



MINUTES
Airport Advisory Commission
April 25, 2006

COMMISSIONERS PRESENT: Stephen Ducoff – Chairman
Bud Breckner
Lynn French
Bob Kudwa
Joel Miller
Greg Timm
Dennis Weber

COMMISSIONERS ABSENT: None

NON-VOTING MEMBERS PRESENT: None

NON-VOTING MEMBERS ABSENT: Jim Bensberg, El Paso County Commissioner
Rob MacDonald, Pikes Peak Area Council of Governments
George Sugars, El Paso County DOT

CITY STAFF PRESENT: John Faulkner, Asst. Aviation Director, Planning & Development
Kelly Koon, Special Projects Coordinator
Gisela Shanahan, Airport Finance Manager

CITY STAFF ABSENT: Mark Earle, Aviation Director
Bill Keller, Airport Planning & Development Manager
Pat McDivitt, City Attorney
John McGinley, Asst. Aviation Director, Ops & Maintenance

GUESTS PRESENT: Sarah Colwell, Gazette
Wendell Hawkins, COS
June Ford, COS
Larry Bruno, TSA
Joe Cacek, TSA
Dennis Portlance, TSA
Lothar von Wolfseck, American Airlines
Dale Morris, American Airlines

COMMISSIONER FRENCH CALLED THE MEETING TO ORDER AT 3:00 PM

Next meeting is Tuesday, May 23, 2006.

1. APPROVAL OF THE MARCH 28, 2006, MINUTES:

→ Commissioner French asked for approval of the March 28, 2006 Airport Advisory Commission minutes. Commissioner Breckner made the motion to approve the minutes and Commissioner Kudwa seconded the motion. The motion was carried by unanimous vote.

2. PUBLIC OR CITIZEN GROUP COMMENTS:

→ No public comments.

3. GENERAL BUSINESS

Land Use Items – Bill Keller

John Faulkner reviewed the following land use items:

- ◆ AR CM2 06-00197
- ◆ CPC A 06-00090 / CPC ZC 06-00091
- ◆ CPC ZC 06-00102 / CPC CP 06-00103 / CPC DP 06-00104 / CPC FP 06-00106
- ◆ AR DP 06-00227
- ◆ AR FP 06-00241
- ◆ CPC PUZ 06-00107 / CPC PUD 06-00108
- ◆ AR CM3 06-00270
- ◆ AR PFP 06-192
- ◆ PPR 06-010
- ◆ SP 06-005
- ◆ SF 06-007
- ◆ VR 06-005

Commissioner Timm moved to approve the land use items as recommended by Airport staff and Commissioner Weber seconded the motion. The motion was carried by unanimous vote.

TSA Update – Dennis Portlance

Commissioner French asked Dennis Portlance to step forward and give a TSA update. Dennis expressed that he normally answers questions when attending the AAC meetings rather than giving a report. We are doing very well. We have gone through several configuration styles of the new checkpoint. We recently replaced some of the tables and moved some of the stanchions around and have been able to cut down on the passenger processing time. We saved from 5 to 7 minutes up to 12 minutes and feel this is a good improvement. As for any other major issues that may exist, we really don't have any. Commissioner Kudwa asked about the operational test of the iris scan for the Trusted Traveler program. Normally when you make an operational test you will come to a final decision however, I have not been able to find anyone in TSA that can tell me when the test is over and a decision will be made about the Trusted Traveler program. Maybe you can update on this. Dennis noted that the program is now called the Registered Traveler program. This program has been approved by TSA and they are going to have from 10 – 20 airports around the country that will be initiating the program sometime late summer 2006. It has been proven to work at the larger airports and this is the first phase of the first 10 -20 airports to start up the program. They will be working with the private companies that wish to participate and establish it with the selected airports. Commissioner Kudwa asked if you become a

