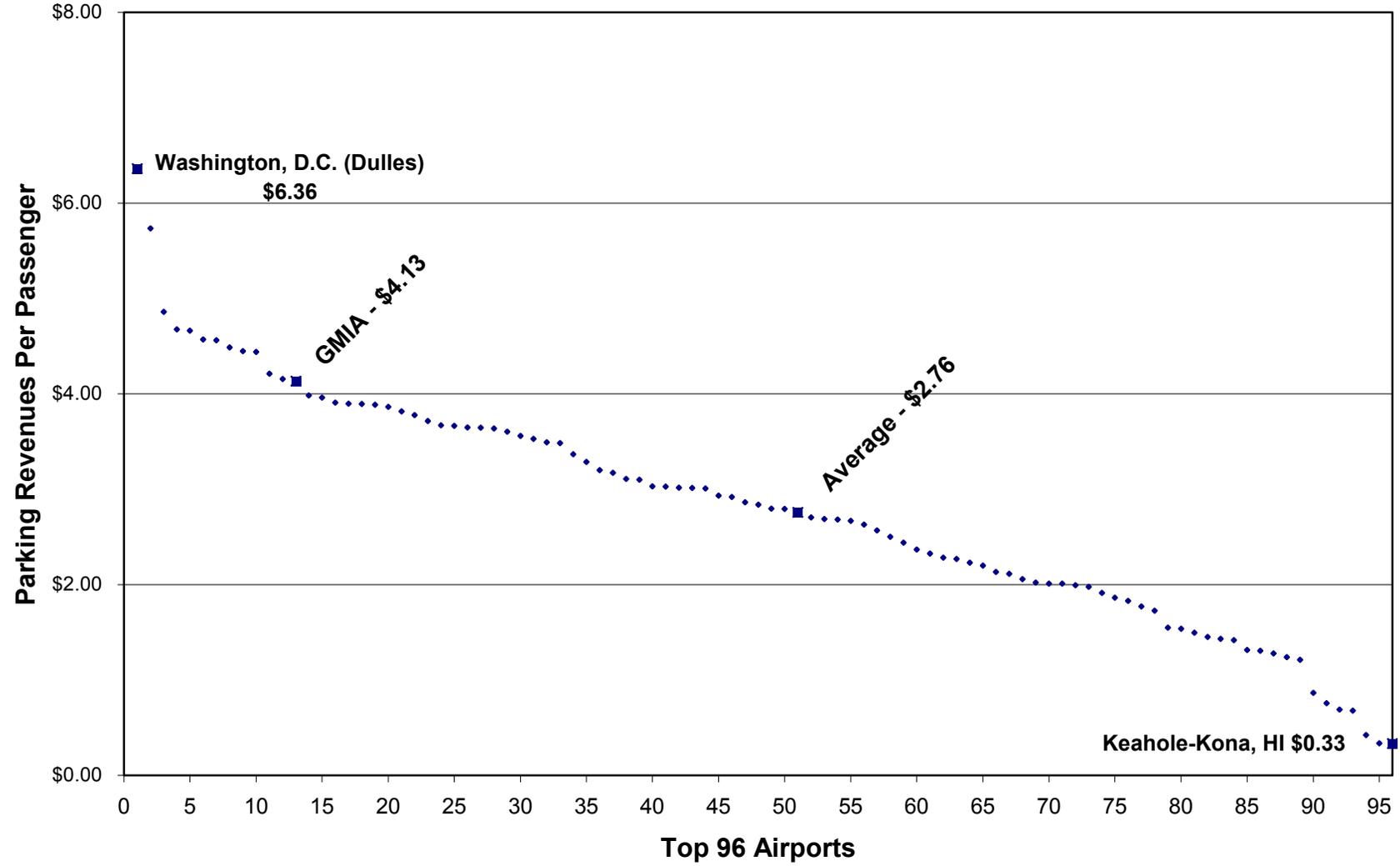


Chart 24
Parking Revenues Per Passenger - 2005
Top 96 Airports
GMIA Ranking - 13th



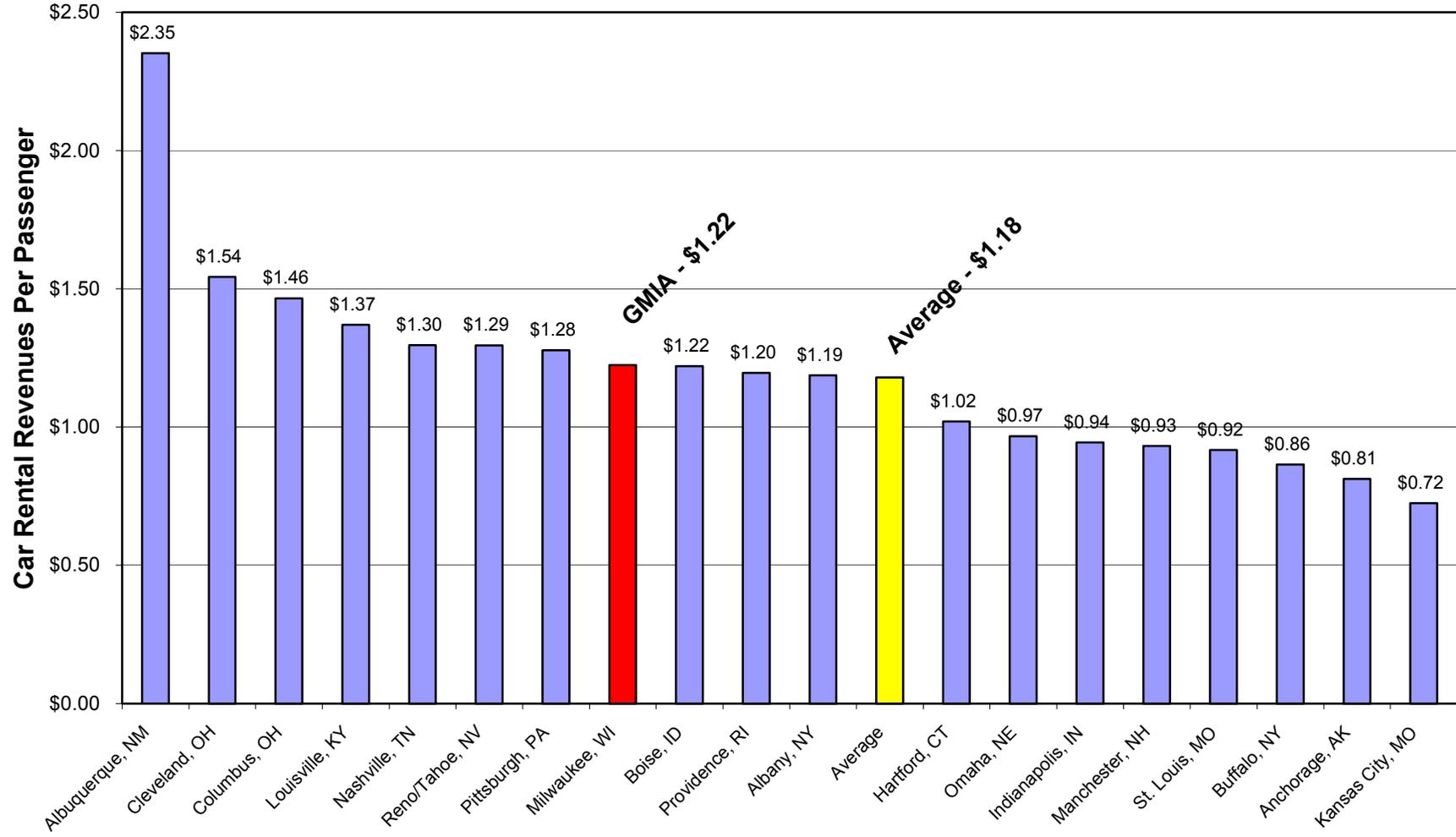
Car rentals of \$6.7 million represented 19.4% of total non-aeronautical revenues, putting it second to parking revenues in this category of revenues.

Non-Aeronautical Revenues – Car Rental

This represents revenue from car rental operations within or outside the terminal. Car rentals of \$6.7 million represented 19.4% of total non-aeronautical revenues, putting it second to parking revenues in this category of revenues. Each of the remaining six revenue sources in this category accounted for less than 5% of total non-aeronautical revenues.

In terms of ranking on a per 'origination and destination' passenger basis, GMIA ranked 8th out of 19 snow belt airports, 16th out of 37 medium hub airports, and 48th of the top 96 busiest U.S. airports, as noted in the following three charts.

Chart 25
Car Rental Revenues Per Passenger - 2005
19 Snow bet Airports
GMIA Ranking - 8th



Snow Belt Airports

Chart 26
Car Rental Revenues Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 16th

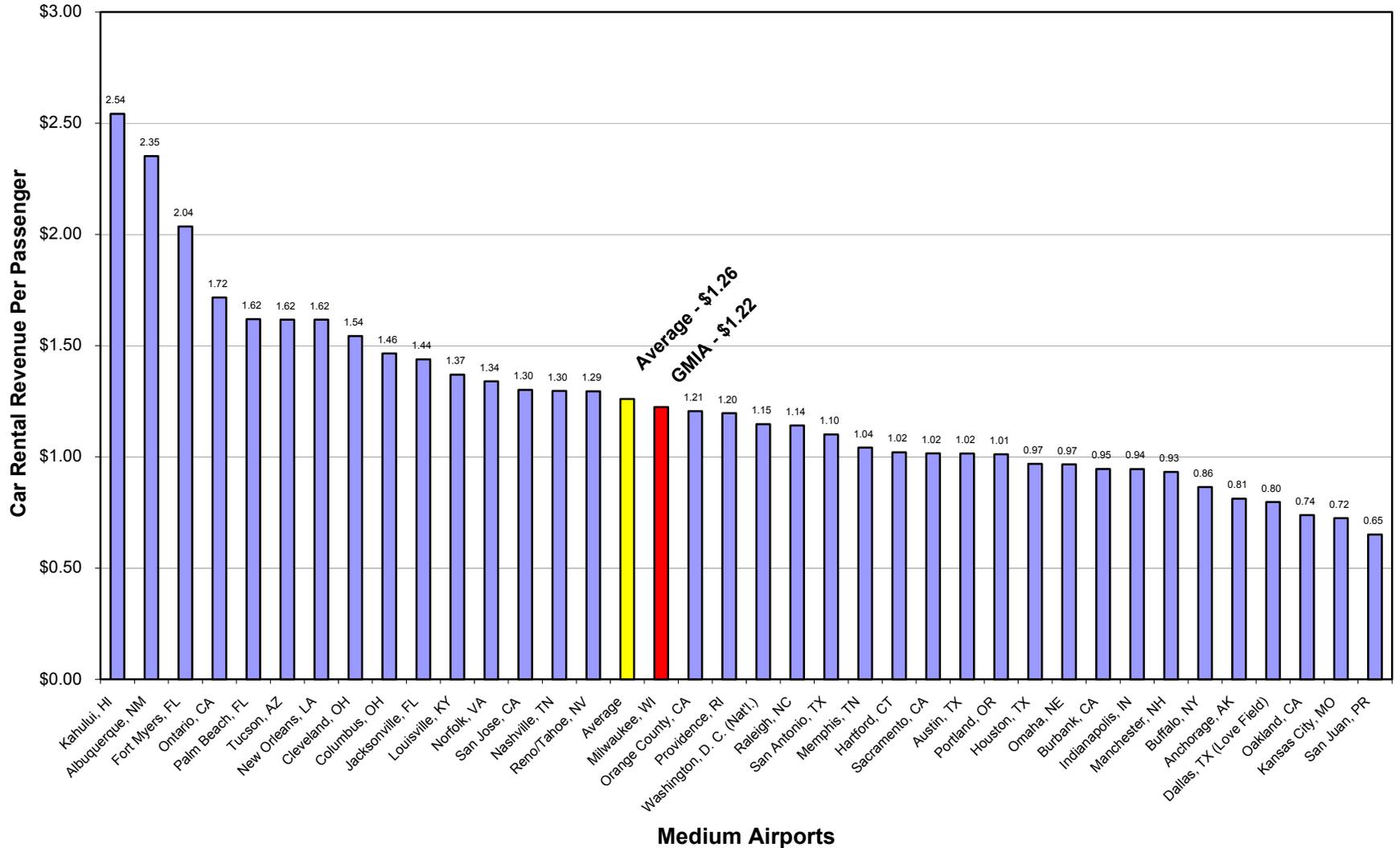
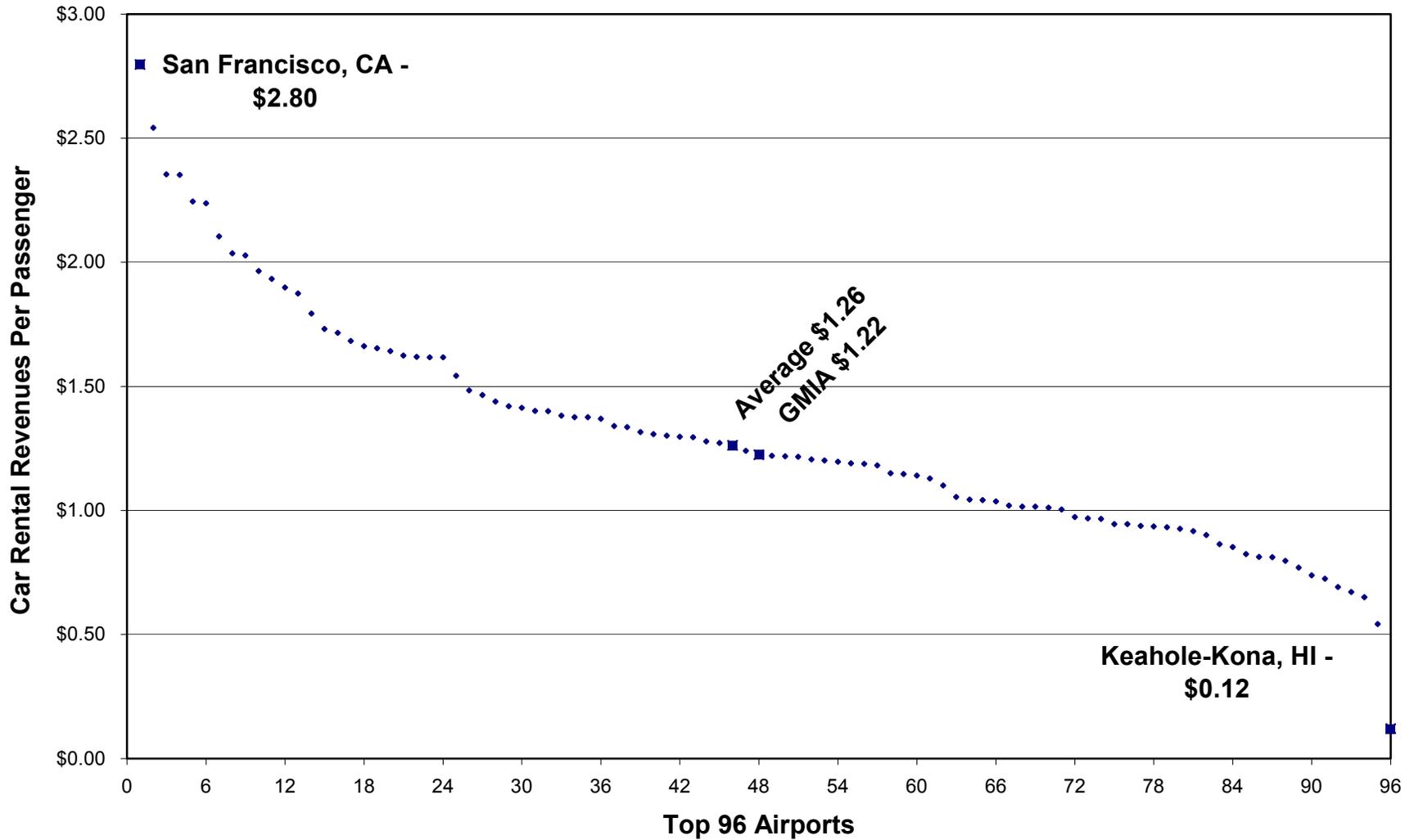


Chart 27
Car Rental Revenues Per Passenger
Top 96 Airports
GMIA Ranking - 48th



Non-operating revenues totaled \$29.3 million in 2005, representing 34.1% of all airport revenues, primarily from grant receipts and passenger facility charges.

