



MINUTES
Airport Advisory Commission
August 26, 2008

COMMISSIONERS PRESENT: Lynn French – Chairman
Dr. Pat Boone
Joel Miller
Wally Miller – Vice Chairman
Bud Patterson
Greg Timm
Dennis Weber

COMMISSIONERS ABSENT: None

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

NON-VOTING MEMBERS ABSENT: Dave Elliott, Alternate Commissioner
Dennis Hisey, El Paso County Commissioner

CITY STAFF PRESENT: Mark Earle, Director of Aviation
Kelly Jackson, Airport Public Affairs Administrator
Tom Marrese, Asst. City Attorney
John McGinley, Asst. Director, Ops & Maintenance
Neil Ralston, Airport Planning & Development Manager
Gisela Shanahan, Asst. Director, Finance & Administration

CITY STAFF ABSENT: John Faulkner, Asst. Director, Planning & Development

GUESTS PRESENT: Erik Anderson, COS Intern
Nancy Gonzalez, Paradies
Matt Harrell, Police
Danielle Scott, COS Accounting Supervisor
Lothar von Wolfseck, American Airlines

CHAIRMAN FRENCH CALLED THE MEETING TO ORDER AT 3:05 PM
Next meeting is Tuesday, September 23, 2008.

1. **APPROVAL OF THE JULY 22, 2008, MINUTES:**

Chairman French asked for approval of the July 22, 2008 Airport Advisory Commission minutes. No objections; minutes were approved as submitted.

2. **PUBLIC OR CITIZEN GROUP COMMENTS:**

None

3. **GENERAL BUSINESS**

→ **Land Use Items – Neil Ralston**

Neil Ralston presented the following land use items:

- ◆ CPC PUD 08-00108 / CPC FP 08-00109
- ◆ CPC FP 08-00116
- ◆ AR PUD 08-00389
- ◆ AR FP 08-00403
- ◆ CPC CP 08-00121 / CPC FP 08-00122
- ◆ PPR-08-027

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

4. **STAFF REPORTS**

→ **Traffic Report – Gisela Shanahan**

- **Enplanements** – July 2008 is down 2.9% compared to July 2007. Year-to-date enplanements are up 4.7%. The change in July was due to a drop in the Delta Cincinnati flight, the fleet mix change to Atlanta and US Airways dropping one flight to Phoenix. United is down 11% with one less flight to LA, San Francisco and Chicago. All of this has decreased the number of seats available. Northwest is up because they added two RJs.
- **Landed weight** – Up .5% July 2008 over July 2007 and year-to-date up 4.7%. We had a 10% increase in cargo carriage.
- **Freight and mail** - July 2008 compared to July 2007 we saw a 1.3% increase and year-to-date a 3.9% increase.
- **Aircraft Operations** – June 2008 compared to June 2007 had a 2.1% increase and 3.4% decline year-to-date. Commissioner Boone asked if jet fuel prices have gone down like domestic fuel. Lothar von Wolfseck said that it has gone down some and has made a difference in costs. Commissioner Boone asked if this makes the RJs more cost effective to fly. Mark Earle responded no, that the 50 passenger aircraft just aren't as economical to operate.

- Average **load factor** for air carriers in July was 80.7% and year-to-date was 78.4%. This is about a two point increase over July 2007. American had a load factor of about 94%.
- **Airline Seats Available** – We saw a 1.6% increase for the month of July and a 4.5% increase year-to-date. These numbers are slightly skewed because Frontier and Midwest have no comparisons from the previous year. We also had a slight glitch with United; it appeared they had a mix up in the number of seats on one of their aircraft. We are working with them and it will change the first six months of the year on their available seats. This has been factored into the year-to-date column.

