



Phoenix-Mesa Gateway Airport Authority  
5835 S. Sossaman Road • Mesa, Arizona 85212

BOARD of DIRECTORS' MEETING  
AGENDA

Monday, June 20, 2011 ♦ 9:00 a.m.

1. **Call to Order: Phoenix-Mesa Gateway Airport Authority** – *Vice Mayor Thelda Williams, Chair*
  2. **Awards, Guest Introductions, and Announcements**
  3. **Comments From the Public:** *(Members of the public may comment on any item of interest. Arizona Open Meeting law does not permit the Board to discuss items not specifically on the agenda.)*
  4. **Progress Reports:**
    - a) **ASU Polytechnic** – *Dr. Mitzi Montoya, Vice Provost & Dean, College of Technology & Innovation*
    - b) **Allegiant Air** – *Brian Davis, Director – Airport Planning*
  5. **Review of Monthly Staff Reports and Updates on:** ♦ **Construction** ♦ **Commercial Service** ♦ **Finance**  
*Lynn Kusy, Executive Director*
  6. **Presentation: East Valley Aerospace and Aviation Alliance** – *Mike Hutchinson, Manager - EVAAA*  
**Presentation & Discussion: Hummingbird Energy** - *Lynn Kusy, Executive Director*
  7. **Consent Agenda: Consideration and Possible Approval of:**
    - Tab A – Minutes** of Board Meeting held on May 23, 2011.
    - Tab B – Resolution No. 11-19**– Authorizing a One-Year Contract Extension with **Care-Takers Building Maintenance** at a Cost of \$113,539.72 Commencing July 1, 2011.
    - Tab C - Resolution No. 11-20** – Authorizing an **Amendment to the Fiscal Year 2012 Budget** by Increasing the Number of Staff Positions from 105.74 Full Time Equivalents to 109 Full Time Equivalents, With no Change to the Budget.
    - Tab D - Resolution No. 11-21** – Authorizing a Contract with **John Deere Company** for the Purchase of a John Deere 6100D Cab Tractor at a Cost of \$40,743.72.
    - Tab E - Resolution No. 11-22** - Authorizing an Amendment to the **Intergovernmental Agreement** With the City of Mesa for Fire Vehicles and Equipment Maintenance Services. Term of the IGA is Five Years Commencing July 1, 2011 and Ending on June 30, 2016. Cost for Fiscal Year 2012 is \$35,000.
- Consideration and Possible Approval of:**
8. **Resolution No. 11-23**– Authorizing Purchase of a 28.0v Ground Power Unit from **Aero Specialties, Inc.**, at a Cost of \$40,529.63.
  9. **Resolution No. 11-24** – Authorizing a Two-Year License Agreement for Terminal Courtyard Advertising Services with **Red Mountain Promotions, LLC** at Monthly Payments Equal to the Greater of 25 Percent of Gross Advertising Income or a Minimum Annual Guarantee of \$8,500 for the First Year, and \$10,500 for the Second Year.
  10. **Resolution No. 11-25** – Authorizing Insurance Broker, **Willis of Arizona, Inc.**, to Purchase Property and Casualty Insurance for Period July 1, 2011 to July 1, 2012, at a Total Cost of \$228,239.
  11. **Board Member Comments / Announcements**
  12. **Next Meeting:** Monday, July 19, 2011 – 9:00 am
  13. **Adjourn**

Pursuant to ARS 38-431.02, notice is hereby given to the members of the Phoenix-Mesa Gateway Airport Authority and the general public that the Airport Authority will hold a meeting open to the public on Monday, June 20, 2011 at 9:00 am. **One or more members of the Board may attend meeting by electronic means ♦ Agenda posted at [www.phxmesagateway.org](http://www.phxmesagateway.org)**

**Please Note: Phoenix-Mesa Gateway Airport Administration office hours are Monday - Thursday 7 a.m. to 6 p.m. and closed Fridays.**



PHOENIX-MESA GATEWAY AIRPORT AUTHORITY

**TELEPHONIC BOARD MEETING**  
**MINUTES**

Monday, May 23, 2011 ♦ 9:00 a.m.