Registered Traveler, which system will be used. Dennis said that you would get an RT card, and at this time was not sure if it would be iris scan, thumbprint or both. One of the requirements of the private companies that are going to participate is that their machinery be interoperable with each other so that wherever that RT goes around the country, their card will work in whatever particular system it is. Commissioner Kudwa asked that if he's an RT in Boston then the card will work in Denver? Dennis stated that is correct and this has been one of the requirements once the testing was complete. The companies have to guarantee their system will interlink with any other system around the country so that the RT has access wherever they travel. Middle to late 2006 you will start seeing the equipment going into the airports. Chairman Ducoff asked if this was something that Colorado Springs might want to participate in. Dennis said that this is up to the airport to determine and whether there is a company that cares to invest in the program at this airport. Commissioner Ducoff feels this is something we might want to look into and Mark should do some research and report back to the Commission. Commissioner French asked what the cost is and Dennis replied that he did not know. Each airport has to be looked at individually because they have to be configured differently. Although the level of security is going to remain the same, there may be different security procedures and requirements on how to process the RT people through the program. Large airports may have a dedicated screening lane just for this program whereas smaller airports may not. They may consider a different area for the screening altogether. Commissioner Weber asked what would happen if you qualify for this program, you'd have a card and then bypass screening? Dennis replied, no, that the traveler would still have to go through screening. Commissioner Weber asked if you'll still have to remove your shoes and send your bags through screening. Dennis said that this will be determined airport-by-airport basis. Commissioner Weber questioned that there would not be consistency within this program. Dennis reiterated that because of airport configurations, the process may vary from airport to airport. It will not be a system whereby you show your card and go through. The travelers' baggage will still be going through x-ray and the RT through the metal detector. If the detector alarms, the RT is still subject to secondary screening. We are trying to establish it so that there is a faster process for individuals that are RT. Some of these standards are yet to be determined and TSA will be coming out with those standards prior to initiation of the program for the 10 – 20 airports. Commissioner Weber commented that it doesn't sound like there is any true benefit to participating in the program. Commissioner Breckner wanted to know how it would be faster. Commissioner Kudwa noted that from his travels around, he has noticed that it would make a shorter line. Additionally, it is part of the Commissioner's job to make this a better airport, so if we could have the RT program here as opposed to Denver then we'd be interested in doing that. As I've seen it at other airports, it's faster just because it's a shorter line. Commissioner Breckner said it's just like a high occupancy lane; it doesn't do anything except get you in a shorter lane. Commissioner Timm said that the article he read recently stated that if you bought a same day ticket that you wouldn't be subject to secondary screening. Dennis said this is one thing that's being looked at as a possibility. Dennis noted that all of the standards are still being developed for this program. Chairman Ducoff feels this program may be a customer convenience. It's also possible we may receive some complaints from jealous customers not in the program. He also said he'd like to hear from Mark about the possibility of the program here. Commissioner French suggested that maybe we could have a frequent flyer and RT line together. Commissioner Weber asked what the average time in line is now. Dennis said its time and day dependent. The worst we have ever encountered was about 20 minutes. Sometimes it appears the wait is longer because the line is long, however the average time has been around 15 minutes. Commissioner Kudwa asked what the shift schedule is for the early flight bank. Dennis said that people report in at 4:30 am. Commissioner Kudwa noted that the last couple of times he's come in early, he's barked at 6-8 people just standing around. Commissioner Timm said the same. Dennis requested that if we notice anything like this to let him know. Commissioner Weber asked if the traveling public is notified when the longer wait times are? Is this on the website? Dennis said it's on the TSA website. Wait times can be found by airport. Commissioner Weber also asked if this

is on the COS website. Kelly noted that it's not on our site, but there is a link to the TSA site. Commissioner Weber then suggested that maybe we have signs around the airport stating wait times and busier times of the day. Dennis said that it varies greatly. When loads are lighter, then the wait times will be shorter. You must look at the seasonal differences. Commissioner Weber asked if TSA knew the load factors couldn't they staff accordingly. Dennis said they do and that the airlines give them load factor information. Staffing is then based on this. Commissioner Miller mentioned that he feels the down side to the program is that if it takes away one line to process the masses to get a dozen through the RT line, then overall you're not serving the public at large. Dennis said that we only have three machines and four lanes to process people. Everyone goes through the same metal detector which limits us. During the heavy times, we use all four lanes. If we use one of the lanes for the RT program, then we effectively increase the wait times for the other passengers. The only other alternative is to set up another screening area just for the Registered Travelers. John Faulkner said this would be difficult with the current terminal layout. Commissioner French said the he would look for a report back from Mark at the next meeting.

Complaint and Contact Us Update – Kelly Koon

The top report is the complaint report compiled from 2005 and 2006 based on the complaints that come directly to management of the airport. These are entered into a complaint system and then categorized. In 2005, the largest amount of complaints we received were about the parking lot, which was due to the construction project and what the passengers felt was a big inconvenience. We tracked the majority of these through the complaint system, however once Andrea Bickley, Airport Properties Manager, began responding directly to all parking complaints, we no longer entered them into the complaint system. The additional parking complaints were somewhere around 150. Chairman Ducoff asked what PD was on the 2006 report. Kelly noted that it was the Police Department. Chairman Ducoff asked what these complaints were. Kelly said that it was about the traffic enforcement officers. There was a period of time when one of them was a little gruffer than the passengers appreciated. You can see that all the other complaints are one or two and spread themselves out on the variety of complaints. The Contact Us stats are from the website Contact Us page. Customers can contact us for anything they choose, such as employment and air service development. The highlighted numbers are airport information, future business park information and parking information and are the most frequently asked questions. They usually are not complaints, but inquiries, such as what time do the concessions open? Future business park information has spiked and may be due to John Faulkner's arrival. Parking information questions are usually about parking rates. The last page of figures shows the Contact Us numbers from the beginning of tracking time in March 2005. We have been keeping track of these numbers for over a year. The largest category was airport information at 133 and then parking information. To answer Chairman Ducoff's question about what the Information Center fields; their questions are primarily airline and baggage information and directions to locations. The most frequently asked question at the Info Center is what shuttle can I take to get to DIA? Commissioner Kudwa said that this information is quite helpful. Commissioner Miller said its encouraging to hear that they flew into COS and need a shuttle to DIA. Discussion ensued about why people would be taking this shuttle. Chairman Ducoff asked about what the airport information is, can this be broken out. If so, it may be information we want to advertise to promote the airport. Kelly explained that through the Contact Us site, the airport information questions are people wondering what time they need to arrive at the airport for a 6:00 am flight and if the ticket counter, screening and concessions will be open that early. Chairman Ducoff said this might be good information to advertise on the website. Commissioner French asked if people are asking about things to do in Colorado Springs. Kelly noted that these inquiries don't come through the website Contact Us, but do get asked at the Information Center. John Faulkner said that when he used the COS website, the links were really helpful for finding information about the area. Kelly said that these links are to the CVB and Chamber