Total Non-Operating Revenues

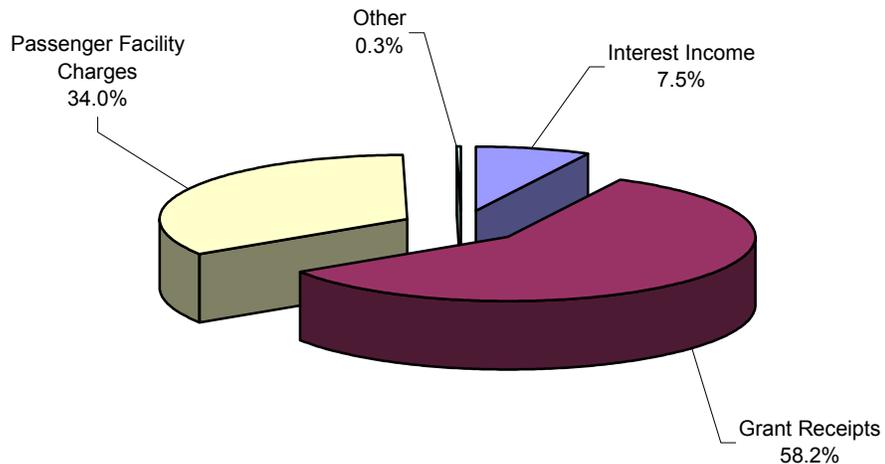
These are revenues that are not derived from general airport operations. Non-operating revenues totaled \$29.3 million in 2005, representing 34.1% of all airport revenues. The primary source of this type of income was from grant receipts and passenger facility charges.

One of the biggest grant programs is the Airport Improvement Program (AIP), which represents federal funds that are usually spent on projects that support aircraft operations including runways, taxiways, aprons, noise abatement, land purchases and safety, emergency or snow removal equipment.

This category also included passenger facility charges (PFC). PFCs are amounts ranging from \$1 - \$4.50 that airports can impose on enplaning passengers (GMIA currently charges \$3 per passenger), generally used for airport capital improvements.

Chart 28 depicts the four revenues sources that make of total non-operating revenue and their relation to the whole.

Chart 28
Breakout of Non-Operating Revenues - 2005
Total Amount for GMIA - \$ 29.3 Million



Compared to other U.S. airports, GMIA's total non-operating revenue per passenger for 2005 ranked 12th out of the 19 snow belt airports, 16th out of the 37 medium hub airports, and 40th of the top 100 busiest airports, as shown in the following three charts.

Chart 29
Total Non-Operating Revenues Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 12th

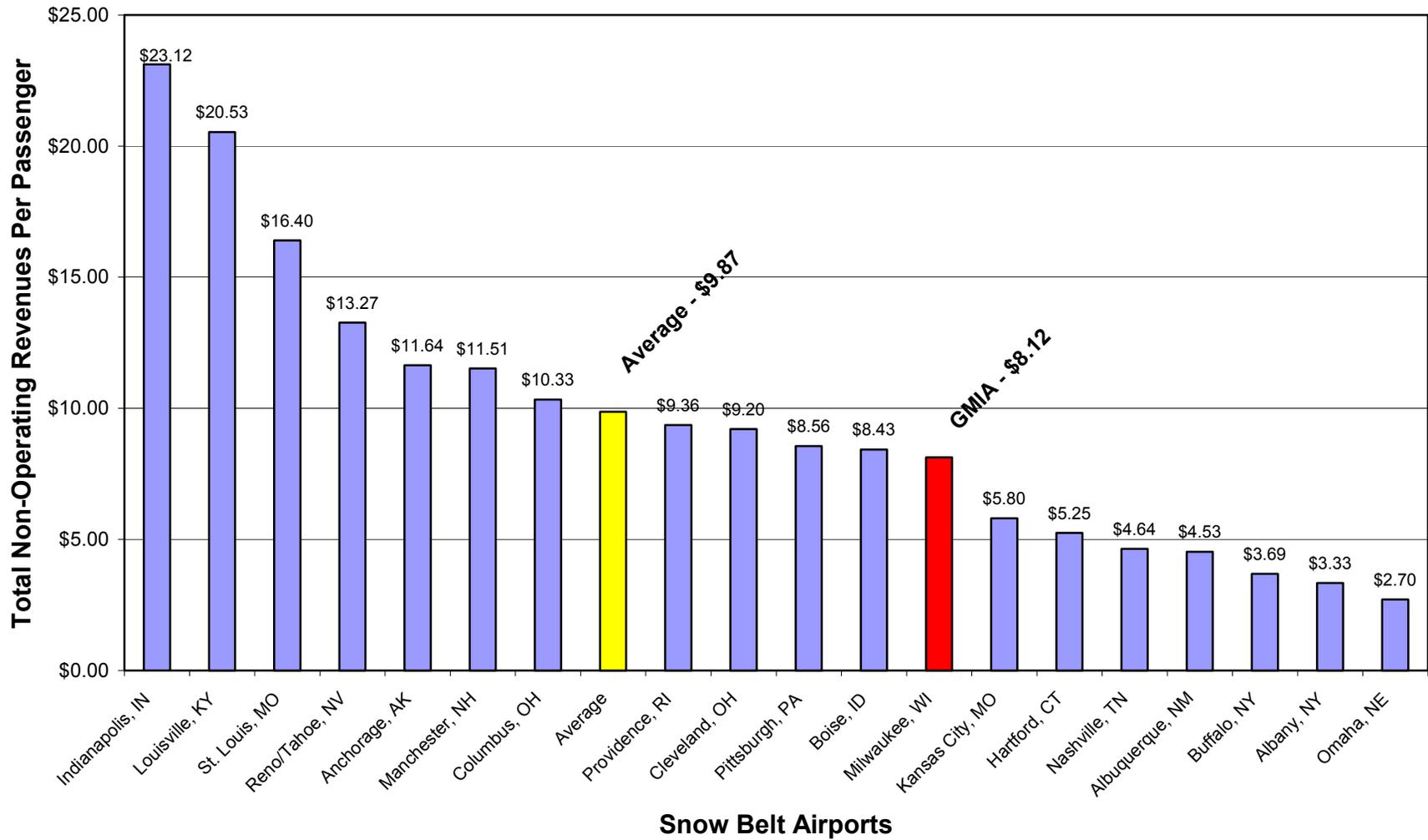


Chart 30
Total Non-Operating Revenues Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 16th

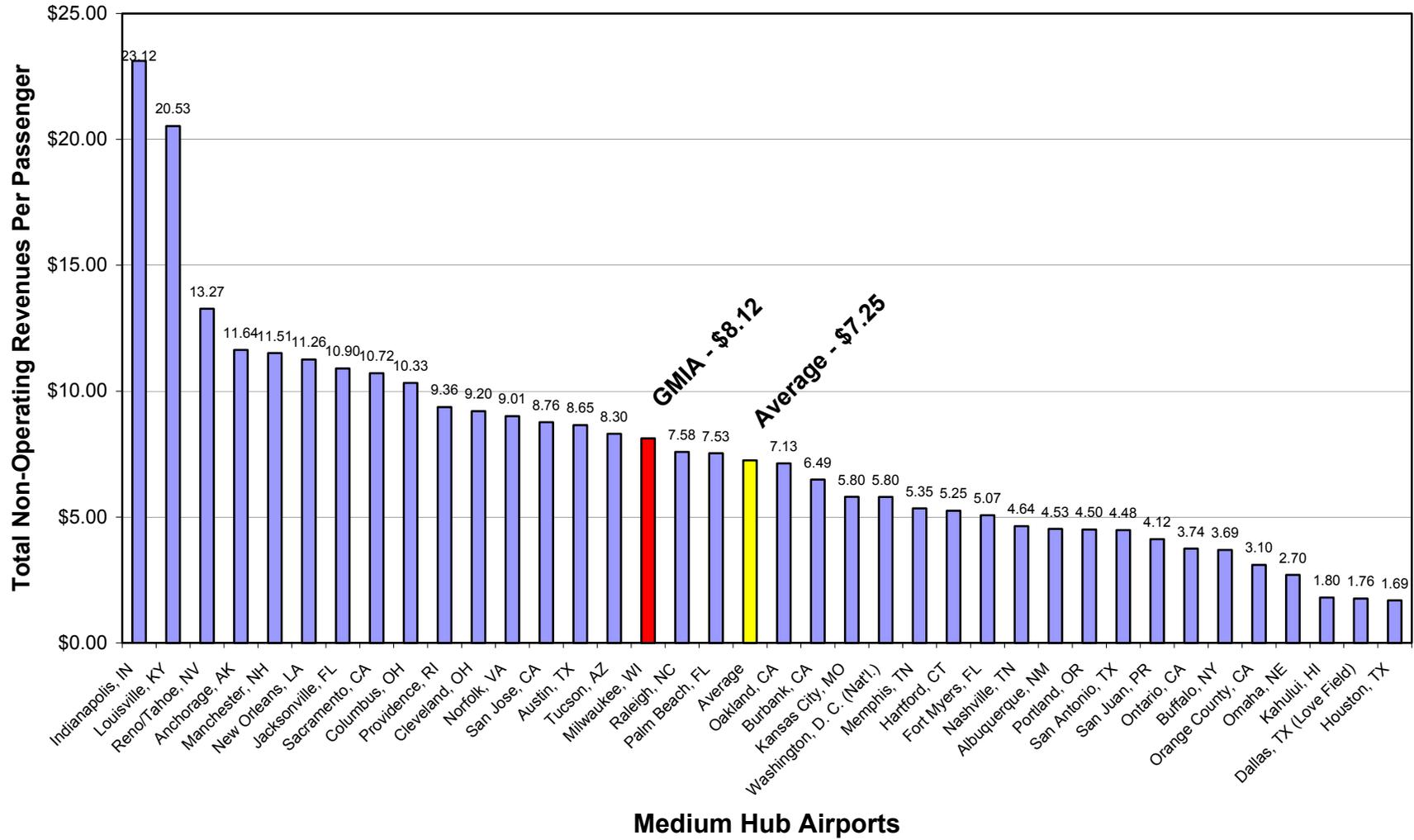
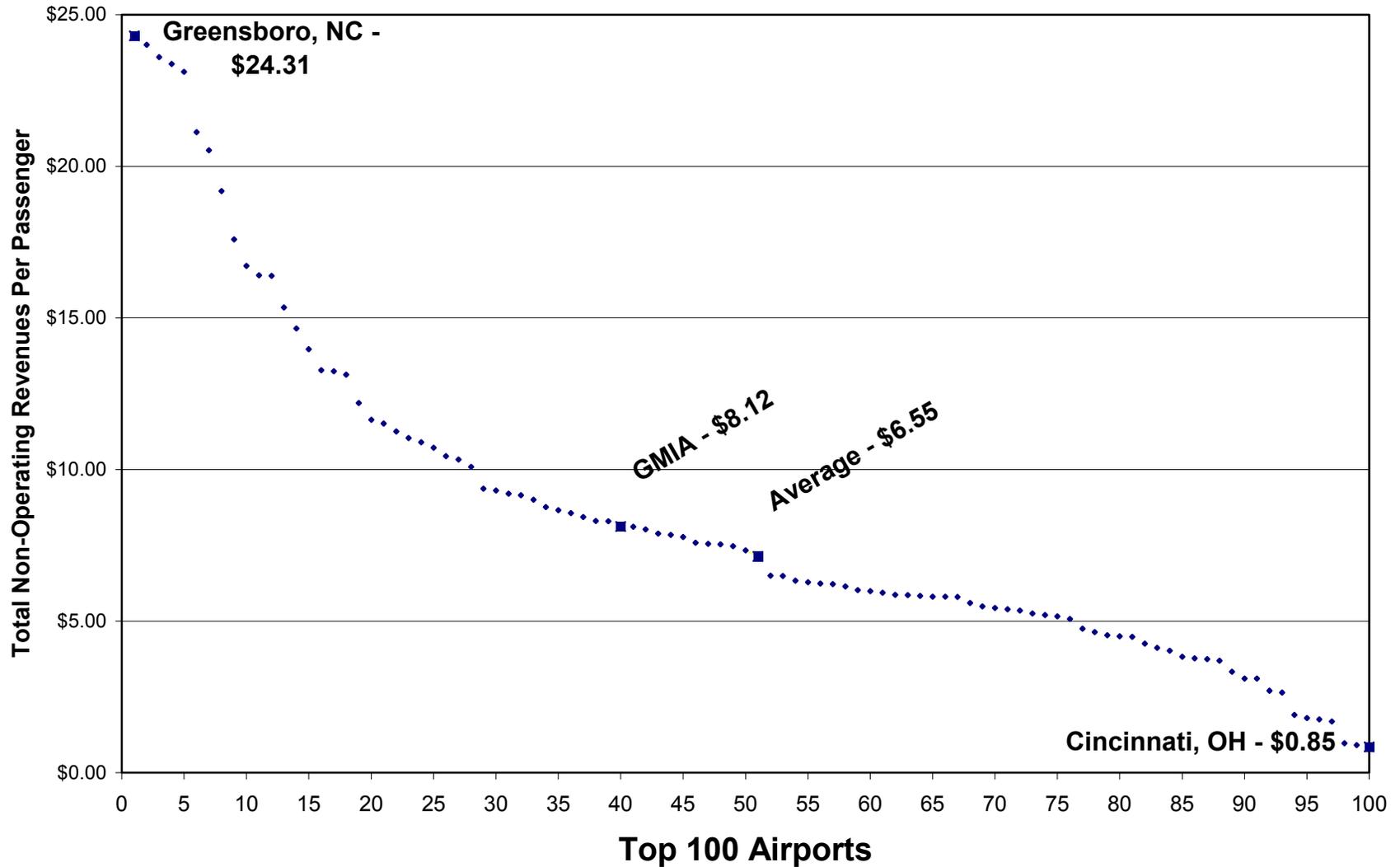


Chart 31
Total Non-Operating Revenues Per Passenger
Top 100 Airports
GMIA Ranking - 40th



The results indicated that overall, GMIA has no obvious problems in any particular revenue or expense item when looking at operations from a purely financial standpoint.

Comments Regarding GMIA Revenues and Expenses

This analysis was performed in part to determine if there were aspects of GMIA's operations that stood out either favorably or unfavorably when compared to other airports. The results indicated that overall, GMIA has no obvious problems in any particular revenue or expense item when looking at operations from a purely financial standpoint. Perhaps the best indicator of this was the low amount of terminal rental charges per passenger, which is the revenue center used to make up any shortages needed to cover costs.

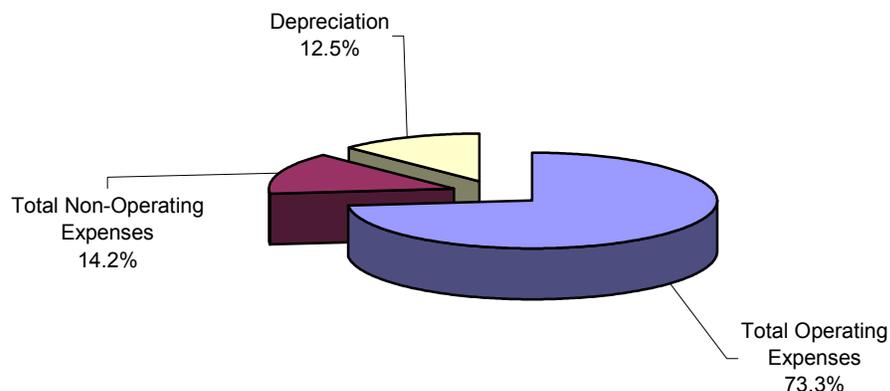
The graphs in **Section 1** have shown GMIA was under the average for aeronautical and non-operational revenues, and ahead of the average for non-aeronautical revenues. However, revenues only gives half of the picture of how airports are managing to their bottom lines. The profitability of any operation considers both revenues **and** expenses. As noted at the beginning of this section, GMIA ranked high in overall net profit, meaning that its efforts at controlling costs have had a positive impact on the overall bottom line.