➔ Finance Report – Gisela Shanahan

- **Total earned revenue** is 7.6% lower than budgeted. Landing fees are the biggest driver. We have less landed weight than what was budgeted due to some of the departures in the market. Terminal Building Rent decrease is due to less square footage being leased than what was budgeted and the other portion was due to a difference between the rate calculated in the budget and the effective rate. Terminal concessions are fairly even to budget; .2% below which is exactly where we expected. Terminal Area is 7.4% below budget. The largest decrease is in public parking. We did a little digging, working with AMPCO, and what we are seeing is a 50% reduction in the Long Term lot usage from last year. Short Term is about even and Valet is up. Commissioner Boone asked if we ever run out of parking spaces. Gisela responded that we used to prior to the reconfiguration to the parking lot and since then we have not. Commissioner Boone then asked how close we get to capacity. John McGinley stated that for the last two Christmas and Thanksgiving holidays it hasn't gotten close. Gisela noted that compared to last year, the parking revenue is up. Other Buildings and Areas is up 13% and the primary variance is due to the large payment in fuel sales and excise tax. The revenue is lagging 4.8% behind the budget for the first seven months of the year. Commissioner Boone asked if the State is not paying the fuel rebate regularly. Gisela said that it's irregular; the State audits the fuel reports and this sometimes runs six months behind.
- **Actual vs. Actual Revenue**, which compares year-to-date: For the first six months of 2008, the revenue is up 10.3% which is due to rate increases. Terminal concessions are up 3.7%. Our other smaller concessions are doing very well. Advertising is slightly below last year, which is one of the expenditures that is a soft cost and is one of the first to go in a tight budget. Terminal Area is up 3.7% compared to last year and Other Buildings and Areas is up 39.1% which is primarily driven by the fuel tax rebate. Revenue compared to last year is up 9.3%.
- **Expenses** are currently running 8.6% below budget. Part of this is due to vacancies in personnel we experienced earlier in the year and the other portion is intentional. As we continue to monitor the situation with the airlines we are very carefully monitoring expenditures and have chosen to defer filling some of the positions. Commissioner Boone asked if there is a breakdown of miscellaneous expenses in the Financial Statement. Gisela responded that it was not included. Commissioner Boone requested a breakdown of this.
- **Actual vs. Actual Expenditures**, which compares year-to-date: We are 1.4% below last year's expenditures for the first seven months of the year. Most of this is due to savings in advertising, equipment, capital outlay. There is an increase in services of 61.4% which is a usage issue that will flatten out over the year.

→ Operations and Maintenance – John McGinley

- Chairman French noted that he received a letter complimenting John McGinley on his work on the AFMC conference and securing most of the sponsors.

Operations

- It is never too late to plan for snow. We have pulled out the equipment and are making sure it's ready to go for the snow season. We will conduct some dry runs before the season starts and be sure that everyone is following the same procedure. We will also be meeting with the tenants to be sure they understand how our snow operations run. Chairman French asked that Troy give an update on the snow operations at the next meeting.
- Operations is working on the badge and key audits.
- Operations has been coordinating with the FAA regarding the threshold crossing. The FAA is relocating the antenna. Right now they are installing two new equipment checks; one for the new glide slope and somehow this requires us to put a new equipment check at the localizer antenna also. We need the new shacks because it gives us an upgrade, decreases the amount of down time on equipment and eases the relocation process. Essentially they will run new primary power to the antenna at the new location. There is a fairly extensive process to get a new system certified. Beginning about the second week of September, the glide slope antenna will be placed out of service for relocation. On September 20, the FAA is planning on doing a check of the glide slope and then we start the procedure of writing the new approach plate. Between September 20 and November 20, we will have a localizer approach only on Runway 35L until this can be published. During this time, we will have the ILS on 35R.

Maintenance

- Maintenance has had several personnel vacancies. We have received several applications for the Maintenance Technician position in the terminal and the Sr. Equipment Operation position in Field Maintenance. We are actively trying to fill these positions and hope to be fully staffed by snow season.
- Maintenance is also working on the Computerized Lighting System that is to be installed in the Tower. This should be installed within the next three weeks.