websites. Commissioner Timm asked if the PD situation has been taken care of and Kelly noted that John McGinley has addressed this. Commissioner Timm said the traffic enforcement officers need to be easier to identify. Commissioner Weber noted that the airport experience is stressful. Commissioner Breckner said that it would be a good idea to come up with something to promote how easy or comfortable our airport is. John Faulkner said that when he was a frequent flyer, he would choose smaller airports because they were less stressful. Kelly said that whenever she gives tours, she always promotes how less stressful our airport is compared to Denver. Commissioner Kudwa asked how frequently the roaming volunteers are scheduled. Kelly noted that during the holidays or busier periods are when the RVs are scheduled. Commissioner Kudwa said that they really help relieve the stress of arriving passengers. Commissioner Weber said that we need to be sure we are recognizing the volunteers for all the work they do. Additionally, he felt it would be a good idea to have a Commissioner present at the refresher sessions as well. Chairman Ducoff said that we need to be sure we let Lou Velez know about the complaints. Commissioner Weber then asked the status of the comment cards and placement of receptacles for these. Kelly stated that we were waiting to implement this until after our address change, which took effect last week.

American Airlines, Wright Amendment – Dale Morris

Chairman Ducoff introduced Lothar van Wolfseck and Dale Morris from American Airlines. Chairman Ducoff noted that this was something that has come up and we should be apprised of the effort of American Airlines and the Wright Amendment. Mr. Morris is from Dallas and visiting to give a report on American's position with the Wright Amendment. Mr. Morris started by explaining that American is probably the only legacy carrier that is not in bankruptcy. It hasn't come with a lot of sacrifice from a lot of employees, but its also taken good leadership. Our chairman has done an outstanding job with his four point turn around plan. We are just glad to be in the position we're in. We announced a couple weeks ago a \$63 million loss, but that's up from \$130 million from the previous quarter, so we are making some progress and doing the right things. Colorado Springs definitely plays an important role in our plans, how we have brought some additional services here and how we look to partner with the airport and the community and that's why we're here today. It also takes good leadership like with Lothar. The Wright Amendment is an issue that is very close to us. A lot of perception was that it was a local issue and something that didn't affect communities outside of the Dallas/Ft. Worth area, but indeed it does. Back in the 60's as a result of finding the operation of 2 competing airports by the cities of Dallas and Ft. Worth, the CAB, which was a precursor to the FAA, ordered the cities to jointly put together an airport that would be able to serve the needs of all of north Texas. So Dallas and Ft. Worth agreed to consolidate commercial airline operations at what is known as DFW International. Southwest Airlines, which began service in 1971, steadfastly refused to move their operations from Dallas Love Field. Since then, the Wright Amendment was enacted by Congress and codified a local government compromise that allowed Dallas Love Field to remain open. Service from Dallas Love was allowed from points intra-Texas, but also to the contiguous states of NM, LA, OK and AR. There weren't any changes to the Wright Amendment for about 20 years because everything was going along smoothly. With the airports being basically 7.6 miles from each, it wasn't a concern that the restrictions of the Wright Amendment had placed on carriers coming into Love Field. This was a binding agreement by both sides. In 1997, Senator Richard Shelby enacted the Shelby Amendment, which allowed three close by states, AL, MS, and KS as well as unrestricted flights on aircraft with fewer than 56 seats. Senator Shelby, who was the head of the Senate Aviation Committee, said he wanted service to his state so Senator Lott and a couple other Senators from Kansas jumped on this as well and we had three other states added. The last change came in Dec 2005 when Senator Kitt Bond, added MO to the Wright exempted states and therein lies the problem. This caused us to move and shift aircraft from DFW to Love Field to compete. Currently we are flying out of Love Field to St. Louis, Kansas City, San Antonio and Austin to compete with the large market share in that area. For the St. Louis and