In **Section 2** we similarly compare the total and some specific expenses for the same airports included in our review of revenues. The results highlight in many instances how GMIA's costs are lower than average in all three strata reviewed.

Section 2: Comparison of Financial Operations - Expenses

In this section we will discuss and compare GMIA's expenses to other U.S. airports. The financial information on FAA Form 5100-127 submitted annually by airports segregates total airport costs into operating, non-operating and depreciation expenses. For 2005, GMIA's total expenses amounted to \$51.6 million. **Chart 32** shows the breakdown of that amount into these three components.

Chart 32
Breakout of Total Expenses - 2005
Total Amount - \$51.6 Million



Operating expenses are clearly the largest component of GMIA's expenses, comprising \$37.8 million of the total.

Operating expenses are clearly the largest component of GMIA's expenses, comprising \$37.8 million of the total. In the three groups, the percentage of operating expenses to total expenses ranged from 50.4% (snow belt airports) to 57.2% (medium hub airports).

Compared to other U.S. airports, GMIA's total expenses per passenger in 2005 ranked 2nd lowest of the 19 snow belt airports, 7th out of the 37 medium hub airports, and 16th out of the top 100 busiest airports, as noted in the following charts.

Chart 33
Total Expenses Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 2nd

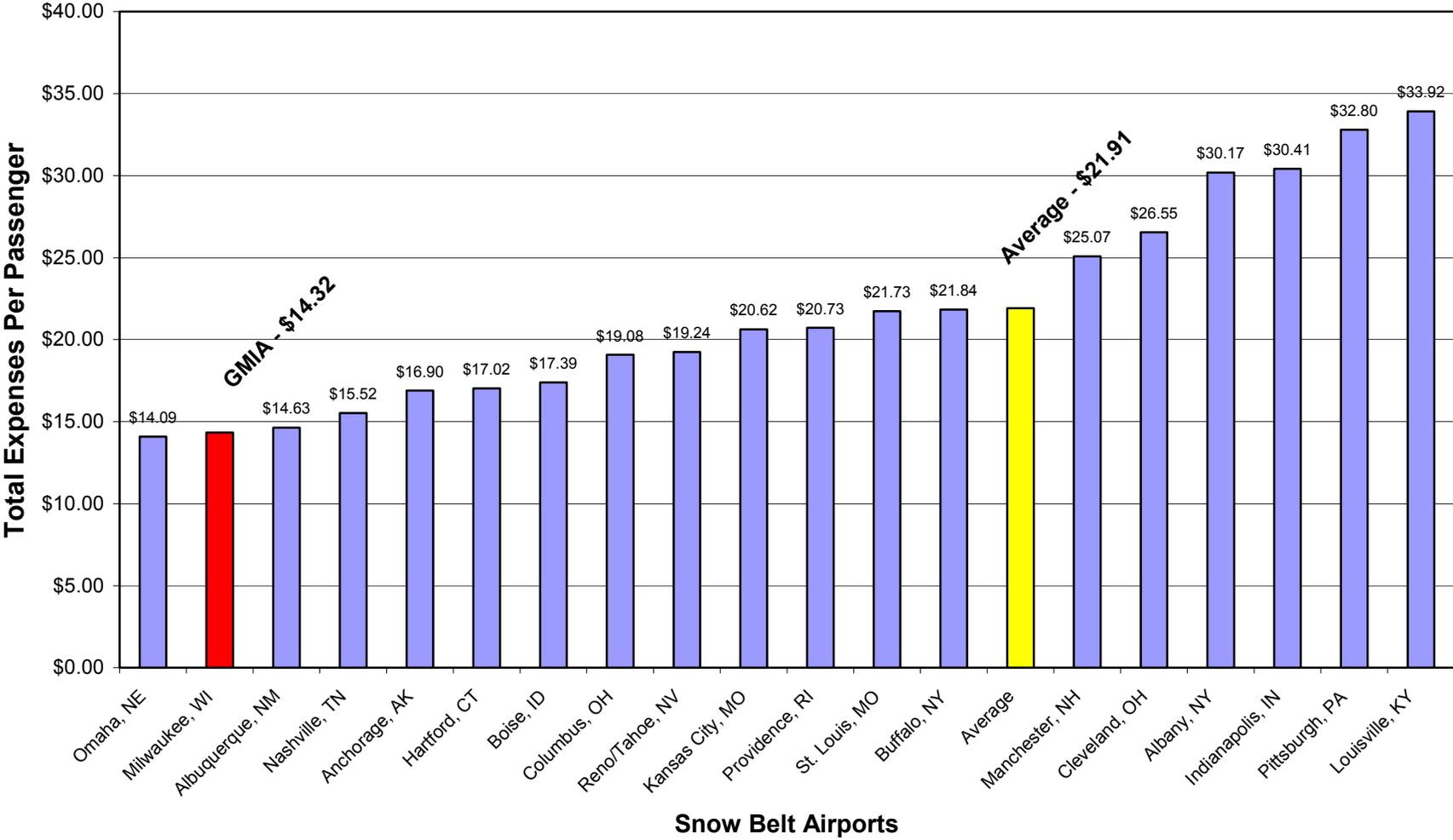
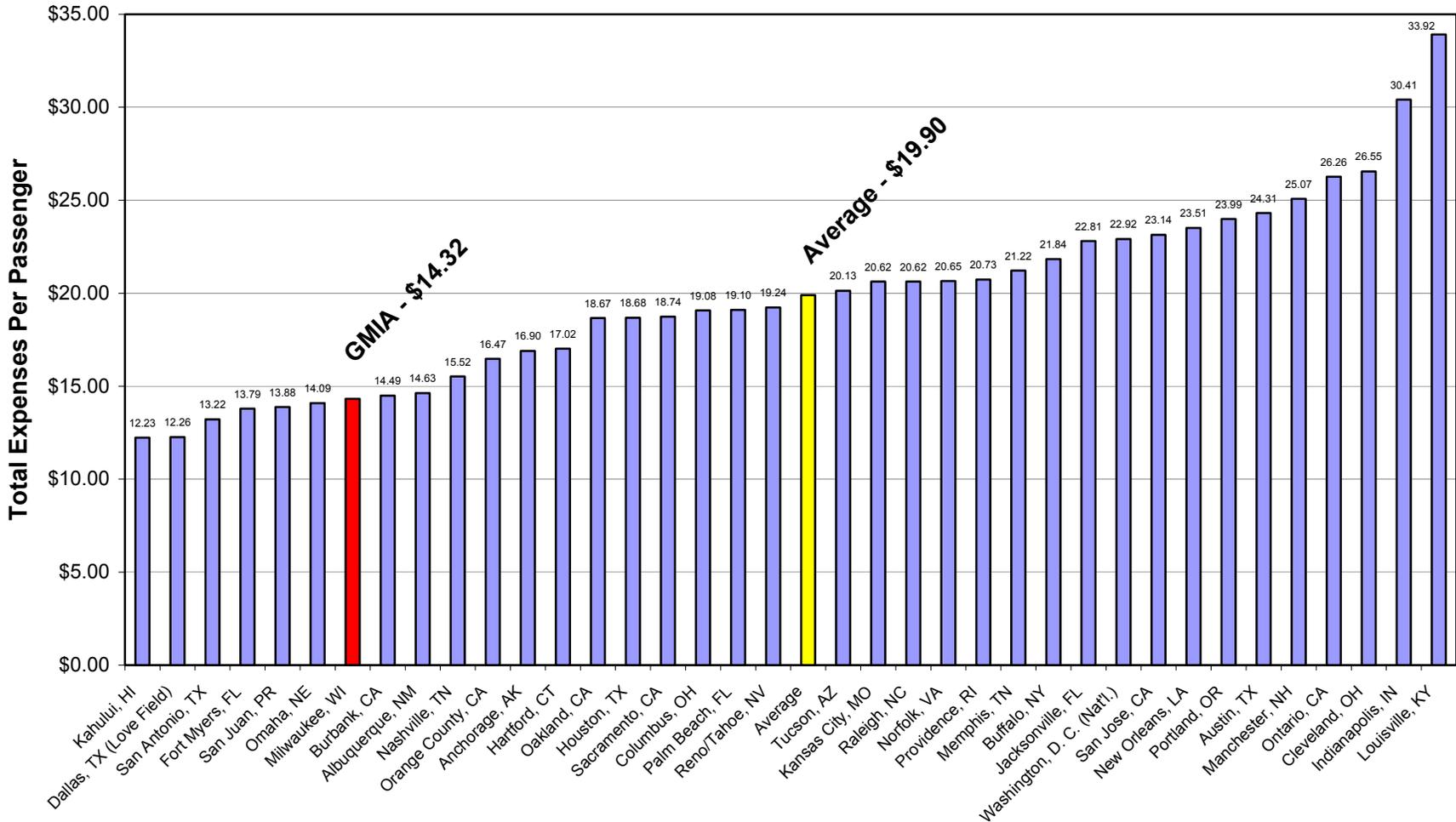
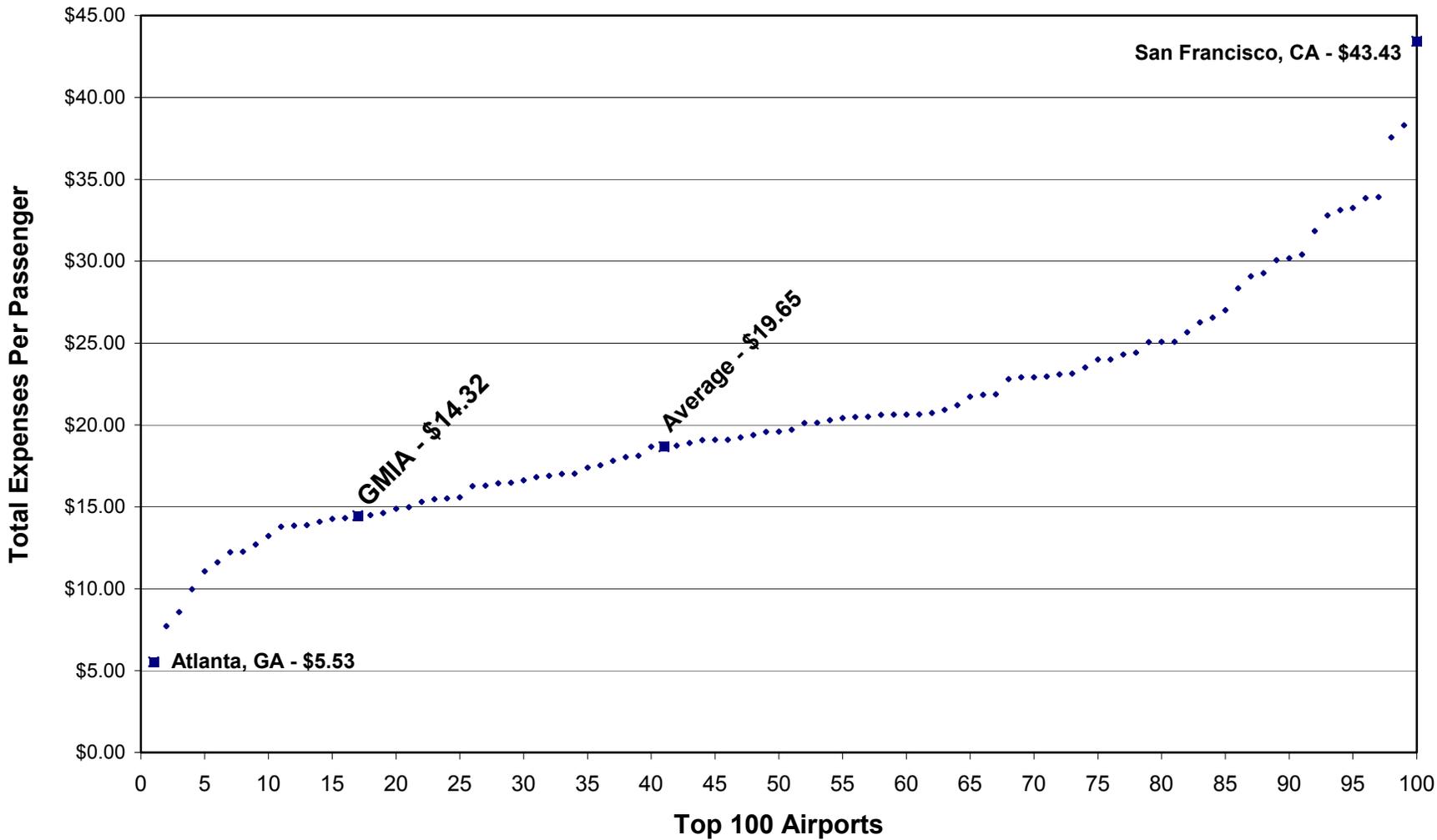


Chart 34
Total Expenses Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 7th



Medium Hub Airports

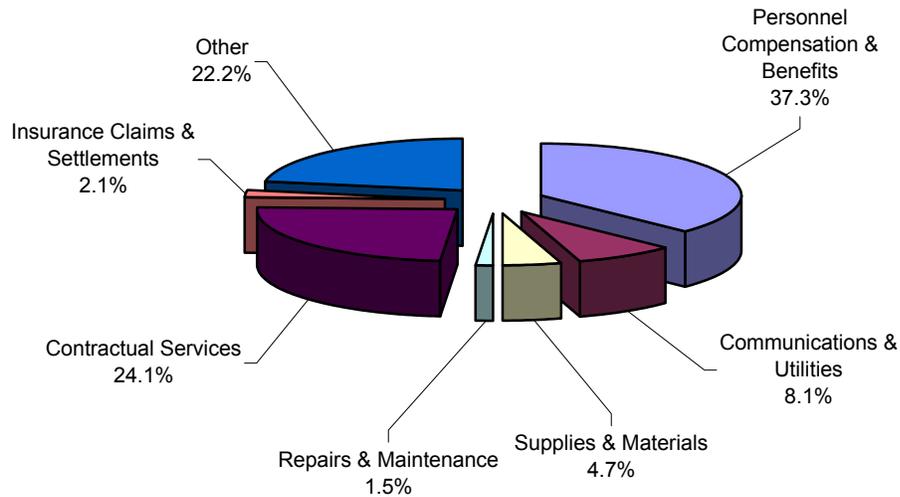
Chart 35
Total Expenses Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 16th



Total Operating Expenses

Operating expenses come from direct airport operations, generally consisting of those expenses normally associated with running a business enterprise, such as salary, supplies, and repairs and maintenance. **Chart 36** breaks out GMIA's operating expenses into seven categories.

Chart 36
Breakout of Total Operating Expenses - 2005
Total Amount - \$37.8 Million



Compared to other U.S. airports, GMIA's total operating expenses per passenger in 2005 ranked 8th out of the 19 snow belt airports, 13th out of the 37 medium hub airports, and 41st out of the top 100 busiest airports, as noted in the following three charts.