General Aviation

- The DNC is taking place this week and there are extra security measures in place on the West Side. It appears that everything is going smoothly and we haven't had any problems. The TSA and other Federal officials have done a good job coordinating with us to reduce the amount of impact. Commissioner W. Miller asked if there would be any ramp checks. John replied that yes, however they are taking more of a security approach which won't go much beyond showing your ID and what you're licensed to fly. Commissioner Boone asked if we were impacted much by the DNC? John noted that we're going to benefit from it. We're most likely getting folks into Colorado Springs that are avoiding the Denver area if they are transient, or perhaps they are parking here to avoid some of the stricter procedures up north. There are a number of temporary flight restrictions from Monument north.

- Airport Operators Group will be meeting Wednesday at 5:00 p.m. at the Radisson.
- We are beginning the process of establishing a Minimum Standards Program for the Airport. On Wednesday, next week, we'll have a kick off meeting. The Minimum Standards Program was recommended by the FAA. The FAA has very strict guidelines on prohibitions against awarding exclusive commercial rights to anyone on the Airport. For example, you are not allowed to give fueling or flight schools to one vendor and only allow the one business to exist. The same rules that discuss prohibition of exclusive rights go farther to say that you have to make the Airport available for anyone who wants to provide an aeronautical service. The FAA's recommendation for managing this is to establish standards for commercial aeronautical activity. This program will establish the minimum criteria that we would want to see for anyone who wanted to enter the market whether it be an FBO, flight schools, aircraft sales, etc. We will have the minimum standards that we would require of them to pursue this activity at our Airport. We have hired a consultant to help us with this process. We will be scheduling a meeting with all the commercial operators at the Airport, to explain what we are doing and why, and how they can provide input. We will visit most of the primary operators on the West Side. Every commercial operator on the West Side will be getting a survey which will help detail all of the services they currently provide. We will then develop a matrix to write a Minimum Standards program and what we expect out of commercial operators as they establish their businesses. One of the questions that may come up is what do we do if someone has an established business we feel is not up to standards. The primary reason for this document is that it will help us move forward. We are interested in having this in place in case someone approaches us wanting to provide aeronautical activities, we can use this baseline to negotiate a lease agreement and a business plan. Throughout this process we may uncover some things that need improvement. Modifying or making adjustments to the current businesses is not the intent of this document. We will be sure that any requirement we put in place is fair and reflects what we are seeing elsewhere in the country for likewise businesses. We hope to have a program in place by December 30.

Commissioner J. Miller asked if this is going to be an annual evaluation process for anyone that is on the property? Mark noted that all tenants will be evaluated for compliance with the new standards, but will be given an extended period to transition to the new standards. He also mentioned that the Airport's primary tenants have been asking us to do this for years. We are one of only a few airports nationwide that do not have Minimum Standards. Commissioner W. Miller asked if this has been discussed with the tenants yet. John said he will bring it up at the Airport Operators Group meeting on Wednesday.

Commissioner Boone had four questions:

- 1) She expressed concern about hiring a consultant for the Minimum Standards project; Mark Earle explained that the airport has never had a set of Minimum Standards and that no one on the staff has the expertise to develop such a document. He said that the consultant, who is an expert and does this on a regular basis, will be able to bring the latest in airport industry practices into the process, which is the most cost effective way to obtain Minimum Standards.
- 2) She asked what kind of certification we receive when the Minimum Standards are complete. Mark Earle explained that the Minimum Standards are a set of guidelines that the FAA encourages to ensure minimum service and safety levels for aeronautical activities, and a level playing field for competitors on the airport. No certification is involved.
- 3) She asked why we couldn't use Minimum Standards established by other airports; Mark Earle explained that each airport has unique circumstances, and that the FAA allows airports the latitude to develop Minimum Standards that fit

their environment. A base line document will be used, but it will be modified extensively to fit local circumstances.

- 4) She asked how long this will take and if they will be enforceable. Mark said that there are provisions in all the leases that we can adopt rules and regulations from time to time at the Director's discretion. This allows us to adopt and periodically amend our Minimum Standards. John McGinley noted that how we go about the process is important. We will work closely with the tenants throughout the process.