Kansas City legs, we are flying 3 flights a day on Super 80's; San Antonio and Austin with the RJs. Lothar mentioned that the Super 80's out of Love came out of the DFW, St. Louis and Kansas City schedules. Chairman Ducoff asked what is done with connecting passengers, are they run through DFW? Lothar said it's very difficult to get from COS to St. Louis through Dallas without going through Love. If you take a look at the bookings, DFW - STL are off the charts. Love Field is starting to build because we've reduced the amount of seats from DFW - STL and KCI and moved them over to Love and you can't get on the airplane; the service level is not there. Chairman Ducoff asked how one would get from COS to Austin? Dale said that you'd go from here to DFW to Austin. But now because there are less frequencies to Austin, because of those frequencies being shifted over to Love Field, it will be more of a challenge to do that. Chairman Ducoff asked if most of the people flying American out of Love Field are originating from there. Dale confirmed that this is an O & D market. We have put in San Antonio with the RJs and Austin to help stimulate some kind of market share. When we started flying those routes there may have been 10 frequencies but this may have gone down to 5 to help move the traffic. Commissioner Timm mentioned that when you fly out of COS it's a 4-hour layover now instead of two in Dallas. Commissioner Miller asked if you're taking aircraft off profitable routes, the ones that are being reapportioned to Love to compete, are you just trying to break into the market share there? The argument later on would be that we'll see loss of frequency here because those assets will have to be taken to Love to compete. If you have a profitable route would you remove aircraft from a profitable route to operate at less of a profit out of Dallas Love just to compete? Dale responded that because the market share is so important in the Love Field area, the majority of our biggest customers are in that area, the least performing routes that you have are the ones that will be losing their aircraft first. It's not necessarily a good route that we're taking aircraft from, but is maybe a marginal performer. Because we don't have any more aircraft deliveries or orders, and especially from the mainline standpoint, we probably will take delivery of two 777's this year and that's all. Because the regional has zero aircraft orders as well, it now becomes a scenario where you rob Peter to pay Paul, and the less performing route will potentially lose its service. Commissioner Miller commented that whether or not you're making money, you have to protect the market share. Dale said absolutely. Lothar noted that if you can have a greater profit margin at a different group of city pairs, then you're going to pluck from those that have a lesser profit margin. You may not have to go ahead and delete the service altogether, you may subsidize and use that mainline aircraft where it does you more good. Dale said we have to stimulate that market to catch on to that market because we want people to start flying out of there. Many of you may have heard about the Mavericks promotion we did. We gave away 20,000 seats to give that message that we have to compete there. They'll be flying in and out of one of the points from Love Field. Southwest matched that with a few free drinks until the end of May. Dale said that if the airline business wasn't in such a tizzy, especially about airline fuel costs and yield; the cost per ticket is getting better. The cost of fuel is a challenge. Commissioner Breckner asked who else is involved in this and are there other airlines being affected and having to move some other operations to Love? Dale said that other airlines are standing by and waiting to see what happens; American is fighting the primary battle. If Love Field was open and the Wright Amendment went away, I'm sure you'd have a lot of carriers interested in coming to Love Field. Southwest is now seeking repeal and for the last 25 years, Southwest has steadily developed Love Field into the most highly concentrated single carrier domestic hub with 97% of the flights at Love Field. The taxpayer dollars become a factor as well because all airports compete for AIP funding and a lot of taxpayers are asking why they are subsidizing a monopoly for a specific airline when I don't have the freedom of choice. It is becoming an issue that taxpayer dollars and funds are being used to subsidize this kind of monopoly. SW controls 21 of the 26 usable gates at Love Field; 2 are operated by Continental Express and 3 by American to fly the routes we're flying now. We had those 3 gates only because we were flying when Legend Airways was flying out of Love Field some years back. For years, officials have offered SW incentives to the tune of \$20 million and all the gate space they would need to come over and compete out of DFW. There are a lot of folks asking