Chart 37
Total Operating Expenses Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 8th

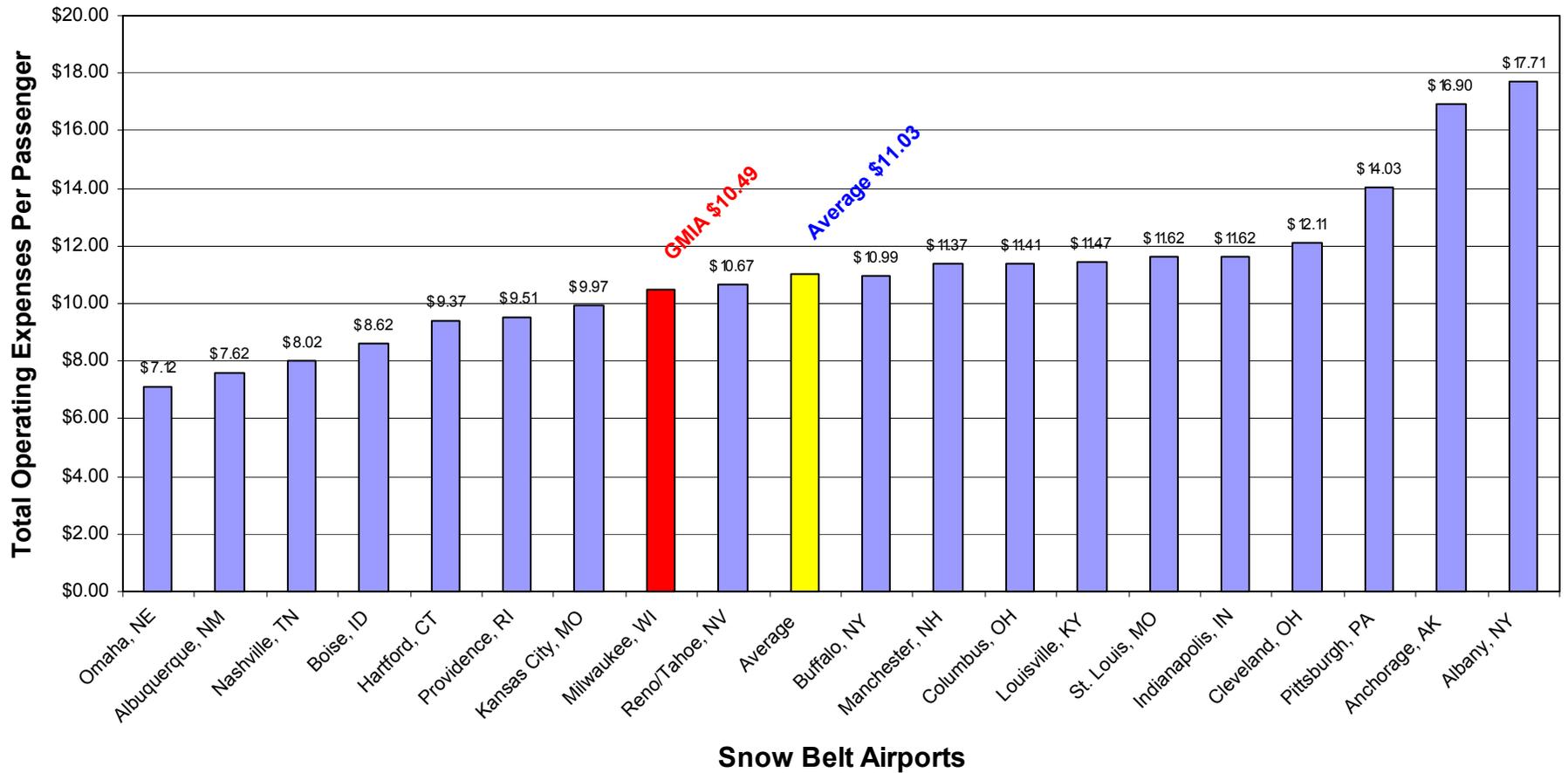


Chart 38
Total Operating Expenses Per Passenger - 2005
37 Medium Hubs
GMIA Ranking - 13th

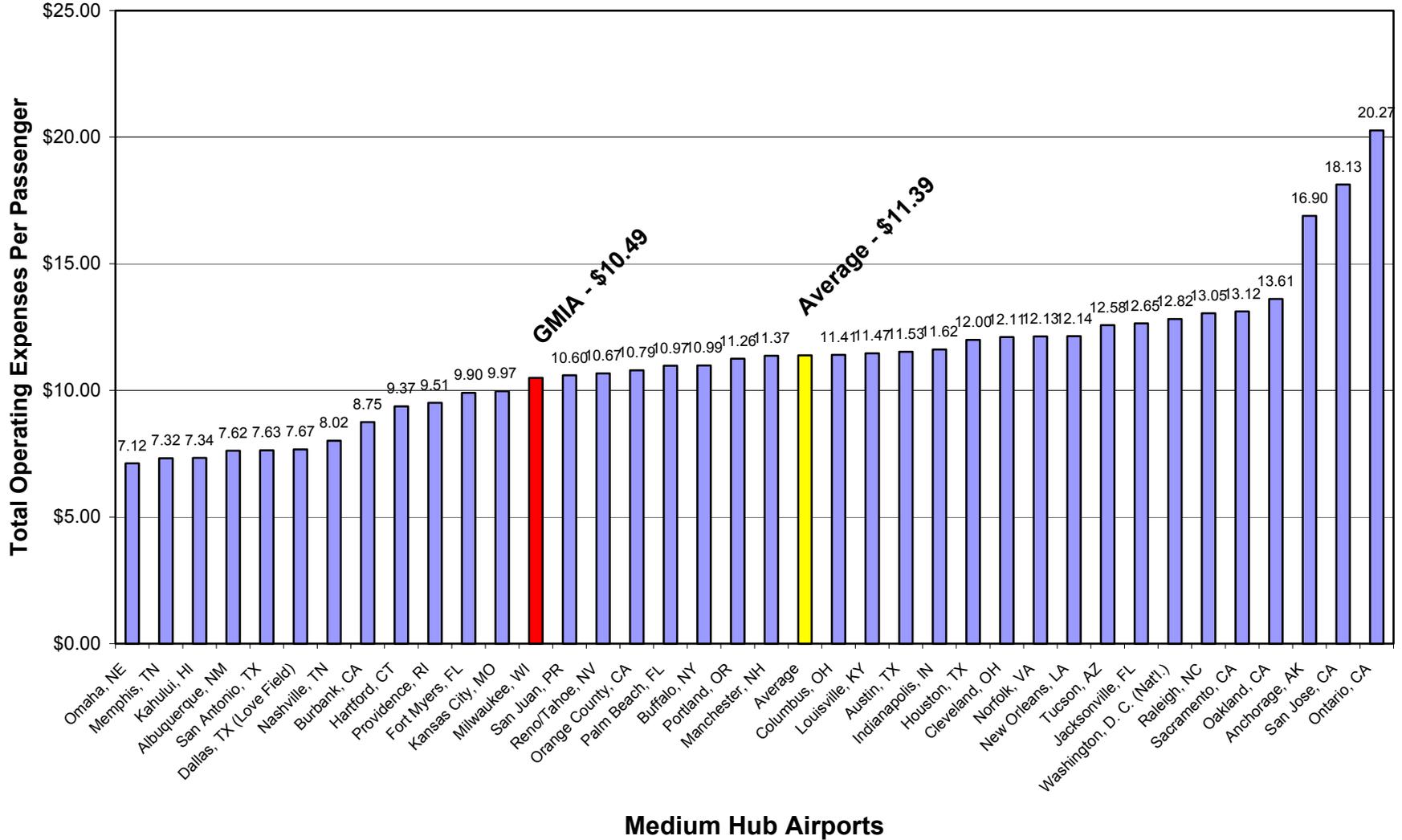
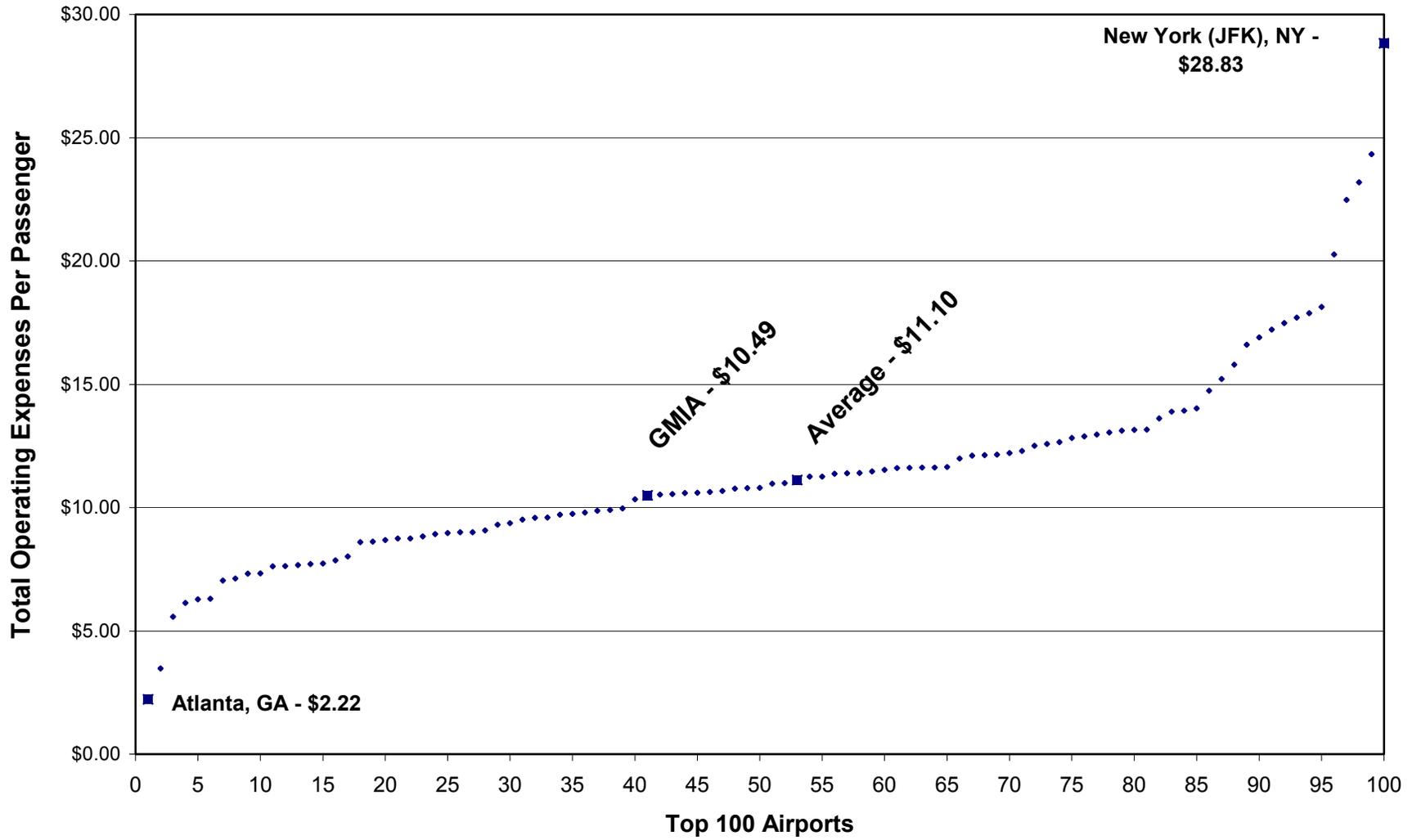


Chart 39
Total Operating Expenses Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 41st



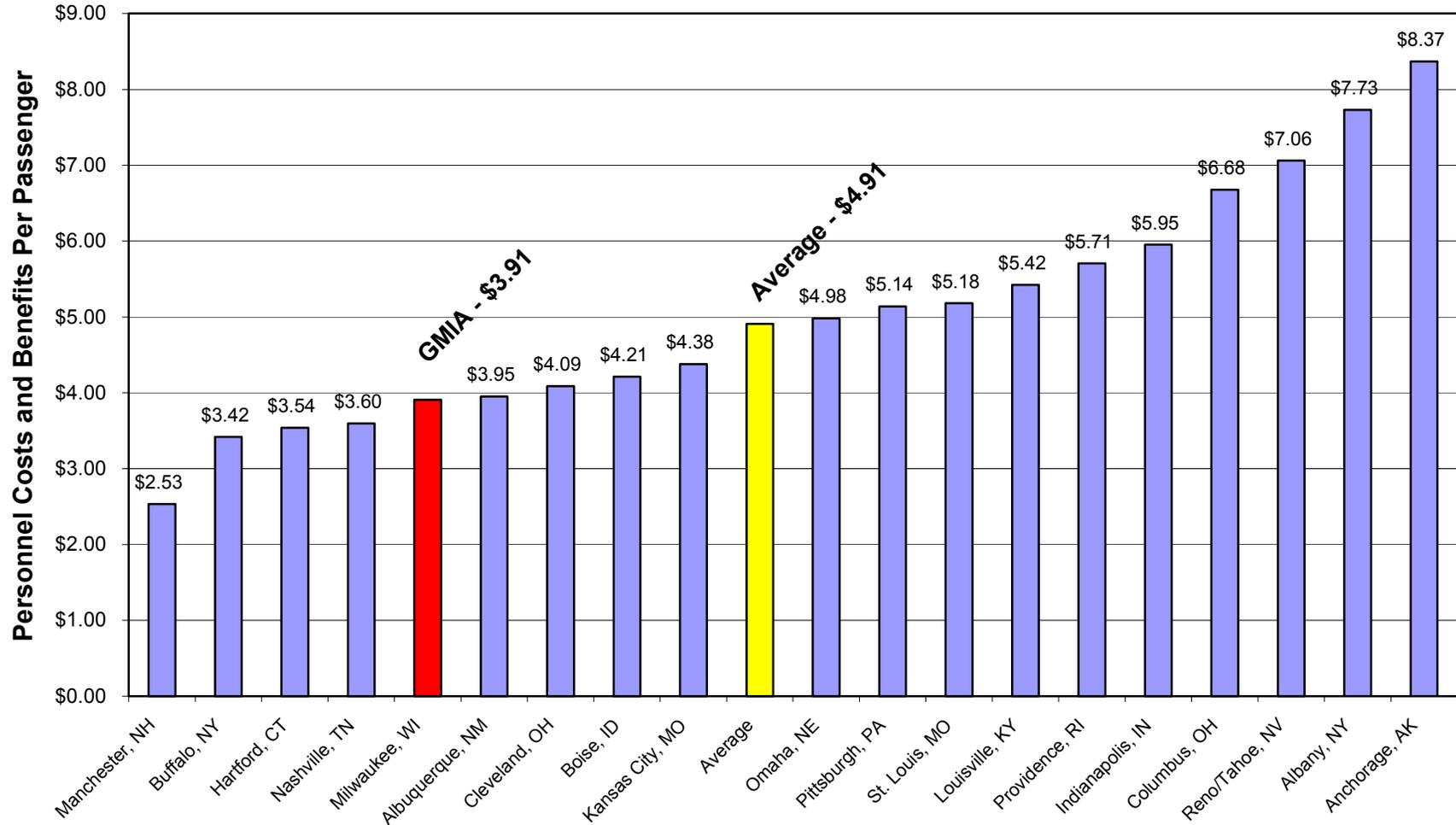
The \$14.1 million in personnel compensation and benefit costs reported by GMIA to the FAA represents 37.3% of all operating expenses.

Personnel Compensation & Benefits

Personnel compensation and benefit costs are generally the highest cost component of an airport's operating expenses. The \$14.1 million reported by GMIA to the FAA represents 37.3% of all operating expenses. In comparison, the other three groups' personnel costs ranged from 38.1% (top 100 airports) to 44.5% (snow belt airports) of all operating costs.

Compared to other U.S. airports, GMIA's total operating expenses per passenger in 2005 ranked 5th out of the 19 snow belt airports, 15th out of the 37 medium hub airports, and 35th out of the top 100 busiest airports, as noted in the following three charts.