**AIRPORT AUTHORITY BOARD MEMBERS PRESENT BY TELEPHONE**

Vice Mayor Thelda Williams, Phoenix  
Mayor John Lewis, Gilbert  
Mayor Scott Smith, Mesa  
Mayor Gail Barney, Queen Creek

*Neither Present Nor Represented:*

Lt. Governor Joseph Manual, Gila River Indian Community

**GUESTS PRESENT**

Mike Bianchi, Banner Health  
Marty Clark, GL  
Atif Malik, CHW  
Dr. Mitzi Montoya, ASU Polytechnic  
Christopher Schmaltz, Gust Rosenfeld (*by telephone*)  
Tom Stark, Wells Fargo  
Representative Steve Urie, Arizona Legislature

**AIRPORT STAFF PRESENT**

Gretchen Hawkins, Executive Assistant/Clerk To the Board of Directors  
Lynn Kusy, Executive Director  
Bill Mitchell, Director-Operations, Maintenance & Technology  
Matt Nebgen, Gateway Aviation Services Manager

**CALL TO ORDER**

The meeting was called to order by Board Chair Thelda Williams at 9:02 am.

## **CONSENT AGENDA**

1. **Tab A – Minutes** of Telephonic Board Meeting held on April 18, 2011.
2. **Tab B – Resolution No. 11-18**– Authorizing the Purchase of a Used 10,000-Gallon **Aircraft Refueling Tanker** from a Publicly Available Source at a Cost Not to Exceed \$200,000.

**Mayor Barney moved to approve the Consent Agenda. Mayor Smith seconded the motion. The motion carried unanimously.**

## **NEXT MEETING**

Monday, June 20, 2011 – 9:00 am

## **ADJOURN**

The meeting was adjourned at 9:03 am.



**Phoenix-Mesa Gateway Airport**  
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[www.phxmesagateway.org](http://www.phxmesagateway.org)

## Action Item

**RESOLUTION NO. 11-19**

**To:** Board of Directors  
**From:** Bill Mitchell, Director, Operations and Maintenance  
**Through:** Lynn F. Kusy, C.M., C.A.E., Executive Director  
**Re:** Custodial Services – Care-Takers Building Maintenance  
**Date:** June 20, 2011

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**Proposed Motion:**

**Approve Resolution No. 11-19 authorizing a one-year extension to the custodial contract with Care-Takers Building Maintenance at a cost of \$113,539.72.**

**Narrative:**

A primary function of Operations and Maintenance is to ensure Airport facilities provide a safe, clean, and healthy environment for passengers, visitors, tenants, and staff. This contract covers custodial services for six Airport facilities including the Charles L. Williams Passenger Terminal, the West Terminal, and the General Aviation Center.

In October 2010, the Board awarded an eight-month contract with four one-year extensions to Care-Takers Building Maintenance for custodial services. The initial award expires in June 2011. Staff is satisfied with the services provided by Care-Takers Building Maintenance and recommends a one-year extension commencing July 1, 2011. This will be the first of four one-year extensions.

**Fiscal Impact:**

Custodial services are funded in the FY12 Operating Budget under Contractual Services: Janitorial.

Attachment





**RESOLUTION NO. 11-19**

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority, was formed pursuant to Arizona Revised Statutes § 28-8521 *et seq.* for the purpose of, among other things, redeveloping portions of the former Williams Air Force Base as a civilian airport known as the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS, the Airport Authority desires to extend a custodial contract;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Phoenix-Mesa Gateway Airport Authority as follows:

**The Phoenix-Mesa Gateway Airport Authority Board of Directors hereby approves a one-year contract extension with Care-Takers Building Maintenance at a cost of \$113,539.72 commencing July 1, 2011. This Resolution also authorizes the Chair or Executive Director to execute such contract extension, with such insertions, deletions, and changes as may be approved by the Chair or Executive Director, necessary to carry out the purposes and intent of this Resolution.**

Passed and adopted by the Phoenix-Mesa Gateway Airport Authority this 20th day of June 2011.