why you wouldn't accept that because your operating costs would be negated for the first year and a half. SW operates on a quick turn for the aircraft and was even offered to build a queuing system with their passengers. Chairman Ducoff asked who the officials are and Dale said it's the DFW airport. Commissioner French asked who owns Dallas Love Field? Dale responded that it's the City of Dallas and DFW is a separate entity and is an airport in and of itself. John Faulkner asked if they have a GA reliever? No one was sure. Commissioner Timm requested a simple explanation of what the Wright Amendment says and what is it that American doesn't want repealed? American is ok with the restrictions the way they are. SW can't fly out of TX except to the designated states. Dale noted that when the Wright Amendment starts getting eroded, that's when it affects DFW airport and American Airlines. That's not in the spirit of the original agreement. In July 2005, DFW opened a new international terminal and has the capacity for new entrant carriers at that terminal along with 23 gates left vacant by Delta. When Delta vacated, it changed the entire dynamics of DFW airport. Here's a profile of American Eagle and American at Colorado Springs. Currently American operates 7 flights a day from COS on 7 mainline Super 80 jets to DFW and 2 flights a day to Chicago O'Hare. COS passengers travel to DFW and Chicago, but they connect to points beyond as well. 73.6% of the travelers that flew out of COS last year, connected to American flights on the worldwide network. 26.4% of all those customers were local traffic just back and forth. We believe that the opportunity for the Colorado Springs community to connect to a worldwide network is important as shown by the numbers. In 2005, more than 20,000 passengers flew internationally out of COS, which represents 4.6% of all of American's Colorado Springs traffic. Connecting traffic in Colorado Springs is extremely important. American's goal is to continue to work with the community to ensure service frequency levels stay what they are. Am Eagle must fly aircraft in those markets that have the best revenue potential particularly with challenges such as rising fuel costs and declining yields. AMR has no existing orders for new aircraft and that makes the utilization at spoke city markets even more critical. If the Wright Amendment is further weakened, American and Am Eagle will be forced to shift flights from DFW to Love Field diminishing connectivity to international and domestic destinations from existing markets. Some DFW flights were shifted to Love Field and others canceled as the result of the MO exemption being added. We are concerned that if the Wright Amendment is repealed further or weakened, Eagle service at COS could be affected. The City of Colorado Springs has a lot of international passenger traffic and we don't want any interruption to that frequency to occur. We ask that you take a stand against changing or eliminating the Wright Amendment. Do so in order to ensure that Colorado Springs maintains its competitive position and retains a viable air service link to a network around the world. Tell your congressional delegation to say no to altering the Wright Amendment and for more information reference the website. We believe in letting all airlines compete on a level playing field that will provide the best possible service and competitive fares because I do believe competitive fares to keep leakage from going to Denver is important for this community as well. We are committed to working with you in that regard as well. Chairman Ducoff noted that we are not in a position at this time to approve a resolution and need to hear comments from Mark Earle. Commissioner Timm said he owns property in Kansas City and used to fly American all the time. Because of what has happened, my people have to wait in Dallas to make that connection, so I've now begun to let them fly out of Denver. They are flying weekly back and forth from Denver. I would assume that other people that do business in Kansas City are probably doing the same. I don't know if this is a business decision they made, but that's why I'm having trouble weighing in on this. Dale noted that with further erosion of the Wright Amendment, we will have to continue to do this shifting game. We have 7 mainline jets and that's a pretty good frequency that we'd like to maintain, but we also want to have it on the other end for when your people want to connect in Dallas. We want them to connect with convenience and have different options and it is extremely important that your city and community weigh in because you need that connectivity from a competitive standpoint and from an economic development standpoint and just to do commerce. Lothar noted that if 70% plus are connecting and the frequency goes down at the

connection point, your layover time will increase. Commissioner Breckner asked if the position is to hold the line where we are or to roll something back? Dale said hold the line where we are or cease commercial operations at Love Field and for SW to move over to DFW with the incentive package. Commissioner Breckner said that if you hold where you are you're still out of luck, so it doesn't affect you. If all we do is stay where we are, it isn't going to help any. Lothar said maybe, maybe not. As more aircraft become potential for revenue in that city pair to increase the frequency then you're back with us again. Commissioner Breckner said that you'd have to have airplanes and you don't have any forecast to do that. Dale and Lothar agreed. Commissioner French asked what the reason was that SW rejected the \$22 million. Dale explained that when you have a 97% monopoly at and the majority gates and you're being subsidized by taxpayer funds, AIP funding, that's probably their reason. SW is starting to feel what some of the other carriers are feeling because of fuel. They had a fuel hedge, but that's gone now and they will pay roughly \$7 million more this year in fuel. So they now want to fly long haul out of Love Field such as Boston, Miami and Seattle. They have retired their older aircraft and bought new ones. As they are doing that they are retiring their old fleet and are also at a zero sum game as well. If the Wright Amendment got repealed you could probably see El Paso, Corpus Christi, Midland, some of the smaller hop markets lose their aircraft to longer haul routes. SW has had 2 fare increases since January. Today in the news, Wall Street is starting to scratch their heads as the low cost carriers are starting to increase prices just like American was. Lothar mentioned that previously they asked why would SW go with a fare increase when they are buying fuel at a lower cost and American is buying it at a higher cost. Commissioner Miller asked how would you answer to someone that said, Colorado passengers might have better connectivity using SW if the Wright Amendment was repealed. People might say that if they could connect out of Love they could get from point A to C or anywhere. Dale asked where would you connect to? Connectivity, even domestically, for SW doesn't compare to what American provides. Sarah Colwell from the Gazette asked what is the likelihood that it's going to affect Colorado Springs? Is there another amendment on the boards? Dale said that in the Dallas area, when you have the amendment going on with Senator Bond, now a lot of other Senators are not saying they want to get involved to put their state on the list. Senator Hutchison said to let the local folks try to craft a solution, so between Senator Hutchison and the 2 mayors, Moncreef and Miller, they have to come up with a solution and have until June 14, otherwise Congress is going to 'let the dogs out again' and everyone is going to be trying to get their service. June 14 is a critical deadline in the Wright Amendment effort. As far as how close we are to crafting a resolution, our position is that the only resolution is to either cease commercial traffic operations at Love Field or leave the Wright Amendment as it is with the restrictions in place without the possibility of repeal. Commissioner French asked if there was enough capacity at DFW for SW to move over there? Dale and Lothar said absolutely because they have 40 gates open and not being used. Commissioner Miller asked as far as traffic is concerned, would they be able to quick turn their airplanes. If it was Chicago, there's too many departures and the FAA says no because you can only have so many departures. Dale said that with what's at DFW, they have offered to work with them to get their quick turns. We are baffled why they wouldn't do something like that. Commissioner Breckner asked what the difference is, other than the competitors, comparison between O'Hare, Midway and DFW and Love Field, is there an analogy there? Dale responded that they are probably not 7.6 miles away from each other. I think you have more of a scenario where you have a downtown airport that is limited and has restrictions and they are far away like Houston and Hobby. Chairman Ducoff thanked the Dale and Lothar for the presentation and commented that the Commission will take the resolution under advisement.