Chart 40
Personnel Costs and Benefits Per Passenger
19 Snow belt Airports
GMIA Ranking - 5th



Snow Belt Airports

Chart 41
Personnel Costs and Benefits Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 15th

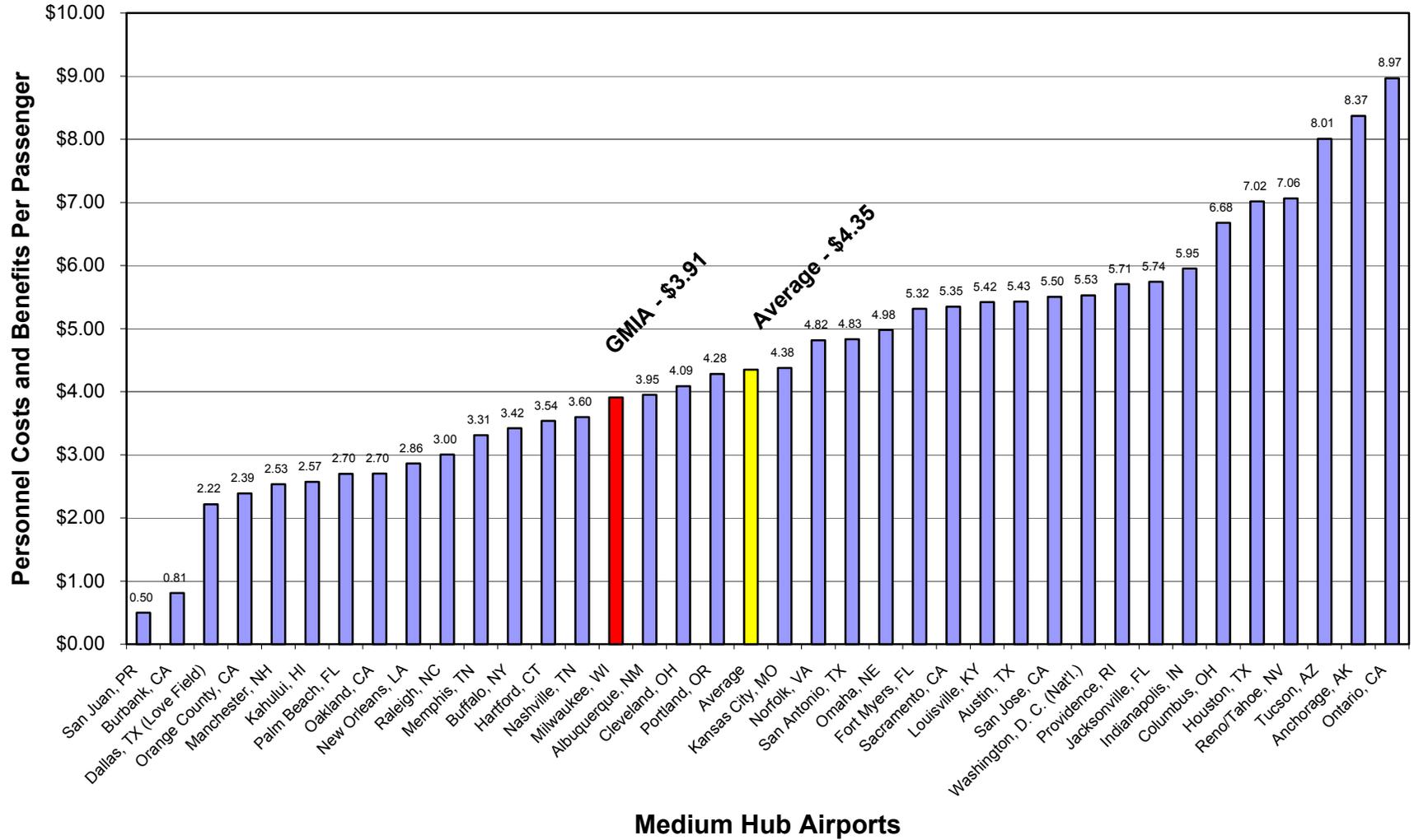
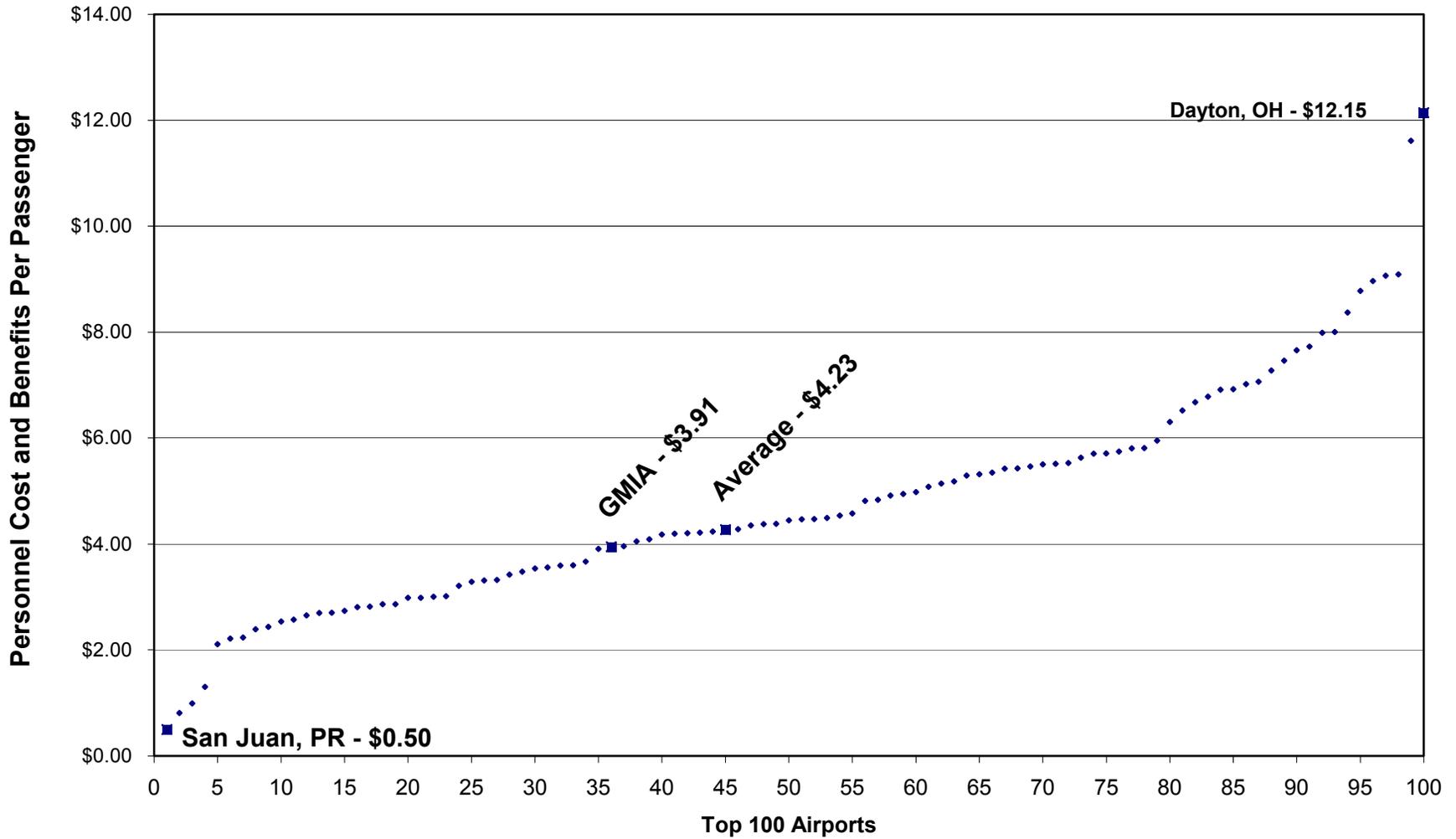


Chart 42
Personnel Costs and Benefits Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 35th



Contractual services were the second highest cost category for GMIA and each of the three comparison groups, with costs ranging from 22.3% to 31.3% of total operating expenses.

Comparison of Contractual Services

Contractual services were the second highest cost category for GMIA and each of the three comparison groups, with costs ranging from 22.3% to 31.3% of total operating expenses.

Compared to other U.S. airports, GMIA's contractual services expense per passenger in 2005 ranked 12th out of the 19 snow belt airports, 15th out of the 37 medium hub airports, and 49th out of the top 100 busiest airports, as noted in the following three charts.

Chart 43
Contractual Services Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranking - 12th

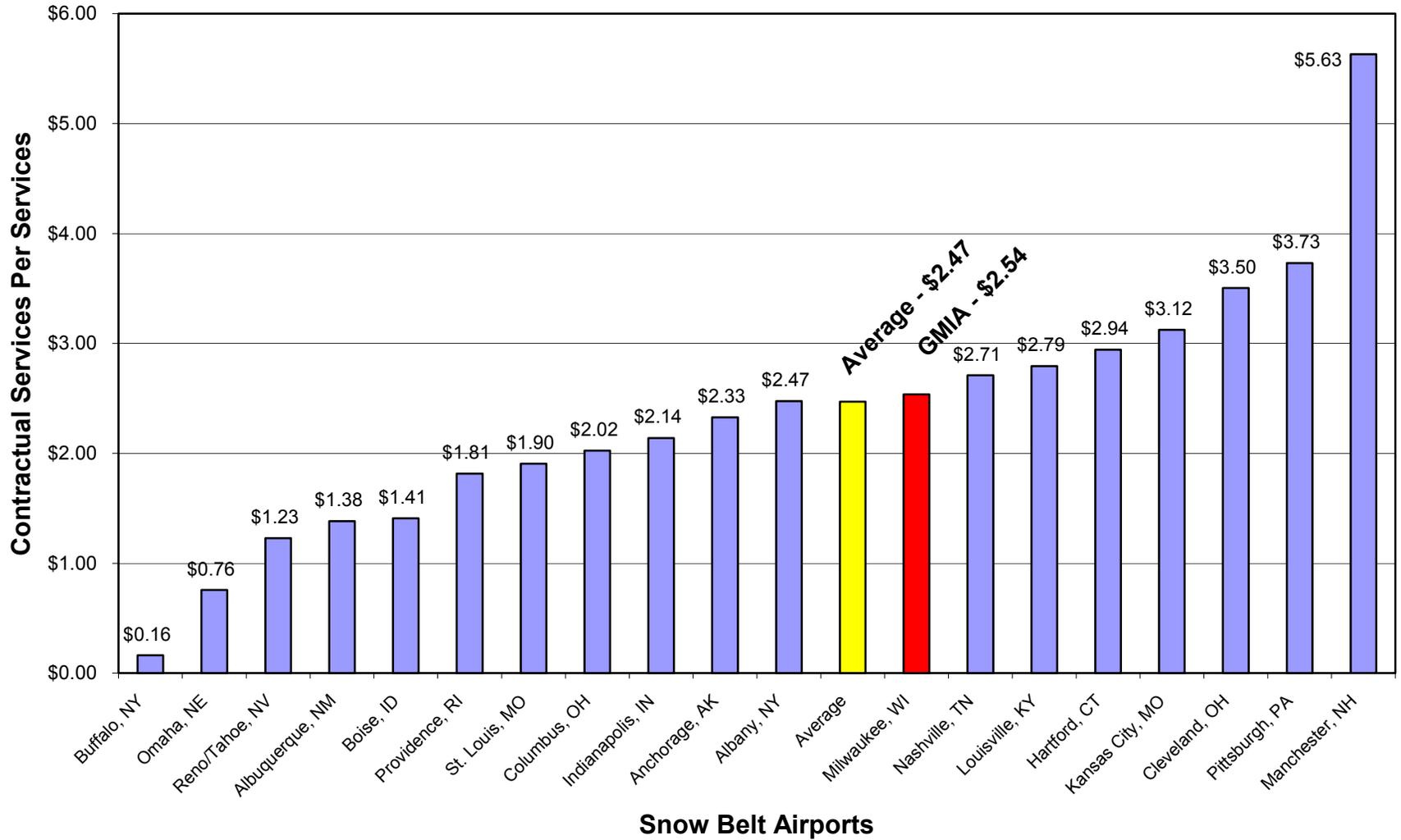


Chart 44
Contractual Services Per Passenger
37 Medium Hub Airports
GMIA Ranking - 15th

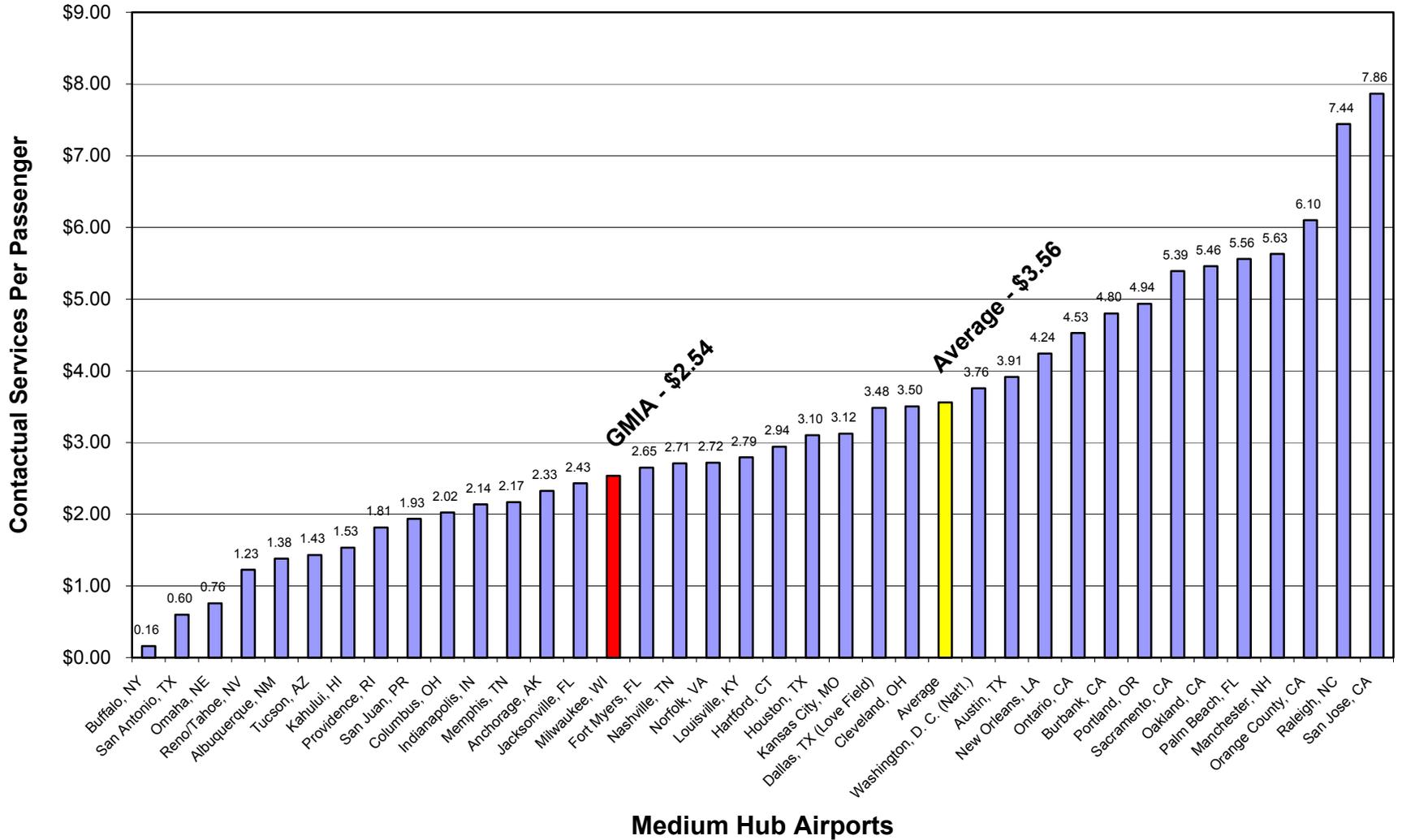
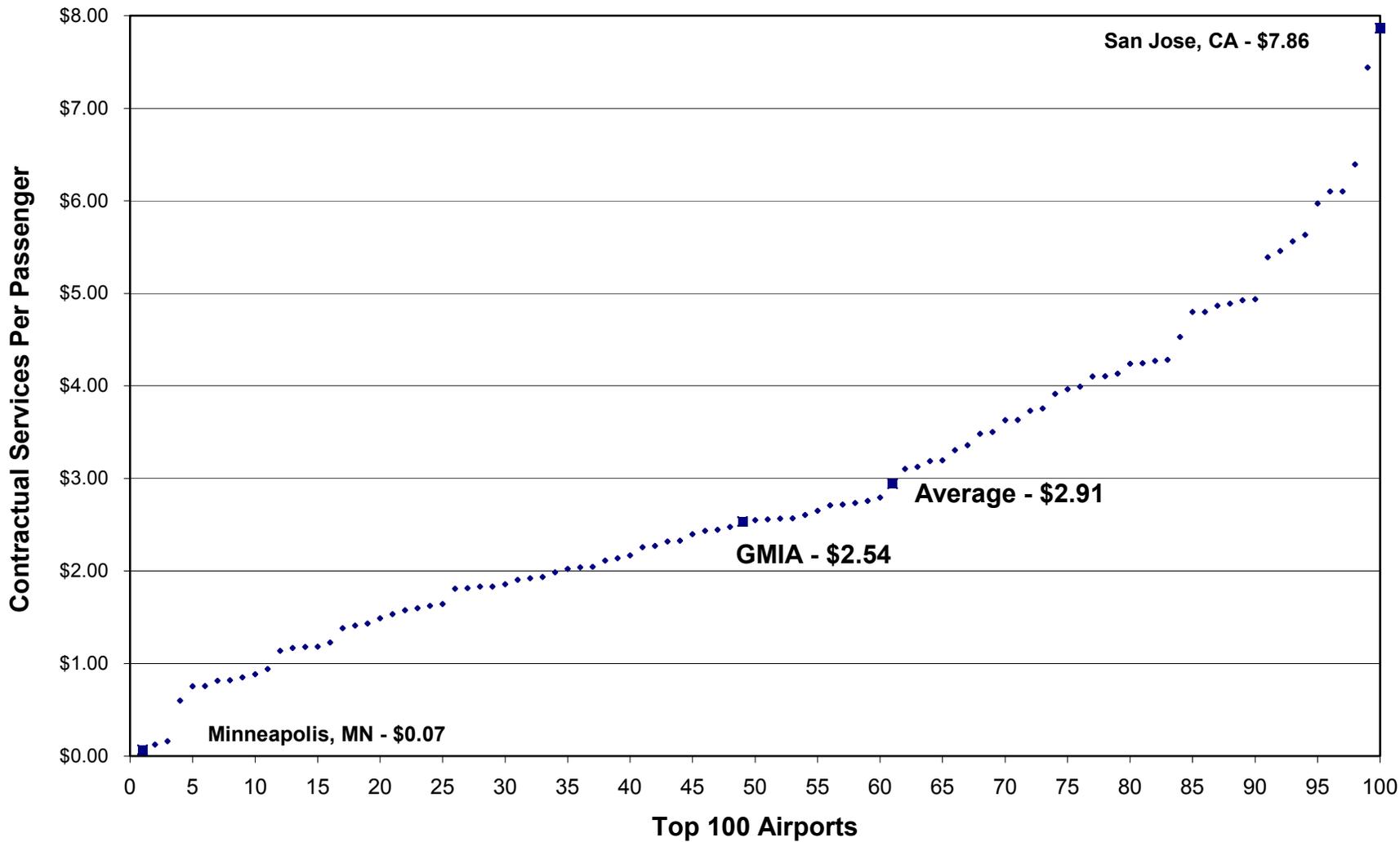


