

**Addison Airport  
Management Restructuring  
Briefing  
September 8, 2020**



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- January 14, 2020 Council action
  - Authorized a contract with Landrum & Brown to negotiate a contracts for airport management services
  - Long-range goal to in-source the operations, management, and entire real estate functions of the airport
- January 28, 2020 Council action
  - Terminate AECOM contract that was set to expire on 9/30/2022
  - In-source airport operations, maintenance, and financial management functions
  - Renegotiate SAMI contract

# Progress Since January 28, 2020

- AECOM: March 6, 2020 – Contract termination letter sent
- SAMI: January/February 2020 – L&B drafted issues matrix and redlined SAMI contract for internal strategy and discussions
  - Gain greater understanding of necessary duties, continued risks and potential savings under a new agreement
  - Initial discussion with SAMI on objectives
- March/April 2020 – L&B and Town staff evaluated deal package for new SAMI contract, including
  - Determination of contract terms
  - Evaluation of compensation
  - Assessment liabilities
  - Development of internal controls

# Progress Since January 28, 2020

- March/April 2020 – L&B and Town staff further considered the personnel and costs associated with the real estate function, understanding that:
  - SAMI brings institutional knowledge to the Town with nearly two decades of real estate services
  - Over 80% of the airport revenue is derived from real estate
  - Multiple airport development deals in progress and a substantial number of leases expire in the next five years
  - SAMI employees are paid a salary, management fee, incentive, and modest benefits

# Progress Since January 28, 2020

- April 2020 – L&B and staff analyzed Town potential for leverage in the negotiations
  - If negotiations with SAMI do not produce an agreement, the opportunity for re-competing or in-sourcing were also alternatives
  - L&B and Staff evaluated in-sourcing SAMI's asset manager and leasing manager
- Options were considered for stability (in transition), cost comparison (Town vs. SAMI), and opportunity timing
  - The real estate manager position was evaluated for contracting, issuing a Request for Proposal, and in-sourcing
  - Understood from SAMI's real estate manager that in-sourcing his position at that time was not an option

# Progress Since January 28, 2020

- May 2020 – Framework presented to SAMI (without compensation)
  - L&B and Staff determined this framework was best for the Town in an acceptable contractual arrangement with SAMI
  - Real Estate Manager (REM) and Airport Director discussed scope of work for REM as a third-party contractor

# Progress Since January 28, 2020

- May/June/July 2020 – Evolution of potential in-sourcing
  - Asset Manager and Leasing Manager show interest in potential in-sourcing
    - Discussion of salary and benefit packages ensue
  - Real Estate Manager negotiations ongoing
    - With all other positions potentially in-sourced, the Town sees benefit in in-sourcing the REM position as a Town employee
- July 23, 2020 – Employment offer as Assistant Director of Real Estate is extended to the REM
  - August 10, 2020 – Employment offer is accepted.

# Progress Since January 28, 2020

- Employment offer letters have been sent to all airport staff members – AECOM and SAMI
  - All offers have been accepted
- On-boarding process scheduled to be completed by September 30, 2020
- Contracts with AECOM and SAMI will expire on September 30, 2020
- 14 Full Time Equivalent positions (FTEs) are proposed to be added to the Town's structure on October 1, 2020
- Town will maintain the real estate institutional knowledge and realize substantial cost savings on an annual basis



**On-Boarding Airport Staff -  
Estimated Cost Presented in  
January 2020 Compared to  
Current Updated Cost and FY2020  
Adopted Budget**

The logo for Addison, featuring the word "ADDISON" in a bold, blue, sans-serif font centered within a white circle. The circle is set against a blue background that has a white diagonal line running from the top-left to the bottom-right, creating a triangular shape on the right side of the slide.