4. STAFF REPORTS

→ Traffic Report - Gisela Shanahan

- Total enplaned passengers for March were 87,139, an increase of 0.3% over 2005 numbers. Year to date numbers are 230,448 representing a 1.8% increase above 2005. United and American had the largest gain in passengers due to United's addition of a daily flight to San Antonio, and the addition by American of two daily flights to Dallas/Fort Worth. Delta has declined by 18% primarily due to the elimination of its Dallas flights. There were no charter flights in March.
- Landed weight is down 3.1% from 2005, largely due to fewer overall flights. However, the addition of the San Antonio and Dallas flights have brought the decline in landed weight up from 4.2% below 2005 to 3.1% below 2005.
- Total revenue landings for 2006 are 4,873. The total number of landings for 2006 is 1.7% below 2005 due primarily to the reduction in flight schedules by several airlines. Again, the decline is less than last month due to flight additions by United and American.
- Total aircraft operations continue are approximately 16.7% lower than last year. Decrease primarily in military operations caused by the deployment of the local Air Force Reserve unit and fewer flights related to troop and equipment deployment.
- Freight and cargo continues to decline year to date, but we did have a slight increase in freight/cargo activity in March 2006 as compared to March 2005.
- Enplanements per departure continue to rise. Year to date we see an average of 52 enplanements per departure.
- Average load factor for 2006 is 74.4% for the month of March and 69.6 % year to date.
- All key traffic statistics are moving in a favorable direction as compared to 2005.

→ Finance Report - Gisela Shanahan

- Airline revenue YTD is 1.9% below budget. The decrease is primarily due to lower than anticipated landing fees caused by an overall decrease in flights as compared to the budget. The decrease was partially offset by an increase in terminal space rent received from the airlines.
- Concession revenue is 3.9 % below budget primarily due to lower concession fees collected from the food, beverage, and gift concessions. The variance is flattening out as we progress through 2006. Actual concession sales are up 16% over 2005, but our revenue is based on minimum guarantees that were negotiated in 2004.
- Terminal area revenue 6.7% below budget. The primary contributor is parking revenue, down \$122,626 below budget. The actual revenue is 3% above 2005 numbers. Rental car revenue is below budget by \$36,863. The variance is caused by a difference between budgeted and actual rates charged for ready return spaces. Ready returns spaces have been charged at \$10 per space and are budgeted at \$20 per space. Difference is due to timing of the construction of kiosks.
- The decrease in other area revenues is primarily due to the timing of fuel excise tax remitted from the State of Colorado.
- Overall revenue is 4.2% below budget. Much of the difference is caused by timing differences in flight and construction estimates used to create the budget. Actual revenue for 2006 is 3% above 2005 year to date.
- For expenditures, total actuals are approximately \$271,698 below budget or 5.3%. Personnel costs are down due to vacancies. Repairs and maintenance and services are all down due to the timing of purchases. Parking is up due to the additional expenses involved with the construction; however, staff levels for AMPCO returned to normal in mid-March. No expenditures have been made but the report includes contracts that have

been awarded but not yet paid. Insurance premiums were paid in April and next month's report will reflect those expenses. Miscellaneous expenses are below budget to the timing of training and out of town meeting expenses for staff. Equipment costs are up due to the purchase of vehicles that were not included in the budget.

- Net income is \$40,000 above budget year to date.