Chart 45
Contractual Services Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 49th

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There are likely some airports that have privatized some aspect of airport operations. Where this has occurred, they have, in essence, replaced personnel compensation and benefits costs with contractual service cost.

Detailed information on the number of full time equivalent positions, salary ranges, job descriptions and similar other data would be required to provide more accurate comparison of these costs.

Combined Salary & Contractual Services

There are likely some airports that have privatized some aspect of airport operations. Where this has occurred, they have, in essence, replaced personnel compensation and benefits costs with contractual service cost.

We do not know the extent to which this has occurred for specific airports. However, by combining these two cost categories for comparison purposes, we can mitigate the varying degrees to which airports may have contracted out specific functions.

Compared to other U.S. airports, GMIA's combined personnel compensation and benefits and contractual service cost per passenger in 2005 ranked 6th out of the 19 snow belt airports, 11th out of the 37 medium hub airports, and 35th out of the top 100 busiest airports, as noted in the following three charts.

On the surface, these results tend to show that both GMIA's costs in these two categories, both severally and combined, are lower than the average cost of each of the three groups compared, with one minor exception. However, this does not directly address the question of whether or not GMIA's personnel costs and benefits are lower than at other airports. Detailed information on the number of full time equivalent positions, salary ranges, job descriptions and similar other data would be required to provide more accurate comparison of these costs.

Chart 46
Combined Personnel Costs, Benefits & Contractual Services Per Passenger - 2005
19 Snow Belt Airports
GMIA Ranked - 6th

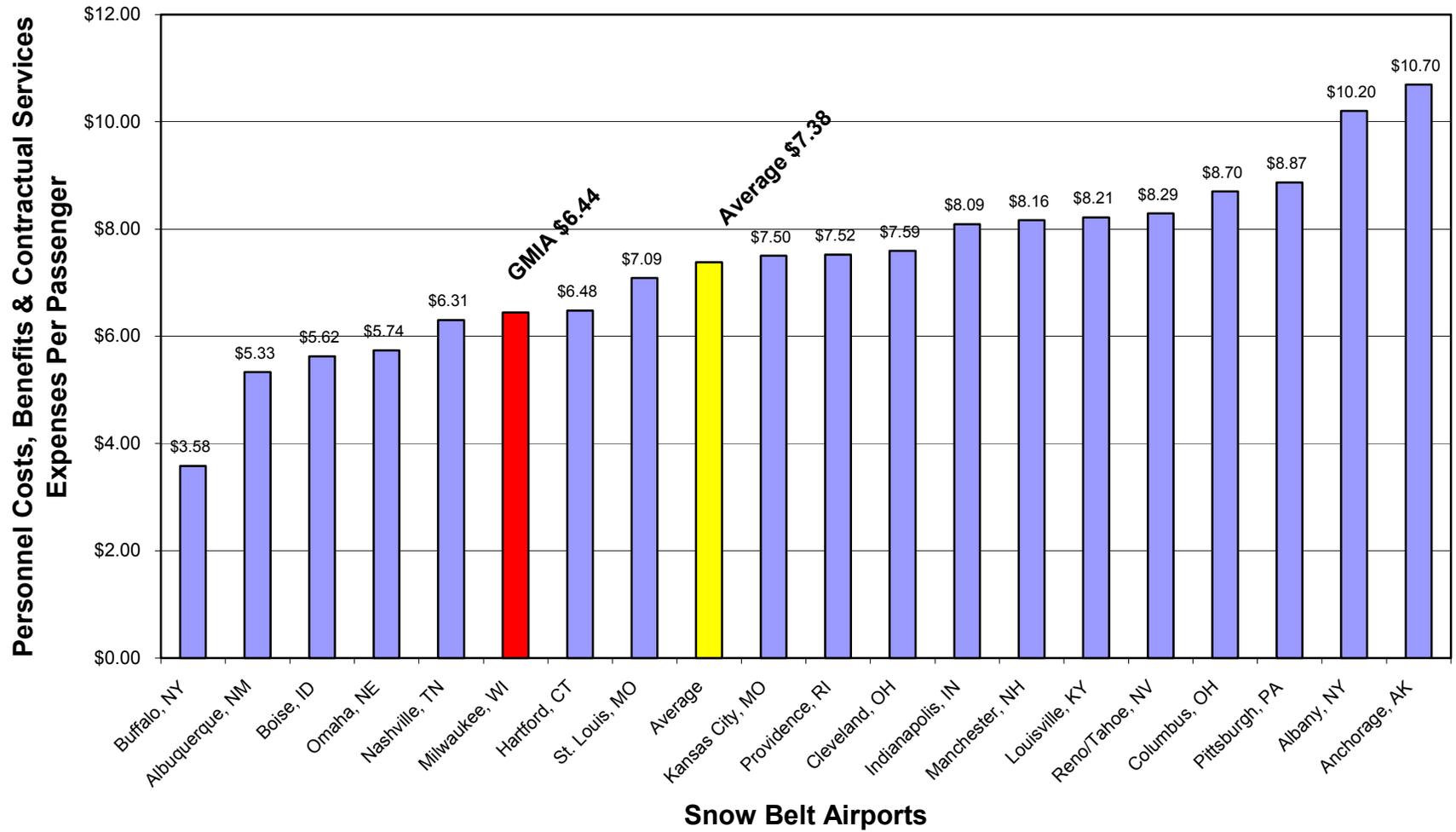


Chart 47
Combined Personnel, Benefits & Contractual Services Per Passenger - 2005
37 Medium Hub Airports
GMIA Ranking - 11th

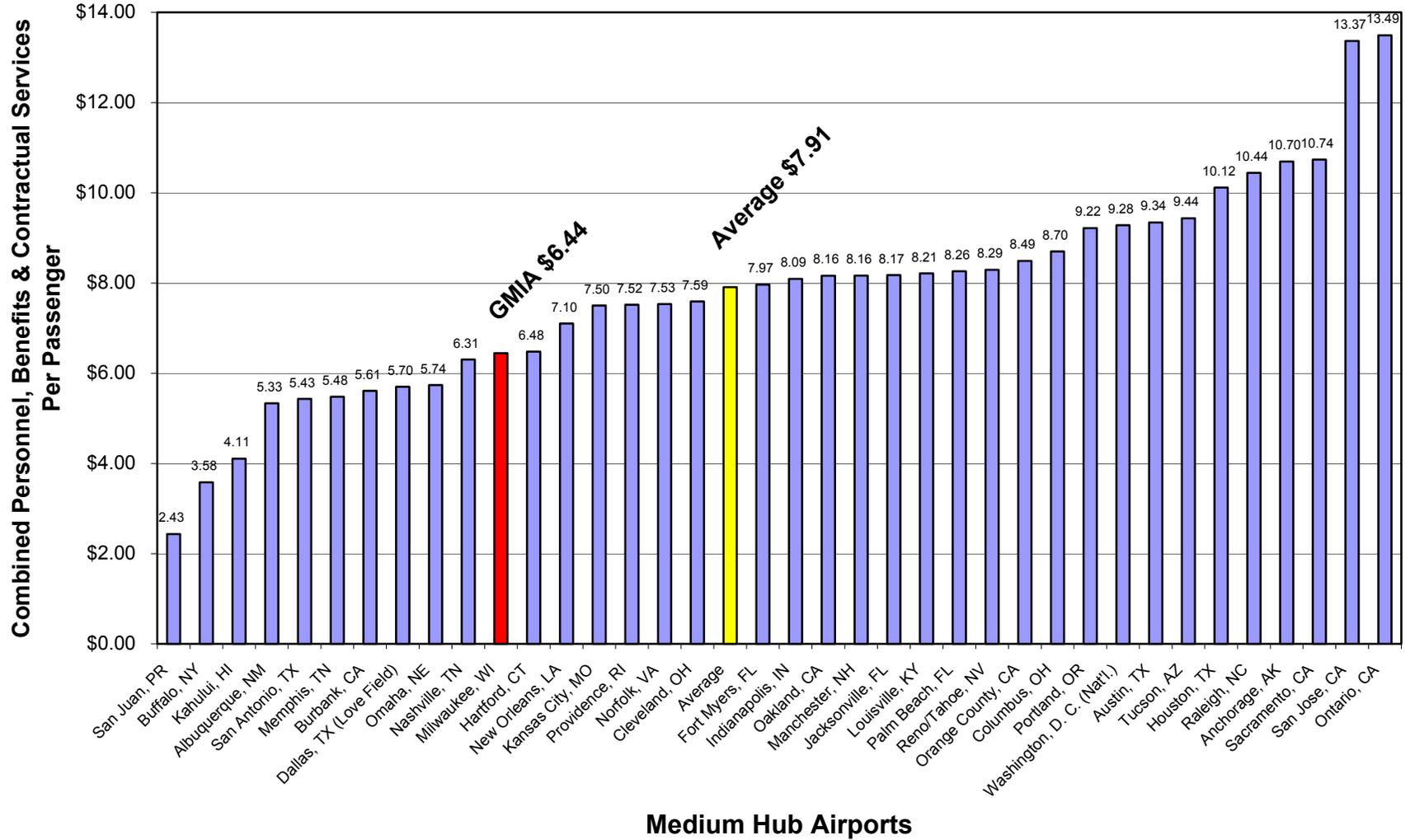
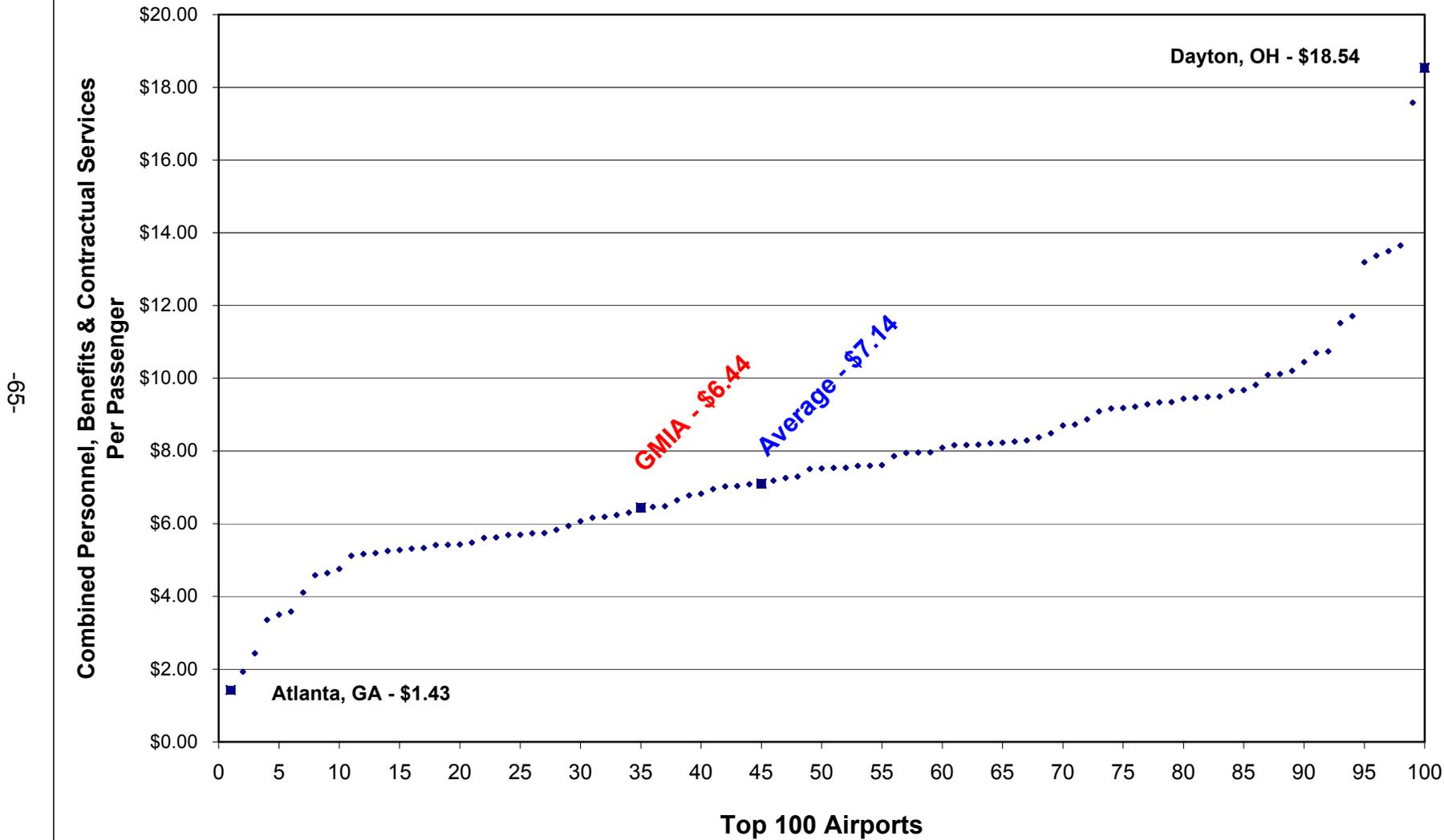


Chart 48
Combined Personnel, Benefits & Contractual Services Per Passenger - 2005
Top 100 Airports
GMIA Ranking - 35



Similar to operational expenses, GMIA had lower interest expense and depreciation expense costs on a per passenger basis than each of the comparison groups.