ATTEST:

\_\_\_\_\_  
CLERK

\_\_\_\_\_  
CHAIR

APPROVED AS TO FORM:

\_\_\_\_\_  
ATTORNEY



PHOENIX-MESA GATEWAY AIRPORT  
5835 SOUTH SOSSAMAN ROAD  
MESA, ARIZONA 85212-6014

PHONE (480) 988 7600  
FAX (480) 988 2315

**Agreement/Contract Renewal**  
Reference Contract #2010-014

The Phoenix-Mesa Gateway Airport and Care-Takers Building Maintenance entered into a contract for custodial services on October 18, 2010. The original contract expires on June 30, 2011, with four (4) options to renew. No renewal options have previously been executed.

By signing below, Phoenix-Mesa Gateway Airport and Care-Takers Building Maintenance agree to extend the contract for one (1) period. The new contract expiration date is **June 30, 2012**.

All terms, covenants, and conditions contained in the original contract shall be applicable to this renewal with the exception of the following:

**Work Scope:** The contract term will increase from eight (8) months to twelve (12) months.

**Fee for Services:** A three (3) percent increase will be implemented on all services rendered as stated available within the original contract.

**Scrutinized Business:**

Pursuant to Arizona Revised Statutes Section 35-391.06 and 35-393.06, the Contractor certifies that it does not have a scrutinized business operation in either Sudan or Iran. For the purpose of this Section the term "scrutinized business operations" shall have the meanings set forth in Arizona Revised Statutes 35-391 and 35-393, as applicable. If the Airport determines that the Contractor submitted a false certification, the Airport may impose remedies as provided by law including terminating the Agreement (Contract) pursuant to Section 35-391.06 and 35-393.06 above.

**E-Verify:** To the extent applicable under Arizona Revised Statutes § 41-4401, the Contractor and its Subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). Contractor's or its Subcontractor's failure to comply with such warranty shall be deemed a material breach of this Contract and may result in the termination of this Contract by the Authority.

Phoenix-Mesa Gateway Airport and Care-Takers Building Maintenance acknowledge that they are in agreement with these revised terms and conditions.

**Approved for Phoenix-Mesa Gateway Airport:**

**Accepted for Care-Takers Building Maintenance:**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



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## Action Item

**RESOLUTION NO. 11-20**

**To:** Board of Directors  
**From:** Lynn F. Kusy, C.M., C.A.E., Executive Director  
**Re:** Adjustment to Authorized Staff Positions  
**Date:** June 20, 2011

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### Proposed Motion:

Approve Resolution No. 11-20 authorizing an amendment to the fiscal year 2012 budget by increasing the number of staff positions from 105.74 full time equivalents to 109 full time equivalents, with no change to the budget.

### Narrative:

Annually, as a part of the budget process, the Board of Directors authorizes the number of full time equivalent (FTE) staff positions for the coming year. Historically, the FTEs have been as follows:

FY 2007	105.6
FY 2008	109.2
FY 2009	106.6
FY 2010	109
FY 2011	109
FY 2012	105.74

The 2012 FTE authorization presented to the Board, and ultimately adopted by the Board, is proving to be too low to allow us to adequately meet the Airport's needs as we approach the start of the new fiscal year. Returning to the FY 2010 and FY 2011 level of 109 FTEs will allow us to maintain the level of service currently being provided, while staying within the adopted budget for compensation and fringe benefits.

### Fiscal Impact:

There is no impact on the FY 2012 budget.



**RESOLUTION NO. 11-20**

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority, was formed pursuant to Arizona Revised Statutes § 28-8521 *et seq.* for the purpose of, among other things, redeveloping portions of the former Williams Air Force Base as a civilian airport known as the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS, the Airport Authority desires to amend the fiscal year 2012 budget;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Phoenix-Mesa Gateway Airport Authority as follows:

**The Phoenix-Mesa Gateway Airport Authority Board of Directors hereby authorizes amending the fiscal year 2012 budget by increasing the authorized staff positions from 105.74 full time equivalents to 109 full time equivalents, with no change to the budget.**

Passed and adopted by the Phoenix-Mesa Gateway Airport Authority this 20th day of June 2011.