→ **Financial Statements - Gisela Shanahan**

- Decrease in unrestricted cash and investments is due to additional capital expenditures for projects funded by Airport Capital Funds, the largest of which is the terminal renovation.
- Increase in restricted cash and investments are due to an increase in the PFC cash balance. PFCs are restricted cash assets.
- Decrease in accounts receivable is due to an aggressive collections policy put in place in 2005. The largest portion of the A/R is the amounts associated with the United, Delta and Northwest bankruptcies. The Airport reached an agreement with United in February and all remaining bankruptcy debts have been resolved.
- Due from other City funds are amounts owed for rent of Airport land by CSU and the police department.
- Restricted net assets reflect the amount held in reserve to meet our debt obligations on Airport revenue bonds per the bond ordinance.
- Unamortized bond issuance costs are expensed over the life of the bonds.
- Improvements other than buildings and construction in progress increased in 2005. Improvements are related to taxiways and roadways such as TW C. Construction in progress contains the ongoing construction related to the terminal, runways, and parking lot.
- Capital assets increased approximately \$6 million.
- Total assets increased approximately \$3.3 million.
- Current portion of bonds is the next 12 months of principal and interest payments.
- Accounts payable decreased by approximately \$1 million. A concerted effort was made to speed up the payment process.
- Accrued salaries are lower due to vacancies.
- Due to other City funds reflects the fees owed to CSU.
- Deferred revenue is up slightly and consists of prepayments made by tenants for January fees and a \$250,000 CFC reserve requirement.
- Revenue bonds payable decrease reflects the ongoing principal and interest payments made annually.
- Accrued sick leave increased due to the increasing balance carried by employees.
- Total liabilities decreased by approximately \$3.6 million.
- Net assets show how Airport assets are allocated. \$137 million is invested in capital assets, \$19.2 million reflects restricted cash, and \$22.6 million is cash in the capital improvement fund available for investing in additional capital assets.
- Total operating revenues are up approximately \$50K; relatively flat.
- Total operating expenses are up approximately \$400K due to increased salaries caused by an across the board salary increase and additional depreciation due to an increase in capital assets. Note: operating expenses are down.
- Net operating loss with depreciation of \$654,644.
- Non operating revenue is down \$1.8 million due to the one time addition of approximately \$3.2 million in CFCs that reflect excess collections on the special facility bonds that were held in trust and then remitted to the Airport in 2004. To offset the decrease there was an increase in investment income reflecting higher interest rates received on cash deposits,

an operating grant from the TSA to reimburse for expenses related to the canine explosive teams, and an increase in PFCs collected.

- Capital grants are up \$2 million due to projects receiving AIP grant funding.
- Change in net assets is approximately \$6.8 million.

→ **Operations and Maintenance – John McGinley**

- The runway operations, with us being down to one runway, have been going very well. There have not been any weight restrictions as of yet even with the warm temps. Its going so well, that John M is going to rethink the ways we maintain taxiways and runways going forward just because of the success of this program. This would give us opportunities in the future to close down larger areas and do more extensive and cost effective maintenance programs. It's been a very good experience.

Construction

- Aviation Way – significant progress is being made. We expect paving to begin this week. A lot of the utility relocations are wrapping up, culvert construction being completed and we think the paving contractor could be out here as early as this week. As long as the temps stay warm, we think that there is a possibility they'll be out there laying asphalt.
- Runway – demo work should be complete next week. They have been able to get back on schedule for the demoing and getting some of the grading issues resolved. For a while, we were finding that the grading material was picking up more material than we thought. A little bit of the aggregate was deeper than we thought and we have solutions for that now. IHC is out resolving a lot of those issues. Progress is very encouraging.
- Terminal renovation – the mosaic is in town and at the tile distributor. Installation should begin next week. Work has reignited on the columns. They are putting granite bands around the columns and closing in the reveals. There will be a new tile that will be framed by some drywall; to replace the diagonal tiles, there will be a square stone tile. This work is underway now and the contractor expects to have both of these complete by May. The mosaic should be complete within two weeks.

→ **Planning and Development – John Faulkner**

- Vehicle service roads – the bid opening was last week and we did get a successful bid in about \$15,000 under budget. This is about an \$845,000 project and the successful bidder was Kewitt Western. We hope to be getting them a Notice to Proceed in the next week so this project can commence.
- The bids came in for the Business Park Phase I, which is mainly utilities work and grading. These bids came in about \$750,000 below budget. We are able to take advantage of having Monks on site doing runway work, so we don't have much in that contract in the way of mobilization because their spreaders and graders are on site. We'll be able to take advantage of that and get some significant savings for that right from the beginning. Work on this should begin in the next week to week and a half. Right now we are negotiating contract items and hopefully will get them a Notice to Proceed this week.
- Spoke to the roadway signage contractor yesterday and he assured me that the final designs on the Business Park signs and the West Side signs should be in next week. We'll be able to see what the final piece of that signage package will look like. They plan to come out and discuss the signage package and then we can begin to think about what we're going to do about installation and putting new signs out there. There is some temporary signage going out now that John and Troy in maintenance have been working on. Those signs are being completed now.

- Chairman Ducoff noted that he had run into a large contractor in town and he was very complimentary of John F. Said he was very knowledgeable and a pleasure to work with.