Non-Operating Expenses & Depreciation

Similar to operational expenses, GMIA had lower interest expense and depreciation expense costs on a per passenger basis than each of the comparison groups. Compared to other U.S. airports, GMIA's non-operational costs (interest and other expense) per passenger in 2005 ranked 6th out of the 19 snow belt airports, 13th out of the 37 medium hub airports, and 32nd out of the top 100 busiest airports

Similarly, GMIA's depreciation costs per passenger in 2005 ranked 2nd out of the 19 snow belt airports, 2nd out of the 37 medium hub airports, and 7th out of the top 100 busiest airports.

Summary of Results

Airport research organizations are working to create meaningful performance measures that relate to *outcomes* (such as overall airport satisfaction) instead of just *outputs* (such as cost per passenger). At this point, there are none currently in use that are generally accepted by all airports as the industry standard. Select airport research groups, such as the Air Transport Research Society, have created their own models for comparing airports. However, the specific calculations and the process used to weight the many factors used for comparing airports are complex and proprietary in nature, not generally available to the public.

These measurements showed that GMIA compared favorably with airports in each of the three comparison groups in terms of operational and other expenses.

This does not mean that the ability to compare airports does not exist. Output measurements can provide a useful tool to act as a barometer of how one airport is performing compared to another. These measurements showed that GMIA compared favorably with airports in each of the three comparison groups in terms of operational and other expenses. While more detailed information is needed to better interpret the results shown in this report, it is evident that overall GMIA is doing a good job compared to other airports in managing to its bottom line financially.

Section 3: Governmental Authority vs. Regional Authority

There has been discussion at the state level of changing control of GMIA from County operated to a regional authority. The County Board has authorized a work group to study this issue. In light of this directive, we undertook an analysis of the financial information we obtained from the FAA to compare selected revenue and cost centers to compare GMIA's County-governed structure with airports governed by a regional authority.

Table 1 breaks down the type of authority that governs airport operations for the top 100 busiest airports in the United States for 2005.

<u>Governance Type</u>	<u>Large Hub</u>	<u>Medium Hub</u>	<u>Small Hub</u>	<u>Totals</u>
Governmental Authority:				
City	12	11	12	35
County	3	4	5	12
City & County (jointly)	1	0	1	2
State	<u>2</u>	<u>4</u>	<u>2</u>	<u>8</u>
Total Gov't. Operated Airports	18	19	20	57
Regional Authority	13	18	11	42
Regional & Government Authority	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
Totals	<u>31</u>	<u>37</u>	<u>32</u>	<u>100</u>
Source: FAA Master Record Form 5010-1				

This shows that there are more government operated airports in each sized hub, but that it is nearly a 50 – 50 split in medium sized hubs such as GMIA.

Net Income

Net Income, as the name implies, is the sum total of all income regardless of source (excluding bond proceeds), offset by all expenses. This is perhaps the best measure for comparison because while other factors may influence specific revenue streams and expenses, each airport is responsible for managing to its 'bottom line,' and is held accountable for adverse results.

Table 2
Comparison of Government and Regional Authority
Operated Airports
Net Income per Passenger - 2005

	<u>Top</u> <u>100</u>	<u>Medium</u> <u>Hubs</u>	<u>Snow</u> <u>Belt</u>
Milwaukee County	\$9.50	\$9.50	\$9.50
Regional Authority (Average)	\$4.98	\$5.44	\$5.42
Government Authority (Ave.)	\$4.04	\$4.51	\$7.18

Source: Computed by Department of Audit from FAA Forms 5100-127.

This analysis shows GMIA is significantly ahead of both the average regional and governmental authority operated airports in all three strata that we compared.

Total Income

This amount includes all revenues for the airport. It includes aeronautical operating revenues (such as landing and terminal charges), non-aeronautical operating revenues (such as parking, and rental car and terminal concessions), and non-operating revenue (such as grant receipts, passenger facility charges and interest income). This analysis shows GMIA is below regionally operated airports in each strata.

Table 3
Comparison of Government and
Regional Authorities
Total Income per Passenger - 2005

	<u>Top 100</u>	<u>Medium Hubs</u>	<u>Snow Belt</u>
Milwaukee County	\$23.82	\$23.82	\$23.82
Regional Authority	\$26.86	\$25.73	\$29.72
Government Authority	\$22.17	\$24.00	\$27.29

Source: Computed by Department of Audit from FAA Forms 5100-127.

By breaking total revenues into operating and non-operating components, we see GMIA's operating revenues are less than the average regionally operated airport in each strata. However, for non-operating revenues, GMIA's average is higher than the average regionally operated airport in two of the three strata, as shown in **Tables 4** and **5**.

Table 4
Comparison of Government and
Regional Authorities
Total Operating Revenue per Passenger - 2005

	<u>Top 100</u>	<u>Medium Hubs</u>	<u>Snow Belt</u>
Milwaukee County	\$15.70	\$15.70	\$15.70
Regional Authority	\$19.93	\$18.05	\$19.30
Government Authority	\$15.88	\$17.19	\$17.84

Source: Computed by Department of Audit from FAA Forms 5100-127.

Table 5
Comparison of Government and
Regional Authorities
Total Non-Operating Income per Passenger - 2005

	<u>Top</u> <u>100</u>	<u>Medium</u> <u>Hubs</u>	<u>Snow</u> <u>Belt</u>
Milwaukee County	\$8.12	\$8.12	\$8.12
Regional Authority	\$6.93	\$7.68	\$10.43
Government Authority	\$6.29	\$6.81	\$9.45

Source: Computed by Department of Audit from FAA Forms 5100-127.

Total Expenses

This amount includes all expenses for the airport. It includes operating expenses (such as personnel and benefits costs and contractual services) and non-operating expenses (such as interest and depreciation). This analysis shows GMIA's total expenses are significantly less compared to regionally operated airports in each of the three strata.

Table 6
Comparison of Government and
Regional Authorities
Total Expenses per Passenger - 2005

	<u>Top</u> <u>100</u>	<u>Medium</u> <u>Hubs</u>	<u>Snow</u> <u>Belt</u>
Milwaukee County	\$14.32	\$14.32	\$14.32
Regional Authority	\$21.88	\$20.30	\$24.30
Government Authority	\$18.13	\$19.49	\$20.12

Source: Computed by Department of Audit from FAA Forms 5100-127.

By far the largest component of total expenses are the operating expenses at \$10.49 per passenger (non-operating and depreciation expenses amount to \$2.04 and \$1.79 per passenger, respectively). **Table 7** shows that GMIA's operating

expenses are also less than regionally operated airports in each of the three strata.

	<u>Top 100</u>	<u>Medium Hubs</u>	<u>Snow Belt</u>
Milwaukee County	\$10.49	\$10.49	\$10.49
Regional Authority	\$12.46	\$11.06	\$11.30
Government Authority	\$10.19	\$11.71	\$10.83

Source: Computed by Department of Audit from FAA Forms 5100-127.

Personnel Compensation & Benefits

Concerns have been raised over the high cost of County wages and benefits charged to GMIA. While our review did not address whether or not personnel service and benefit costs could be obtained at a lower price, we did compare this cost category to other airports. As **Table 8** shows, this cost per passenger for GMIA is lower than regionally operated airports in each of the three strata.

Table 8
Comparison of Government and
Regional Authorities
Personnel Compensation & Benefits
Per Passenger - 2005

	<u>Top</u> <u>100</u>	<u>Medium</u> <u>Hubs</u>	<u>Snow</u> <u>Belt</u>
Milwaukee County	\$3.91	\$3.91	\$3.91
Regional Authority	\$4.27	\$4.16	\$5.37
Government Authority	\$4.20	\$4.54	\$4.57

Source: Computed by Department of Audit from FAA Forms 5100-127.

Personnel Compensation & Contractual Services

To compensate for the possibility that other airports are contracting out activities that are being performed at GMIA by employees, we combined the contractual service costs with personnel compensation and benefit costs.

As **Table 9** shows, GMIA's personnel compensation and contractual service costs were less per passenger than the averages for regional authority airports as well as the averages for government operated airports in each of the three strata used for comparison.

**Table 9
Comparison of Government and
Regional Authorities
Personnel Compensation &
Contractual Services Per Passenger - 2005**

	<u>Top 100</u>	<u>Medium Hubs</u>	<u>Snow Belt</u>
Milwaukee County	\$6.44	\$6.44	\$6.44
Regional Authority	\$7.07	\$7.44	\$7.59
Government Authority	\$7.19	\$8.40	\$7.22

Source: Computed by Department of Audit from FAA Forms 5100-127.

Summary

Based on financial and statistical data provided by all airports to the FAA, it appears that GMIA compares quite favorably in the overall net cost of operations with regionally operated airports in each of the three groups of airports for which we made comparisons. While the data does not necessarily suggest that all aspects of airport operation are running at peak efficiency, it does show that GMIA is financially operating better than most other airports in the country, regardless of what type of governance methods is in use.

Section 4: Comparison of Airport Bond Ratings

Credit rating agencies such as Moody's, Standard & Poor's and Fitch are called on to assess the credit worthiness of airports and other bond issuers by reviewing critical financial and operational information.

Airport expansion and related capital improvements nationwide have caused airports all over the country to obtain bond funding to pay for the resulting capital projects. Credit rating agencies such as Moody's, Standard & Poor's and Fitch are called on to assess the credit worthiness of airport and other bond issuances by reviewing critical financial and operational information. Their ratings provide insight into how well a given airport is being operated.

These three companies, which are among the largest in their fields, provide long-term ratings of the bond issuers, as well as an outlook for that airport in which the bonds are being used. From a ratings standpoint, bonds are described as either "investment grade" or "speculative grade." Within each category are varying levels of quality. Below are the ratings used by Standard & Poor's and Fitch, with Moody's having a slightly different labeling scheme but essentially the same description applied.

Investment Grade:

- AAA or Aaa : Highest credit quality, exceptionally strong capacity for timely payment.
- AA+ / AA / AA- : Very high credit quality, not significantly vulnerable to foreseeable events.
- A+ / A / A- : High credit quality, low expectation of credit risk.
- BBB+ / BBB / BBB- : Good credit quality, adequate capacity for timely payment

Speculative Grade:

- BB+ / BB / BB- : Speculative, risk may develop with adverse economic change.
- B+ / B / B- : Highly speculative, adverse conditions will likely impair capacity to meet financial obligations.

There are four additional ratings that fall below a rating of B, but are not discussed since none of the airport bond ratings rendered in 2005 fell below the above ratings.

Table 10 summarizes the results of the underlying bond ratings provided by each company to the 100 busiest airports in 2005. Only 84 of these 100 airports were rated during the year by one or more of the agencies.

Table 10			
Ratings for Long-Term Airport Bonds			
Top 100 Busiest U.S. Airports			
	<u>Number of Airports Rated by:</u>		
	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
Investment Grade Ratings:			
AAA	0	0	0
AA+ / AA / AA-	14	9	14
A+ / A / A-	56	52	41
BBB+ / BBB / BBB-	<u>6</u>	<u>9</u>	<u>5</u>
Total Investment Grade	76	70	60
Speculative Grade:			
BB+ / BB / BB-	<u>1</u>	<u>2</u>	<u>0</u>
Total Airports Rated	<u>77</u>	<u>72</u>	<u>60</u>
GMIA Bond Rating	A+	N/A	A+
<p>Note : For display purposes, we used Standard & Poor's and Fitch's rating to avoid confusion and provide consistency. Moody's credit rating for GMIA was actually A1, which corresponds to the A+ rating for Fitch and Standard & Poor's.</p>			
<p>Source: Summary prepared by Department of Audit from "Summary of Airport Bond Ratings and Other Key Data," Ricondo & Associates.</p>			

This shows that GMIA's bond rating of A+ fell into the large majority of airports that are considered investment grade, at the level in which GMIA is considered high credit quality, with strong capacity to meet financial obligations and correspondingly low expectation of credit risk.

These bond rating firms also expressed an opinion on the outlook for the rating it provides. A ratings outlook indicates the direction a rating is likely to move over time. Outlooks may be positive, negative, stable or developing (or evolving) if the trend cannot be identified. A positive or negative rating outlook does not imply a rating change is inevitable. Similarly, a company whose outlooks are stable could be upgraded or downgraded before an outlook moves to positive or negative if circumstances warrant such an action.

The vast majority of the 84 airports issuing bonds in 2005 received a ratings outlook of stable or positive. This group included GMIA, which received a stable outlook by both Moody's and Fitch.

The vast majority of the 84 airports issuing bonds in 2005 received a ratings outlook of stable or positive. This group included GMIA, which received a stable outlook by both Moody's and Fitch.

Only nine airports received a negative outlook by one or more of the ratings agencies. We found no particular pattern with these nine airports as to hub size or governance structure. With regard to size, five were large hubs, one was a medium hub and three were small hubs. With regard to governance structure, five were government operated, three were regional authorities, and one was a combined government and regional authority operated airport.

Section 5: Airport Safety: Runway Incursions and Surface Incidents

During the course of our audit, the Airport Director brought to our attention concerns about incidents of potentially unsafe vehicle operations.

During the course of our audit, the Airport Director brought to our attention concerns about incidents of potentially unsafe vehicle operations. These types of incidents are known as runway incursions by the FAA. A runway incursion is defined as any occurrence in the runway environment involving an aircraft, vehicle, person or object on the ground that creates a collision hazard or results in a loss of required separation with an aircraft taking off, intending to take off, landing, or intending to land.

The FAA actively monitors runway incursions, categorizing them into one of the following three groups, depending upon the circumstances:

- ❖ **Operational errors/deviations.** Operational deviations or errors generally involve air traffic controllers errors, such as directing an aircraft to cross a runway that is being used by another aircraft about to land.
- ❖ **Pilot deviations.** A pilot deviation is an action of a pilot that violates any FAA ground-based regulation. Using the same circumstances as above, if the pilot had been directed to remain in position until the other aircraft landed, but failed to do so, it would be considered a pilot deviation.
- ❖ **Vehicle/pedestrian deviations.** Similar to a pilot deviation, except involving a vehicle or pedestrian. Again using the above example, if a vehicle had failed to obey FAA instructions and crossed the runway, it would have been considered a vehicle/pedestrian deviation.

Pilot deviations are responsible for the greatest number of runway incursions both nationally and at GMIA over the four-year fiscal period ended September 2004, as noted in **Table 11**.

**Table 11
National Runway Incursion Statistics
FY 2001- 2004**

<u>Category</u>	<u>Nationwide:</u>		<u>GMIA:</u>	
	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>
Pilot Deviation	771	55.3%	5	50%
Operational Error/Deviation	352	25.2%	4	40%
Vehicle/Pedestrian Deviation	<u>272</u>	<u>19.5%</u>	<u>1</u>	<u>10%</u>
Total	1,395	100%	10	100%

The FAA fiscal year ends September 30th.

Source: FAA Runway Safety Report 2005

Vehicle and pedestrian deviations represent the category over which GMIA management has the ability to exert the most control.

Vehicle/Pedestrian Deviations

For the most part, correcting pilot deviations and operational errors and deviations fall under the control of the FAA. Vehicle and pedestrian deviations represent the category over which GMIA management has the ability to exert the most control. As shown above, the percentage of runway incursions resulting from this category at GMIA (10%) to total runway incursions is well below the national average (19.5%) over the same period.

Overall, the number of runway incursions is on the rise.

Overall, the number of runway incursions is on the rise. **Table 12** compares the number of runway incursions over the period since October 2004 with the four years prior to that point. Current data is not readily available to determine if the national average for runway incursions related to vehicle deviations has changed over the years, but GMIA's current ratio of 14.3% for vehicle/pedestrian deviations is still below the four-year average from 2001 – 2004.

**Table 12
Runway Incursion Statistics
GMIA - FY 2001- 2007**

<u>Category</u>	<u>FY 2001 - 04:</u>		<u>FY 2005-07*:</u>	
	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>
Pilot Deviation	5	50.0%	8	57.1%
Operational Error/Deviation	4	40.0%	4	28.6%
Vehicle/Pedestrian Deviation	<u>1</u>	<u>10.0%</u>	<u>2</u>	<u>14.3%</u>
Total	10	100%	14	100%

* Statistics are through May 25, 2007. The FAA fiscal year ends September 30th.

Source: FAA Runway Safety Report 2005 & information provided by the FAA Great Lakes regional office.