ATTEST:

\_\_\_\_\_  
CLERK

\_\_\_\_\_  
CHAIR

APPROVED AS TO FORM:

\_\_\_\_\_  
ATTORNEY

## Action Item

## RESOLUTION NO. 11-21

**To:** Board of Directors  
**From:** Bill Mitchell, Director, Operations & Maintenance  
**Through:** Lynn F. Kusy, C.M., C.A.E., Executive Director  
**Re:** Tractor Replacement – John Deere Company  
**Date:** June 20, 2011

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**Proposed Motion:**

Approve Resolution No. 11-21 authorizing a contract with John Deere Company for the purchase of a John Deere 6100D Cab Tractor at a cost of \$40,743.72.

**Narrative:**

A primary function of Operations and Maintenance is to ensure the Airport's 3,000 acres remain regulatory compliant, and free of agricultural debris. To achieve this result, airfield areas are mowed on a recurring basis. The tractor currently in operation has exceeded its useful lifespan, and is overdue for replacement.

A tractor replacement may be obtained by utilizing the Strategic Alliance for Volume Expenditures (S.A.V.E). Membership in S.A.V.E. allows staff to access various Arizona municipal and school district contracts. John Deere Company is a vendor under Arizona State Parks' contracts. John Deere Company will provide one new John Deere 6100D cab tractor to meet scope under the State Parks' contract SCC070014-18.

**Fiscal Impact:**

This contract is included in the FY12 Non-Grant Capital Funds as Equipment Replacement – Project No. 799. Budgeted amount was \$60,000.





**RESOLUTION NO. 11-21**

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority, was formed pursuant to Arizona Revised Statutes § 28-8521 *et seq.* for the purpose of, among other things, redeveloping portions of the former Williams Air Force Base as a civilian airport known as the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS, the Airport Authority desires to purchase a John Deere tractor;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Phoenix-Mesa Gateway Airport Authority as follows:

**The Phoenix-Mesa Gateway Airport Authority Board of Directors hereby authorizes a contract with John Deere Company for the purchase of a John Deere 6100D cab tractor at a cost of \$40,743.72. This Resolution also authorizes the Chair or Executive Director to execute such contract, with such insertions, deletions, and changes as may be approved by the Chair or Executive Director, necessary to carry out the purposes and intent of this Resolution.**

Passed and adopted by the Phoenix-Mesa Gateway Airport Authority this 20th day of June 2011.

ATTEST:

\_\_\_\_\_  
CLERK

\_\_\_\_\_  
CHAIR

APPROVED AS TO FORM:

\_\_\_\_\_  
ATTORNEY



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## Action Item

**RESOLUTION NO. 11-22**

**To: Board of Directors**  
**From: Kevin Mentzer, Manager, Operations, Planning, & Control**  
**Through: Bill Mitchell, Director Operations & Maintenance**  
**Re: City of Mesa Intergovernmental Agreement - Fire Vehicles and Equipment  
Maintenance Services**  
**Date: June 9, 2011**

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### Proposed Motion:

Approve Resolution No. 11-22 authorizing an amendment to the Intergovernmental Agreement (IGA) between the City of Mesa and Phoenix-Mesa Gateway Airport Authority for fire vehicles and equipment maintenance services. Term of the IGA is five years commencing July 1, 2011 and ending on June 30, 2016. Cost for fiscal year 2012 is \$35,000.

### Narrative:

Arizona Revised Statutes, Sections 11-951 et seq., authorizes the City of Mesa and Phoenix-Mesa Gateway Airport Authority (PMGAA) to enter into intergovernmental agreements for the provision of services, or for joint or cooperative actions. The IGA may be modified by a written amendment approved by the City Council and PMGAA Board of Directors pursuant to A.R.S. 11-952.

Both entities have determined that it is mutually beneficial for the Mesa Fire Department to provide fire vehicle and equipment maintenance services for the Phoenix-Mesa Gateway Airport Authority. The existing IGA commenced on July 1, 2010 and ends on June 30, 2011. The amendment for Board consideration extends the term of the IGA for five years until June 30, 2016.