→ **Director's Report – John Faulkner**

- John said that Mark asked him to mention that Mark and John M were attending the AAE conference in San Diego. This is the lobbying arm for our airport and is the primary research institution for our field. A lot of benchmarking studies come out of this. They have presence in DC and are very active on various airport issues. Quite a bit of business gets done at that conference.
- Chairman Ducoff asked if John had anything to report about the Community Recognition program. John said that Mark said most of the information has been collected and now needs to be compiled and will be reported at next month's meeting.
- There are a number of events coming up. Last week on Friday, April 21 was the Milton E. Proby Parkway renaming. It was a great event. Tenants have been notified and the address change is out there. Tomorrow night Northrop Grumman has invited the Commission to an event with the CEO and it will be at the Broadmoor at 5:00 p.m. You're welcome to attend. Friday at 10:30 am is the Skywest maintenance hangar groundbreaking ceremony. This will be another exciting event. We are excited about getting them going. A lot of progress has been made in the last few weeks with utility relocations to get them started. The new revised ADAC/G groundbreaking ceremony has been rescheduled for May 3 at 4:00 pm. Hopefully; this will be an exciting event to celebrate the new addition of the military terminal.
- Mark plans to announce a terminal open house event in the next couple of weeks to celebrate the completion of the work.
- John pointed out the new deck furniture and noted that anyone is welcome to use it.
- Commissioner Miller asked if there was any potential news about tenants for the Business Park and are they going public any time soon? John said there should be an announcement soon and that we've gotten quite a bit of interest from a number of potential tenants. We are seeking a dual track approach by entertaining companies that approach us as well as continuing with RFPs. We just sent a draft RFP for a master developer in the Park, meanwhile compiling a master lease for that same procurement. We are taking a dual track approach by talking to interested developers and at the same time preparing for a public process to select developers for the Park. We are not in a position to comment on any details of an ongoing negotiation. Commissioner Timm asked who is setting the rates and who approves that for the Business Park and is the Commission not to be included in some of that? John replied that typically the way those types of procurements are handled at other airports and here, we get an appraisal that would set a base floor for that type of rent and that process comes out of the Federal requirements to receive market rents. What often happens if we RFP a parcel, if we go out and set a base floor rent based on that rate, then we ask bidders to bid above that and they will receive a higher score for doing so. This is also true for the concessions as well. This is typical for RFPs. Commissioner Timm still felt that the Commission should be addressed before setting the rates.

5. OTHER BUSINESS

- Commissioner French gave a brief update on Meadowlake Airport. Nothing new since last month. The ALP is planned. The runway is going to be 6700' and in the foreseeable future that's as much as you need over there because COS can handle everything else. Chairman Ducoff noted that over the weekend planes were landing on the grass due to the high winds.

6. CHAIRMAN'S COMMENTS

- Welcomed Greg Timm to the Commission. There is an advertisement for the alternate position now. Commissioner Herpin's departure leaves a vacancy for the Vice Chair position, is there anyone interested in this position? Lynn French had indicated that he was interested. Commissioner Weber nominated Lynn French as the Vice Chair and Commissioner Miller seconded. The motion was carried by unanimous vote.
- We are going to hear from the other side regarding the Wright Amendment. We will not be talking to any low cost carriers about this and when it comes time we can take a position on this. Commissioner Breckner wants to hear from another advocate besides American and wants to thoroughly understand this before taking a position. Commissioner Kudwa said that it wouldn't necessarily be good for the airline industry if the Wright Amendment was repealed and would hinder all of the legacy carriers from expanding. Commissioner Miller would like to know the implications to all sides before making any decision. John F explained that when you have a low cost carrier coming into a new market with a lower cost per enplanement, it's very difficult to compete at that cheaper airport. This becomes an airport to airport issue, not just an airline to airline issue. Dallas is built to be something different than Love and because it can only accommodate one carrier at Love, they get all the advantage of that; it was going to be the same thing between Seattle and Boeing Field. SW was going to put in 12 gates to compete with Alaska's 40 at a much larger facility and at about 1/3 the cost. They were the only carrier that could be accommodated at that small airport. Commissioner French said that he remembers when the Wright Amendment was passed it was to amend some law that the CAB was going to require the closure of Love Field. He then asked what would happen if Love Field was closed and SW moved to DFW and there wasn't a Wright Amendment. Would there still be a big problem with the airline industry? Commissioner Kudwa answered that it would result in cheaper tickets and it would be a marketing free for all. Commissioner French asked if it would put the airlines out of business if the tickets were so cheap? Commissioner Kudwa noted that it would be the carrier with the deepest pockets. Chairman Ducoff would like to hear the other side of this issue. Commissioner French feels the Commission needs to move quickly on this issue to come up with a recommendation prior to June 14.

7. AIRPORT STAFF ACTION ITEMS

- Airport staff –
 - Report back on Community Recognition survey and policy.
 - Report back on Registered Traveler program at COS.
 - Place note on front page of website about ticket counter and concession hours.
 - Mark to address the Commission regarding the authority of the Commission as to setting lease rates.
 - Presentation on the other position side of the Wright Amendment.

Chairman Ducoff adjourned the meeting at 5:40 p.m.

Minutes respectfully submitted by:
Kelly Koon, Special Projects Coordinator