# Cost Comparison – January 2020 to August 2020

	AECOM & SAMI Financial Manager Pass-Through Costs (Presented January 2020)	Town of Addison Estimated Costs (Presented January 2020)	Town of Addison Updated Cost to On-board <u>AECOM and Financial Manager</u> as of August 2020
Total Salaries - AECOM and SAMI Financial Manager	\$785,730.43	\$785,730.43	\$796,049.57
Total Taxes and Benefits	\$604,686.64	\$491,678.90	\$504,713.36
Total Salary and Benefits	\$1,390,417.07	\$1,277,409.33	\$1,300,762.93
Total Charges and Equipment	\$565,891.40	\$17,505.00	\$17,505.00
Termination for Convenience Fee (one-time cost)	N/A	\$42,500.00	\$42,500.00
FY2020 Cost of SAMI Management Fee and Incentive Bonus	N/A	\$288,337.00	\$288,337.00
<b>Total All Costs</b>	<b>\$1,956,308.47</b>	<b>\$1,625,751.33</b>	<b>\$1,649,104.93</b>

# Cost to On-Board Remaining Real Estate Staff

<b>Town Costs to On-Board the Remaining Real Estate Management Staff</b>	
<b>Salaries (Real Estate Manager, Asset Manager, Leasing Manager)</b>	<b>\$300,139.00</b>
<b>Benefits (Real Estate Manager, Asset Manager, Leasing Manager)</b>	<b>\$172,477.17</b>
<b>Total Charges and Equipment</b>	<b>\$4,500.00</b>
<b>Cost of SAMI Management Fee and Incentive Bonus</b>	<b>\$0.00</b>
<b>Total Costs</b>	<b>\$477,116.17</b>

# Cost to On-Board All Airport Staff

<b>Costs to On-Board All Airport Operations, Management, and Real Estate Staff</b>	
<b>Salaries</b>	<b>\$1,096,188.77</b>
<b>Benefits</b>	<b>\$663,390.51</b>
<b>Total Salaries and Benefits</b>	<b>\$1,759,579.28</b>
<b>Total Charges and Equipment</b>	<b>\$22,005.00</b>
<b>Termination for Convenience Fee (one-time cost)</b>	<b>\$42,500.00</b>
<b>Cost of SAMI Management Fee and Incentive Bonus</b>	<b>\$0.00</b>
<b>Total Costs</b>	<b>\$1,824,084.28</b>

# FY2020 Contract Costs Compared to Town Costs

<b>FY 2020 Budgeted Cost of Third-Party Contract Services Compared to Town of Addison On-Boarding Costs</b>				
	<b>AECOM and SAMI Finance Manager Cost - FY2020 Budget</b>	<b>SAMI Real Estate Manager, Asset Manager, and Leasing Manager Costs - FY2020 Budget</b>	<b>3rd Party Contract Cost - FY2020 Budget</b>	<b>ToA Cost to In-sourced Airport Operations, Management, and Real Estate Functions</b>
<b>Salaries</b>	<b>\$723,408.00</b>	<b>\$370,902.00</b>	<b>\$1,094,310.00</b>	<b>\$1,096,188.77</b>
<b>Taxes and Benefits</b>	<b>\$604,686.64</b>	<b>\$79,260.36</b>	<b>\$683,947.00</b>	<b>\$663,390.51</b>
<b>Total</b>	<b>\$1,328,094.64</b>	<b>\$450,162.36</b>	<b>\$1,778,257.00</b>	<b>\$1,759,579.28</b>
<b>Total Direct Charges and Insurance</b>	<b>\$116,371.00</b>	<b>\$36,760.00</b>	<b>\$153,131.00</b>	<b>\$22,005.00</b>
<b>Termination for Convenience Fee (one-time cost)</b>		<b>N/A</b>	<b>N/A</b>	<b>\$42,500.00</b>
<b>FY2020 Management Fee and Incentive Bonus</b>	<b>\$218,333.00</b>	<b>\$196,526.00</b>	<b>\$414,859.00</b>	<b>\$0.00</b>
<b>Total Costs</b>	<b>\$1,662,798.64</b>	<b>\$683,448.36</b>	<b>\$2,346,247.00</b>	<b>\$1,824,084.28</b>
<b>Minus One-time Early Termination Cost</b>				<b>(\$42,500.00)</b>
<b>Annual Cost of Airport Operations, Management, and Real Estate Functions</b>				<b>\$1,781,584.28</b>
<b>Total Savings to Town</b>				<b>\$564,662.72</b>

**Next Steps**

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# Next Steps

- Complete the on-boarding process by September 30, 2020
- Pay AECOM early termination fee of \$42,500 and any reasonable demobilization costs

# Questions / Discussion

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