### Fiscal Impact:

Funding for ARFF maintenance services under this IGA is proposed in the FY2012 operating budget at \$35,000.

Attachment



**RESOLUTION NO. 11-22**

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority, was formed pursuant to Arizona Revised Statutes § 28-8521 *et seq.* for the purpose of, among other things, redeveloping portions of the former Williams Air Force Base as a civilian airport known as the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS, the Airport Authority desires to extend an IGA for fire vehicles and equipment maintenance services;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Phoenix-Mesa Gateway Airport Authority as follows:

**The Phoenix-Mesa Gateway Airport Authority Board of Directors hereby approves an amendment to the Intergovernmental Agreement (IGA) between the City of Mesa and Phoenix-Mesa Gateway Airport Authority for fire vehicles and equipment maintenance services. Term of the IGA is five years commencing July 1, 2011 and ending on June 30, 2016. Cost for fiscal year 2012 is \$35,000. This is the first of four one-year contract extension options. This Resolution also authorizes the Chair or Executive Director to execute such amendment, with such insertions, deletions, and changes as may be approved by the Chair or Executive Director, necessary to carry out the purposes and intent of this Resolution.**

Passed and adopted by the Phoenix-Mesa Gateway Airport Authority this 20th day of June 2011.

ATTEST:

\_\_\_\_\_  
CLERK

\_\_\_\_\_  
CHAIR

APPROVED AS TO FORM:

\_\_\_\_\_  
ATTORNEY



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## Action Item

**RESOLUTION NO. 11-23**

**To:** Board of Directors  
**From:** Matt Nebgen, Manager, Gateway Aviation Services  
**Through:** Casey Denny, C.M., C.A.E. Deputy Director  
 Lynn F. Kusy, C.M., C.A.E., Executive Director  
**Re:** 28.0v Ground Power Unit - Aero Specialties, Inc.  
**Date:** May 11, 2011

**Proposed Motion:**

Approve Resolution No. 11-23 authorizing the purchase of a 28.0v ground power unit from Aero Specialties, Inc., at a cost of \$40,529.63.

**Narrative:**

Gateway Aviation Service seeks to purchase a new 28.0v ground power unit (GPU) to replace the current unit used to deliver electrical power to business-sized aircraft. The current unit was evaluated using the Airport Vehicle Replacement Policy and was found to meet the criteria for replacement with a rating of poor due to a history of mechanical and electrical problems which kept it from being used in the operation. The unit was purchased in April, 2008 as a used piece of equipment.

RFP 2011-012 for the purchase of a new 28.0v GPU was issued on March 11, 2011 and advertised in the Arizona Tribune, Arizona Business Gazette, and the Airport Website on March 19 through March 30, 2011. The proposal opening was April 8, 2011 and five bids were received.

<u>Company</u>	<u>Bid Amount</u>
1. Aerospace Products International	\$46,193.67
2. Mark C. Pope Associates, Inc.	\$44,740.00
3. INET Airport Systems, Inc.	\$72,892.98
4. Fortbrand Services, Inc.	\$46,300.00
5. Aero Specialties, Inc.	\$40,529.63

Aero Specialties, Inc. was selected as the best provider of equipment meeting the specifications of the RFP.

**Fiscal Impact:**

This project is included in the FY 12 capital budget and is funded with Non-Grant Capital funds in the amount of \$50,000 as Project No. 792.

Attachment





**RESOLUTION NO. 11-23**

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority, was formed pursuant to Arizona Revised Statutes § 28-8521 *et seq.* for the purpose of, among other things, redeveloping portions of the former Williams Air Force Base as a civilian airport known as the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS, the Airport Authority desires to purchase a ground power unit;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Phoenix-Mesa Gateway Airport Authority as follows:

**The Phoenix-Mesa Gateway Airport Authority Board of Directors hereby authorizes the purchase of a 28.0v ground power unit from Aero Specialties, Inc., at a cost of \$40,529.63. This Resolution also authorizes the Chair or Executive Director to execute such purchase, with such insertions, deletions, and changes as may be approved by the Chair or Executive Director, necessary to carry out the purposes and intent of this Resolution.**

Passed and adopted by the Phoenix-Mesa Gateway Airport Authority this 20th day of June 2011.