There has not been a serious runway incursion problem at GMIA over the past seven years, especially as they relate to vehicles and pedestrian deviations.

As these numbers indicate, there has not been a serious runway incursion problem at GMIA over the past seven years, especially as they relate to vehicles and pedestrian deviations. By comparison, we noted that during the FY 2005-07 period (to date), seven of the eight pilot deviations occurred in FY 2007. Officials at the FAA Great Lakes Regional Office in Chicago noted that pilots were frequently moving past a taxiway stopping point on a specific runway before receiving clearance to move from there onto that runway for takeoff. They addressed this issue by issuing a flyer to pilots to remind them of the need to stop at the designated spot so that aircraft on final approach could land without interference.

Severity of Runway Incursions

FAA groups the severity of runway incursions into four categories, depending upon the likelihood of a collision with an aircraft taking off or landing. The following describes the categories and includes the number of incursions at GMIA :

- ❖ **Category A** – Separation between aircraft or other obstructions decreases and participants take extreme action

to narrowly avoid a collision, or the runway incursion results in a collision.

- ❖ **Category B** – Separation decreases, and there is a significant potential for collision.
- ❖ **Category C** – Separation decreases, but there is ample time and distance to avoid a potential collision.
- ❖ **Category D** – Little or no chance of collision but meets the definition of a runway incursion

Of the 10 runway incursions over the four-year fiscal period ended September 2004, GMIA had zero Category A runway incursions and only one Category B incursion.

Of the 10 runway incursions over the four-year fiscal period ended September 2004, GMIA had zero Category A runway incursions and only one Category B incursion. Statistics from the FAA did not indicate whether the Category B incursion was related to errors by air traffic controllers, pilots or vehicle/pedestrians.

We reviewed the two reports since January 2005 that involved runway incursions caused by vehicle deviations at GMIA.

The FAA routinely requests detailed information from airports for all vehicle/pedestrian-related runway incursions. We reviewed the two reports since January 2005 that involved runway incursions caused by vehicle deviations at GMIA. The most potentially serious incursion was in January 2007 when a snow plow had passed a designated point on a taxiway near the runway, but had not proceeded onto the runway, while at the same time an aircraft was landing. The report did not specify how close the plow came to the landing aircraft as it waited past the holding point. According to the FAA, this incursion was labeled a Category C, indicating ample distance to avoid a potential collision.

The other runway incursion, occurring in August 2006, involved a County pick-up truck that was being used to paint surface lines. The driver failed to obey a ground control order wait to cross a runway until authorized to do so. The FAA considered this runway incursion to be a Category D in terms of severity, with little or no chance of a collision.

Surface incidents differ from runway incursions in that the unauthorized movement can occur on taxiways and other surfaces, or runways if no aircraft are taking off, landing or in the process of doing either.

Surface Incidents

Surface incidents differ from runway incursions in that the unauthorized movement can occur on taxiways and other surfaces other than the runway itself. They can also occur on runways when no aircraft are taking off or landing, or in the process of doing so.

We also looked at reports filed by GMIA management with the FAA for all seven surface incidents involving vehicles over the period January 2005 thru May 18, 2007. The following is a breakdown of the parties responsible for the vehicle deviation for the seven surface incidents.

<u>Responsible Party</u>	<u>No. of Incidents</u>
County Vehicles	4
Contractor Vehicles	1
Airline Vehicle	1
Personal Vehicle	1

In most cases, the vehicles were authorized to travel across the airport surface up to designated points, and when instructed to hold, failed to hold their positions. In an unusual case involving the personal vehicle, a County electrician was entering the airport grounds through a controlled gate. After driving through, and properly waiting for the security gate to close behind him, an apparently lost 85 year-old man accidentally drove through the gate before it closed and onto a taxiway.

For each runway incursion and surface incident, GMIA management responded with a corrective action plan to help prevent reoccurrence of the incident.

For each runway incursion and surface incident, GMIA management responded with a corrective action plan to help prevent reoccurrence of the incident. It generally involved suspending the driver’s airport driving privileges for a specified period (30 – 60 days), and a requirement for the driver to be retrained on proper driving procedures.

Runway incursions are a multifaceted problem that the entire aviation community has to resolve. According to the airport director, all employees driving on airport grounds receive specialized training on proper driving procedures and are issued licenses to reflect that training. Additionally, in February 2007 GMIA informed the FAA of ongoing and future initiatives and projects with respect to runway safety and snow removal projects.

To enhance runway safety, the County board authorized nearly \$1.6 million for a variety of safety improvements.

To enhance runway safety, the County Board in April 2007 approved \$562,000 for the purchase of ten workstations and five customized training modules, including one named "Driving in the Aircraft Movement Areas." It also approved \$1,026,000 for additional airfield safety improvements, such as redesigning and relocating access roads for vehicles to avoid potential runway incursions.

Regional FAA officials noted to us that they were pleased with the responsiveness of GMIA management to runway safety issues.

Regional FAA officials noted to us that they were pleased with the responsiveness of GMIA management to runway safety issues. The FAA officials stated they were encouraged by the quality of the actions taken, which they believed effectively addressed all safety issues raised.

It appears that GMIA is active in trying to alleviate runway incursions related to County vehicles. We encourage GMIA management to continue proactively addressing runway safety concerns, especially as they relate to operating motor vehicles.

Audit Scope

In response to County Board Resolution 06-288, the Department of Audit conducted a performance audit of General Mitchell International Airport (GMIA), with particular emphasis on airline charges, including comparison with other airports operated as either governmental units or regional authorities. The audit was conducted under standards set forth in the United States Government Accountability Office *Government Auditing Standards (2003 Revision)*, with the exception of the standard related to periodic peer review. Limited resources have resulted in a temporary postponement of the Milwaukee County Department of Audit's procurement of a peer review within the required three-year cycle. However, because the department's internal policies and procedures are established in accordance with Government Auditing Standards, and because this audit was performed in compliance with those policies and procedures, the absence of a peer review did not affect the results of this audit.

For nearly all comparisons in this report, we have used FAA statistics on the top 100 airports in the United States in terms of "outbound passengers," also known as "enplanements," as the basis for calculating per passenger statistics. The exception is for the comparison with parking revenue and rental car revenue, where we used "origination and destination" passengers. This number does not include passengers who are simply laying over or changing planes at an airport, and as a result are not likely to be using parking facilities or renting cars. This was done to improve comparability between airports that have a high percentage of passenger traffic laying over or changing planes. This caused four airports to drop out of the original top 100 busiest airports, and we did not have outbound passenger information for the four that replaced them in the top 100. Thus, our comparisons of GMIA with the top 100 airports in these instances is limited to the top 96 airports.

We limited our review to the areas specified in this Scope Section. During the course of the audit, we:

- Obtained financial data concerning airport operations from the Federal Aviation Administration (FAA) for the top 100 most active U.S. airports based on passenger enplanements.
- Obtained statistical data on the number of passengers enplaned from the 100 busiest airports in the United States from the FAA.
- Obtained data on the type of organizational structure in place for governing the top 100 busiest airports in the U.S. from the FAA.
- Computed "per passenger" costs and revenues to allow for financial comparability of GMIA with other U. S. airports.

- Obtained statistical data and interviewed staff from the FAA Great Lakes regional office (which includes Wisconsin and nine other midwestern states) regarding surface incidents and runway incursions at GMIA.
- Conducted internet research for performance measurements and governance structures for airports.
- Reviewed County Board files and reports concerning the airport operations.
- Reviewed Adopted County budgets detailing the financial budget and funded full-time equivalent positions for the Airport Division.
- Researched state statutes and local ordinances applicable to GMIA.
- Reviewed prior audits and reports concerning GMIA and also other airport performance audits completed by other jurisdictions.
- Interviewed Airport Division management staff.

FAA Form 5100-127
Operating and Financial Summary — 2005
General Mitchell International Airport

FAA: AAS-400: CATS: Report 127

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3. Other restricted financial assets	\$ 9,899,589																																																																																																																																												
Total	\$ 16,745,813																																																																																																																																												
Unrestricted Financial Assets including cash	\$ 102,504,485																																																																																																																																												

Paperwork Reduction Act Statement: The information collected on this form facilitates the submission of operating and financial summary data. Section 111(b) requires the Secretary of Transportation to issue a simplified format for reporting data applicable to Airports to assist in public understanding of airport finances and to provide information concerning the amount of revenue surplus, the amount of concession-generated revenue, and other information required by the Secretary. The burden for each response is estimated to be 5 hours. Responses are required to obtain a benefit. No assurance of confidentiality is given. Please note that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number. The OMB control number associated with this collection is **2120-0569**.

Listing of Top 100 Busiest U. S. Airports for 2005

Who Operates It	Hub Size	Airport Location	No. of Outbound Passengers	Rank Compared to:		
				Top 100	Medium Hubs	Snow Belt
City	L	Atlanta, GA	42,402,653	1		
City	L	Chicago, IL (O'Hare)	36,720,005	2		
City	L	Los Angeles, CA	29,372,272	3		
RA	L	Dallas/Ft. Worth, TX (Int'l)	28,079,147	4		
County	L	Las Vegas, NV	21,402,676	5		
City & County	L	Denver, CO	20,799,886	6		
City	L	Phoenix, AZ	20,315,544	7		
RA	L	New York, NY (JFK)	20,260,359	8		
City	L	Dallas/Ft. Worth, TX (Bush Int'l.)	19,032,196	9		
RA	L	Minneapolis, MN	17,971,771	10		
RA	L	Detroit, MI	17,580,363	11		
RA	L	Orlando, FL	16,592,133	12		
RA	L	Newark, NJ	16,444,959	13		
City	L	San Francisco, CA	16,070,133	14		
City	L	Philadelphia, PA	15,376,569	15		
County	L	Miami, FL	15,092,763	16		
RA	L	Seattle, WA	14,359,530	17		
City	L	Charlotte, NC	14,009,608	18		
City	L	Boston, MA	13,214,923	19		
RA	L	Washington, D.C. (Dulles)	13,032,502	20		
RA	L	New York, NY (Laguardia)	13,014,314	21		
RA	L	Cincinnati, OH	11,277,068	22		
County	L	Ft. Lauderdale, FL	10,729,468	23		
City	L	Salt Lake City, UT	10,601,918	24		
State	L	Baltimore, MD	9,829,432	25		
State	L	Honolulu, HI	9,784,404	26		
RA	L	Tampa, FL	9,297,643	27		
RA	L	San Diego, CA	8,628,648	28		
RA	M	Washington, D. C. (Nat'l.)	8,623,907	29	1	
City	L	Chicago, IL (Midway)	8,383,698	30		
RA	M	Oakland, CA	7,071,534	31	2	
City	L	St. Louis, MO	6,847,228	32		1
RA	M	Portland, OR	6,798,976	33	3	
RA	M	San Juan, PR	6,403,380	34	4	
RA	M	Memphis, TN	5,630,305	35	5	
City	M	Cleveland, OH	5,529,629	36	6	2
City	M	San Jose, CA	5,309,992	37	7	
RA	L	Pittsburgh, PA	5,198,442	38		3
County	M	Sacramento, CA	5,108,364	39	8	
City	M	Kansas City, MO	5,063,120	40	9	4
County	M	Orange County, CA	4,791,786	41	10	
RA	M	Raleigh, NC	4,723,989	42	11	

Listing of Top 100 Busiest U. S. Airports for 2005

Who Operates It	Hub Size	Airport Location	No. of Outbound Passengers	Rank Compared to:		
				Top 100	Medium Hubs	Snow Belt
RA	M	Nashville, TN	4,563,251	43	12	5
RA	M	Indianapolis, IN	4,221,085	44	13	6
City	M	Houston, TX	3,961,642	45	14	
City	M	New Orleans, LA	3,912,884	46	15	
RA	M	Fort Myers, FL	3,701,665	47	16	
City	M	Austin, TX	3,645,956	48	17	
State	M	Hartford, CT	3,617,453	49	18	7
City	M	San Antonio, TX	3,604,665	50	19	
County	M	Milwaukee, WI	3,602,536	51	20	8
County	M	Palm Beach, FL	3,496,936	52	21	
City	M	Ontario, CA	3,458,935	53	22	
RA	M	Columbus, OH	3,281,452	54	23	9
City	M	Albuquerque, NM	3,169,861	55	24	10
City	M	Dallas, TX (Love Field)	2,949,256	56	25	
RA	M	Jacksonville, FL	2,890,298	57	26	
State	M	Providence, RI	2,846,002	58	27	11
State	M	Kahului, HI	2,843,845	59	28	
RA	M	Burbank, CA	2,761,184	60	29	
RA	M	Reno/Tahoe, NV	2,510,458	61	30	12
RA	M	Buffalo, NY	2,436,952	62	31	13
State	M	Anchorage, AK	2,430,081	63	32	14
City	M	Manchester, NH	2,149,035	64	33	15
RA	M	Omaha, NE	2,052,234	65	34	16
RA	M	Tucson, AZ	2,050,377	66	35	
RA	M	Norfolk, VA	1,953,003	67	36	
RA	M	Louisville, KY	1,862,017	68	37	17
RA	S	Oklahoma City, OK	1,773,522	69		
City	S	El Paso, TX	1,638,242	70		
RA	S	Birmingham, AL	1,595,443	71		
City & County	S	Spokane, WA	1,583,737	72		
City	S	Boise, ID	1,581,338	73		18
City & RA	S	Tulsa, OK	1,563,622	74		
RA	S	Albany, NY	1,533,301	75		19
City	S	Long Beach, CA	1,481,659	76		
RA	S	Richmond, VA	1,452,066	77		
County	S	Rochester, NY	1,450,181	78		
RA	S	Guam, GU	1,420,751	79		
State	S	Keahole-Kona, HI	1,355,639	80		
RA	S	Greensboro, NC	1,310,034	81		
City	S	Little Rock, AR	1,265,098	82		
State	S	Lihue, HI	1,257,848	83		
City	S	Syracuse, NY	1,222,657	84		

Listing of Top 100 Busiest U. S. Airports for 2005

<u>Who Operates It</u>	<u>Hub Size</u>	<u>Airport Location</u>	<u>No. of Outbound Passengers</u>	<u>Rank Compared to:</u>	
				<u>Top 100</u>	<u>Medium Hubs</u> <u>Snow Belt</u>
City	S	Dayton, OH	1,220,130	85	
RA	S	Charleston, SC	1,072,182	86	
City	S	Long Island, NY	1,055,832	87	
County	S	Grand Rapids, MI	1,041,967	88	
RA	S	Savannah, GA	1,032,676	89	
City	S	Colorado Springs, CO	1,025,481	90	
City	S	Des Moines, IA	922,099	91	
RA	S	Knoxville, TN	904,004	92	
RA	S	Greenville, SC	893,397	93	
City	S	Pensacola, FL	815,157	94	
County	S	Madison, WI	804,519	95	
RA	S	Orlando, FL (Sanford)	789,795	96	
County	S	Myrtle Beach, SC	776,051	97	
City	S	Portland, ME	734,295	98	
County	S	Columbia, SC	725,573	99	
City	S	Jackson, MS	722,219	100	

Legend:

RA – Regional Authority

L – Large Hub

M – Medium Hub

S – Small Hub

COUNTY OF MILWAUKEE
Interoffice Communication

DATE: June 20, 2007
TO: Jerome Heer, Director of Audits
FROM: C. Barry Bateman, Airport Director 
SUBJECT: **Audit of General Mitchell International Airport (GMIA)**

Airport staff is in receipt of the audit of airport performance dated June 2007.

No recommendations are included, therefore, no response is required.

The Net Income and Non-Operating Revenues analysis may be skewed by the level of entitlement and discretionary AIP grants received by other airports.

With respect to the chapter review of runway safety, Airport staff is undertaking a multi-faceted approach to improve airfield safety including a review of:

- Personnel requirements
- Equipment & technology
- Training
- Procedures
- Peer review
- Fleet
- Airfield safety improvements (lights, signage, markings)

The County Executive and County Board have been very supportive of airport management's efforts to further improve airfield safety.

Cc: George A. Torres, Director of Transportation & Public Works