Commissioner Timm asked if we are going to deal with the standards of the buildings, construction quality, etc because the West Side has needed some improvements. Mark explained that the Minimum Standards will not include building standards. That falls under the authority of the Regional Building Department. The Airport works closely with the RBD and City Planning on these issues. Great progress has been made in this area over the past few years, and we will continue to work with them to improve the overall effort. Commissioner Boone asked if the Planning Dept. and Regional Building allowed things to go in 25 years ago that they wouldn't allow today? Mark said this was true, but primarily because their internal standards have changed over the years.

→ **Planning and Development – Neil Ralston**

- Chairman French indicated that he read through the Project Status Report and the items seem to be the same as what has been reported prior. Commissioner Patterson asked where we are on the asbestos project at the old terminal site? Neil explained that a bid package will be going out this week for the demolition of the building. There was confusion about whether or not the asbestos remediation was complete. Erik Anderson confirmed that the asbestos remediation has been completed.

Commissioner Patterson asked if we are on schedule with the taxiways. Neil said he thinks we are a little behind schedule. This week they are working on removing the sub-grade and next week will begin preparation of aggregate base. The rain has affected the schedule slightly.

→ **Director's Report – Mark Earle**

- Fuel Pricing – Fuel prices have been dropping from \$145 per barrel to the \$120 range. It would be a mistake to think that this would provide any significant relief to the airlines. Oil was at about \$45 per barrel two years ago and the airlines were struggling with concerns about excess capacity even then. When it reached \$70 per barrel the airlines started to get into real trouble. At \$100 we started to see the cost cutting and capacity reductions that you see today. While prices are moving back toward the \$100 mark, the crisis is not over. To address the threat, we implemented a three-tiered contingency plan that has been in place for a couple of years now. In the first tier, our approach is to control costs through careful budget management. The second tier involves limits on equipment purchases and capital projects. The third tier involves extensive cuts in the capital program and personnel cuts. We are nowhere near the third level. So far this year, we have been able to control costs effectively using tier one budget management techniques. Based on conservative projections, we think we will be able to continue in this way through 2009. We will give you a full budget report at the October Commission meeting.

In the context of the City's budget process, our budget has been submitted. We had to make some tough decisions in our budget, but it wasn't nearly as difficult as what is occurring in the City's general fund budget process. The general fund staff was able to find \$6 million in savings to apply to the \$28 million deficit in 2009. The rest of it will have

to come through service and personnel cuts. They are even discussing a very large reorganization within the City to create new efficiencies. To balance the budget, the City will have to make significant cuts in service levels in many of its agencies. The Airport, as a self funding enterprise, will not be affected by the cuts in the general fund.

Commissioner J. Miller asked if we fall back into enterprise status this year. Mark explained that this year we anticipated falling out of enterprise status under TABOR but it never actually occurred due to the timing of our capital expenditures. Going in and out of enterprise status for TABOR purposes doesn't change the way we operate or the requirement for the Airport to be self funding. Under TABOR, enterprise status is a definition that says you receive a certain percentage of funds from governmental sources and if you go over that percentage, you'll fall out of enterprise status. We go out of enterprise status in years where we are successful in attracting a higher level of federal grant funds from the FAA. When this occurs, there is a negative impact on the Airport in that it affects our ability to issue debt without a public vote. This severely limits our ability to respond to business opportunities such as the SkyWest maintenance hangar project. This is an unintended consequence of TABOR, which is intended to keep the City from issuing debt that affects the tax rate without the consent of the voters. When the Airport issues debt, or borrows in any other way, the debt is secured by Airport revenues and has no impact on the tax rate. Another unintended consequence of TABOR is that when the Airport does come out of enterprise status, its budget is added to the City's general fund budget. While the funds are still accounted for separately, this requires the City to increase its TABOR reserve balance. Due to another quirk in TABOR, the funds for the reserve increase have to come from the general fund. TABOR requires that once the reserve balance is increased, it can never be reduced unless the funds are spent for an emergency. If the Airport funded the increase in the reserve balance, it would not be able to recover the funds, thus creating an illegal diversion of revenue under federal law. Accordingly, the City has to fund any increase in the TABOR reserve balance, even though it was caused by the Airport coming out of enterprise status, and the City can not recover the funds from the TABOR reserve when the Airport goes back into enterprise status