ATTEST:

\_\_\_\_\_  
CLERK

\_\_\_\_\_  
CHAIR

APPROVED AS TO FORM:

\_\_\_\_\_  
ATTORNEY



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## Action Item

**RESOLUTION NO. 11-24**

**To: Board of Directors**  
**From: Brian Sexton, Public Information Officer**  
**Through: Lynn F. Kusy, C.M., C.A.E., Executive Director**  
**Re: License Agreement – Red Mountain Promotions, LLC**  
**Date: June 20, 2011**

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### Proposed Motion:

**Approve Resolution No. 11-24 authorizing a two-year license agreement for terminal courtyard advertising services with Red Mountain Promotions, LLC, in return for monthly payments equal to 25 percent of its gross advertising income or a Minimum Annual Guarantee of \$8,500, whichever is greater, for year one, and \$10,500 Minimum Annual Guarantee for year two. The agreement commences July 1, 2011 and terminates on June 30, 2013.**

### Narrative:

In 2009, the Airport Authority issued a Request for Proposal (RFP) for third-party terminal advertising and received only one response. Negotiations were terminated with the sole respondent as efforts to agree to a minimum annual revenue guarantee were unsuccessful.

Following the unsuccessful RFP initiative, staff sought insight from two airport managers from other airports served by Allegiant Air service: Redmond-Bend and Medford, Oregon. Both airport managers expressed concern about contracting terminal advertising and strongly encouraged maintaining a system in-house.

Executing the in-house sales strategy, staff established contact with a third-party vendor, Red Mountain Promotions, LLC (RMP) which works with local and national brand marketing departments. RMP has expressed their intent to lease specified wall space in the terminal courtyard and to sublease to their business contacts.

This license agreement authorizes RMP to provide its services at the Airport terminal courtyard for a period of two years, beginning on July 1, 2011. In return, RMP will pay the Airport Authority 25 percent of its gross advertising income monthly, or established minimum annual guarantee, whichever is greater. The minimum annual guarantee is proportional to established levels of larger hub airports and greater than the aforementioned similar sized airports.

Attachment

**RESOLUTION NO. 11-24**

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority, was formed pursuant to Arizona Revised Statutes § 28-8521 *et seq.* for the purpose of, among other things, redeveloping portions of the former Williams Air Force Base as a civilian airport known as the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS, the Airport Authority desires to enter into an advertising agreement with Red Mountain Promotions, LLC;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Phoenix-Mesa Gateway Airport Authority as follows:

**The Phoenix-Mesa Gateway Airport Authority Board of Directors hereby approves a two-year license agreement for terminal courtyard advertising services with Red Mountain Promotions, LLC, in return for monthly payments equal to 25 percent of its gross advertising income or a Minimum Annual Guarantee of \$8,500, whichever is greater, for year one, and \$10,500 Minimum Annual Guarantee for year two. The agreement commences July 1, 2011 and terminates on June 30, 2013. This Resolution also authorizes the Chair or Executive Director to execute such agreement, with such insertions, deletions, and changes as may be approved by the Chair or Executive Director, necessary to carry out the purposes and intent of this Resolution.**

Passed and adopted by the Phoenix-Mesa Gateway Airport Authority this 20th day of June 2011.

ATTEST:

\_\_\_\_\_  
CLERK

\_\_\_\_\_  
CHAIR

APPROVED AS TO FORM:

\_\_\_\_\_  
ATTORNEY



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## Action Item

**RESOLUTION NO. 11-25**

**To: Board of Directors**  
**From: Casey Denny, C.M., C.A.E., Deputy Director**  
**Through: Lynn F. Kusy, C.M., C.A.E., Executive Director**  
**Re: Property & Casualty Insurance Coverages – Willis of Arizona, Inc.**  
**Date: May 23, 2011**

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### Proposed Motion:

Approve Resolution No. 11-25 authorizing the Airport's insurance broker, Willis of Arizona, Inc., to purchase insurance for the Airport for the period July 1, 2011 to July 1, 2012, at a total cost of \$229,239 as follows:

- **Property, Mobile Equipment, Automobile, and Fuel Farm coverage from Travelers Property Casualty Company of America**
- **Airport Liability coverage from ACE Property and Casualty Insurance Company**
- **Crime coverage from Travelers Casualty and Surety Insurance Company of America**
- **Public Officials Liability coverage (including Employment Practices Liability coverage) from State National Insurance Company, Inc. (Hiscox)**

### Narrative:

Willis shopped the insurance market and submitted their recommendations for FY2012 insurance coverages to replace the existing policies which end July 1, 2011. (Our employee benefits and workers' compensation insurances are purchased on a calendar year basis and will be considered separately in December.) In addition to the bids received, several insurance companies declined to submit bids based on their inability to compete with existing coverage prices or their choice not to serve that market.

In response to the hard economic times, we told our insurance broker that we needed to find ways to reduce our overall insurance costs this year. We asked for their help in determining where we might make reductions in coverage that would have the least effect on our overall risks. They have negotiated on our behalf and came back with premium reductions for most lines of insurance, for an overall reduction of 5.3 percent. The proposed insurance package provides generally the same levels of coverage as last year.

### Broker Fees:

The cost of this insurance does not include commissions or broker fees. Willis is compensated under a separate flat-rate agreement at \$30,000 per year for their services relating to these coverages. (We pay them a separate fee for their efforts relating to employee benefits coverages.)

**Budget Considerations:**

Our FY12 budget included \$309,000 for premiums on the proposed coverages. The \$229,239 cost is \$79,761 (25.8 percent) less than budgeted.

	Expiring <u>Policy</u>	FY11 <u>Budget</u>	<b>Proposed</b> <b><u>Spending</u></b>	Difference <u>from Budget</u>
Property/Boiler	\$111,781	\$142,741	<b>\$102,856</b>	\$ (-39,885)
Inland Marine	16,938	21,629	<b>16,726</b>	(4,903)
Fuel Farm	15,018	19,177	<b>14,318</b>	(4,859)
Airport Liability	41,625	53,153	<b>41,625</b>	(11,528)
Automobile	40,894	52,220	<b>38,523</b>	(13,697)
Crime	3,170	4,048	<b>3,290</b>	(758)
Public Officials Liability	12,555	16,032	<b>11,901</b>	(4,131)
	<u>\$241,981</u>	<u>\$309,000</u>	<b><u>\$229,239</u></b>	<u>\$ (-79,761)</u>

We make additions and deletions to coverage during the insurance year as we become aware of changes in risks (e.g., when we purchase or dispose of assets), so expiring premium amounts vary somewhat from premium amounts proposed a year ago. A discussion of each of the lines of coverage is provided in the attached exhibit.

Attachments: Exhibit A – Summary of Insurance Coverage  
Willis Insurance Proposal



**RESOLUTION NO. 11-25**

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority, was formed pursuant to Arizona Revised Statutes § 28-8521 *et seq.* for the purpose of, among other things, redeveloping portions of the former Williams Air Force Base as a civilian airport known as the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS, the Airport Authority desires to purchase property and casualty Insurance;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Phoenix-Mesa Gateway Airport Authority as follows:

**The Phoenix-Mesa Gateway Airport Authority Board of Directors hereby authorizes the Airport’s insurance broker, Willis of Arizona, Inc., to purchase insurance for the Airport for the period July 1, 2011 to July 1, 2012, at a total cost of \$229,239 as follows:**

- **Property, Mobile Equipment, Automobile, and Fuel Farm coverage from Travelers Property Casualty Company of America**
- **Airport Liability coverage from ACE Property and Casualty Insurance Company**
- **Crime coverage from Travelers Casualty and Surety Insurance Company of America**
- **Public Officials Liability coverage (including Employment Practices Liability coverage) from State National Insurance Company, Inc. (Hiscox)**

Passed and adopted by the Phoenix-Mesa Gateway Airport Authority this 20th day of June 2011.