Looking at it from the Airport's perspective, going out of enterprise status limits our flexibility to finance projects that benefit not only the Airport, but the overall City as well. For example, had we been out of enterprise status when we were developing Phase I of the Business Park we would not have been able to borrow funds for the infrastructure without a public vote. An election would have significantly delayed our response to the opportunity that arose when Northrop Grumman and Aerospace were ready to build, and we would have lost both projects.

We are now working with the City Attorneys to understand a recent interpretation by our Bond Council that we cannot borrow funds without an election if we even have the potential for coming out of enterprise status during the life of the loan. If this interpretation holds, we will not be able to respond effectively to any development opportunity.

Commissioner Patterson asked how Pond 8 held up during the last rains. Mark said that it held up well, but we are monitoring it closely.

Commissioner Timm asked if the Airport was affected by the wildfire. Mark explained that we almost lost an ILS. The fire started with a discarded cigarette and took off. There were a lot of people at risk that day because the winds kept switching and at one point the fire came within 300' of the Fuel Farm. Peterson personnel were stationed near the fuel farm and inside the fence to protect the ILS while Colorado Springs Fire fought the fire outside the fence.

5. OTHER BUSINESS

- Commissioner Boone presented several items.
 - Role of the Advisory Commission. She distributed a print out of the roles from the Airport website.
 - Thanked staff for taking care of the trash area in which wheelchair passengers must pass through when an airline is not using a jet bridge.
 - Restated her position on the use of international symbols on all interior and exterior signage. Mark Earle explained the designers' approach to the use of international symbols for both internal and external signs.
 - Restated her position that she would prefer local restaurants and gift shop concepts within the airport terminal rather than national chain concepts. Mark Earle explained that the RFP process sought local involvement but there was little interest from the community for stand alone projects. The major concession companies that ultimately won the contracts did include local concepts and products in their proposals, but in a format that works within the airport environment. A discussion ensued regarding the constraints of operating in the airport terminal environment, and the techniques used by concessionaires to overcome the constraints. The majority of the Commission expressed their satisfaction with the current terminal concession contractors.

- **Street Naming** - Commissioner Weber reported that the Asset Naming Committee met and reviewed the Bud Breckner street name request. It was unanimously approved by the Asset Naming Committee. One question that came up was whether it had to go to City Council after they checked to see if there was another street with the same name and that the number of letters on the name met the criteria. Neil Ralston will check to see if John Faulkner has received word about this.

- **Elections** - Commissioner Weber reported that he had polled the members and the consensus was to keep Lynn French as Chair and Wally Miller as Vice-Chair for the upcoming year. Commissioner Weber then motioned to approve the recommendation and Commissioner Patterson seconded. The motion was carried by unanimous vote.

6. CHAIRMAN'S COMMENTS

- There is another safety meeting on September 27 in the East Terminal Unit from 9:00 to noon. We are trying to get the C130's here for a tour. Attendance is encouraged. Commissioner Miller noted that he might be able to get a C21 also. What we'd like to do is have a presentation on the low level routes they fly around Colorado.

- The museum tour was impressive. This is a two phase operation of commercial restoration and a museum. They should be opening for the public Oct .10 and 11. This is going to be a tremendous asset for our community. Commissioner J. Miller said that a question about adding trees to the facility. Mark noted he would speak with them.

AIRPORT STAFF ACTION ITEMS

Action Item	Assigned To	Status
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Action Item	Assigned To	Status
Send status of Breckner road naming to Commissioners	Kelly	

Chairman French adjourned the meeting at 4:55 p.m.

Minutes respectfully submitted by:
Kelly Jackson, Airport Public Affairs Administrator