ATTEST:

\_\_\_\_\_  
CLERK

\_\_\_\_\_  
CHAIR

APPROVED AS TO FORM:

\_\_\_\_\_  
ATTORNEY

DETAILED SUMMARY OF PROPERTY & CASUALTY INSURANCE COVERAGE  
Willis of Arizona, Inc.

Discussion by Type of Coverage:

- **Property/Boiler – Excluding Fuel Farm**

Property coverage includes buildings, the personal property inside, navigational aids, other fixed improvements, and potential losses of business income due to inability to use insured assets. Value of the physical assets covered is 2% higher than last year primarily due to the addition of the West Terminal Phase I. Total coverage: \$109.3 million, up 4%. Deductible: \$10,000. Annual premium is down 8% at \$102,856. Boiler coverage is for catastrophic mechanical failure of large equipment items. Coverage is automatically the same \$109.3 million included in the property coverage, but only large mechanical items meeting policy definitions are subject to claims under this coverage. For us, the primary insured items are backup electrical power generators.

Recommendation: Renew coverage with Travelers.

- **Inland Marine (Mobile Equipment)**

This insurance covers 68 mobile equipment items. (Automobiles are insured separately.) These assets are insured at actual cash values, which are estimated by our staff annually. Coverage amounts totaling \$4.1 million are up slightly from last year primarily due to adding two new passenger boarding ramps and a used road grader.

In total the \$16,726 premium is down 1%.

Recommendation: Renew coverage with Travelers.

- **Property – Fuel Farm**

This replacement cost coverage includes fuel tanks, related pumps and piping, and the fuel farm office building. Fuel Farm asset values are down 7% from last year. Our annual assessment of our exposure resulted in a 1% increase to \$920,000 in coverage for losses of business income should the fuel farm become unusable. Total coverage \$3.7 million. Premium is \$14,318, down 5%.

Recommendation: Renew coverage with Travelers.

- **Airport Liability**

Airport liability insurance covers third party losses due to bodily injury and property damage. The current policy limit with ACE Property & Casualty is \$100 million, including hangarkeepers coverage (for damage we might cause to aircraft while in our control and keeping), non-owned aircraft coverage, and bodily injury coverage. Personal injury coverage is limited to \$50 million.

The annual premium remains the same at \$41,625, including the Terrorism Risk Insurance Act (TRIA) coverage.

Recommendation: Renew \$100 million liability coverage with ACE Property & Casualty Company.

- **Automobile**

Our auto insurance includes \$1 million in liability coverage for vehicles driven on public streets. The other vehicles are covered under our Inland Marine (Mobile Equipment) coverage. The airport liability policy provides another layer of auto liability coverage for amounts from \$1 million up to \$50 million.

Comprehensive/collision coverage is maintained with \$1,000 deductibles on vehicles with model years of 2004 or later and is not purchased for vehicles older than that. Thirty-four vehicles are covered, two fewer than last year. The \$38,523 annual premium is down 6% from last year's quote. Each year, the insurance company audits our vehicle records and adjusts the premiums accordingly, based on our actual vehicles in place during the year.

Recommendation: Renew auto coverage with Travelers.

- **Crime**

This policy provides \$1 million in coverage for losses of money, securities and any other property when caused by dishonest acts committed by employees acting alone or in collusion with others. Deductible: \$25,000. The annual premium of \$3,290 is up 4% from last year.

Recommendation: Renew coverage with Travelers.

- **Public Officials Liability**

This policy provides liability coverage against wrongful acts, including fiduciary responsibilities, of directors, officers and employees, and employment practices. Policy limit is \$1 million, with a \$25,000 retention amount. Annual premium is \$11,901, a 5% decrease from last year.

Recommendation: Renew coverage with State National (Hiscox).

- **Environmental**

We have never purchased environmental insurance. In 2007, an analysis of the airport risks and insurance costs related to environmental insurance was completed by staff. The conclusion was that the costs to purchase this coverage exceed the risks. Most local municipalities apparently agreed, as they did not purchase this coverage either, even for underground fuel tanks.

Recommendation: Do not purchase environmental insurance.