MINUTES
Airport Advisory Commission
June 28, 2011

COMMISSIONERS PRESENT:	Wally Miller - Chairman Dr. Pat Boone Dave Elliott Tom Hayden Bud Patterson Dr. Chris Thornton
COMMISSIONERS ABSENT:	Joel Miller - Vice Chairman
NON-VOTING MEMBERS PRESENT:	Peggy Littleton, El Paso County Commissioner Rob MacDonald, Pikes Peak Area Council of Governments
NON-VOTING MEMBERS ABSENT:	Randy Courduff, Alternate Commissioner
CITY STAFF PRESENT:	Mark Earle, Director of Aviation Gisela Shanahan, Asst. Director, Finance & Administration John McGinley, Asst. Director, Operations & Maintenance Neil Ralston, Airport Planning & Development Manager Agnes Blachut, Airport Public Affairs Administrator
CITY STAFF ABSENT:	Dan Gallagher, Asst. Director, Planning & Development Dana Jackson, Airport Sr. Office Specialist
GUESTS PRESENT:	Kelly Jackson, Air Service Development Analyst Erik Anderson, Airport Financial Analyst Alex McKean, RS&H (Reynolds, Smith and Hills) Christopher Greene, RS&H (Reynolds, Smith and Hills)

Next meeting is Tuesday, July 26, 2011.

- **APPROVAL OF THE MAY 24, 2011 MINUTES**
  Chairman W. Miller asked for approval of the May 24, 2011 Airport Advisory Commission minutes; no objections; minutes were approved as submitted.

- **PUBLIC OR CITIZEN GROUP COMMENTS**
  None

- **NEW BUSINESS**

✈ **Land Use Review – Neil Ralston**

- **Item #1 AR DP 11-00252**
- **Item #2 AR DP 11-00257/AR DP 11-00258**
- **Item #3 PPR-11-012**
- **Item #4 PPR-11-007**

Airport staff reviewed three new land use items, one in the City of Colorado Springs and two in the county. Staff did not recommend any objections to items #1 and #2. However, staff is recommending to table item #3 until the results from an FAA airspace evaluation are available. Item #3 requests approval for a site development plan in the county for the construction of a warehouse. The proposed height of the plan does trigger the need for an FAA 7460, both for the building and the temporary construction equipment.

Three items remain tabled from a previous meeting (Item #4 from July 2010, and Items #3 and #4 from May 2011) which are still active plan reviews, so they cannot be removed.

A motion was made by Commissioner Boone to approve land use items #1 and #2 per staff recommendation and table #3. Commissioner Elliot seconded the motion and it was carried by unanimous vote.

Commissioner Elliot asked which offices review 7460s. Neil informed the Commission that for on-airport cases, the review is coordinated by the Airport District Office (ADO) in Denver, while off-airport cases are reviewed by various offices around the nation. Commissioner Elliot followed up by asking whether the Airport ever has a problem becoming aware of off-airport cases. Neil responded that all cases are populated online in the FAA's Obstruction Evaluation/Airport Airspace Analysis (OE/AAA) database. The Airport staff checks the database nearly daily. There is an email method as well. Neil offered to help Commissioner Elliot navigate through the database (as related to the Meadow Lake Airport).

Commissioner W. Miller inquired when the Airport will start referring to Runway 12/30 as Runway 13/31. John McGinley responded that the Airport is officially referring to it as 13/31. Instances of the runway being called 12/30 still occur in cases that refer to grant and project documents since it originally began as a Runway 12/30 project. Mark Earle added that the process of amending a project title exceeds the benefit of renaming the runway in project documentation and the airport has elected to not change the project title. Commissioner W. Miller suggested that moving forward, the runway should be referred to as 13/31, and that last month's minutes be changed to say "13/31". Mark commented that in all areas that refer to the grant project, "12/30" should be added in parenthesis to not confuse those who might review our minutes.

✈ **Air Service Update – Gisela Shanahan**

The airport periodically provides updates on what is happening in the industry and what the airport is doing from an air service perspective. Today we will talk about what is happening at the airport, where the industry is and how it is impacting us, and what we are doing in regards to those factors. In the next few months we will come back with additional information about how we go through the mechanics of obtaining this information.

We will start off with defining who we are as an airport. COS is known as an origin and destination (O&D) airport. What it comes down to is whether the market has a large enough local base to support being a hub. We were a hub airport for a short period of time during the Western Pacific years. In general, we do not have a large enough local traffic base to sustain a hub. Airlines focus hubs primarily on the geography of where their passengers are and where they want to go. They look at how best to connect various regions and knowing that information creates efficiency. After geography, airlines look at whether the location that seems good geographically has the underlying passenger base large enough to sustain the hub. Typically, the local population must account for about 50-60% of the airport's traffic in order for airlines to justify being in that market. That establishes the basic cost of being in that location. If the airline has correctly placed a hub that creates a flow of passengers, it gains economies of scale and reduces the cost of that local base. Those are the factors to look at when evaluating whether an airport can be a hub or whether it is an O&D airport.

On the next slide you can see the natural growth of the market. The growth you see is about a 2% growth from 1990 to 2010. The next slide shows the growth of the Colorado Springs population over the same period, which also reflects a 2% growth. The market trends alongside what the local economy is doing.

The following slide shows peaks and valleys that reflect the subsequent world and economic events: the Gulf War, the Western Pacific peak (in response to the WestPac peak, you can see the growth of other local airlines that increased service to compete with WestPac), 9/11 (which impacted local and domestic traffic), and the current decline that we are currently in that began in 2007, early 2008. This shows the natural state of the market and events that caused variations.

The two factors that are shaping our current dip began in roughly 2007 with a fuel crisis. Fuel started to spike. Right before that we had three new, non-stop destinations added to our market. When the fuel crisis hit, the models on which those airlines had based their routes on no longer worked, and the airport ended up losing the routes it had gained. Before fuel prices leveled out, we were hit with the recession, which resulted in a decrease in demand for travel. Airlines cut capacity shortly thereafter, and they continued to respond with cuts as they realized that this was a longer recession. They have since implemented cost-cutting measures related to labor, aircraft, and airports to reduce their costs. You can see that firsthand in our terminal- the amount of space that airlines are leasing has decreased and they continue to work with airports for further reduced costs. Next, they began focusing on ancillary revenues. Those are the fees that are charged for all additional services and they have been huge revenue generators. Capacity reductions are continuing from the perspective of efficiency of the entire system; profitable routes also need to add value to the system. Commissioner W. Miller added that he had read an article stating that airlines made about $32 billion in revenue off of ancillary costs. Mark added that it has been a saving factor for most airlines, and those not fully engaged in ancillary revenues continue to look at the benefits. Finally, we've seen mergers- US Airways/America West, Delta/Northwest, and United/Continental. All three mergers have affected COS positively or negatively. We are now down to five airlines, where in 2007 we had eight airlines. However, we still have the same airlines- they are just in the market under a different name due to mergers.

When we look at the impacts the economic changes have had over the last three years, what impacts the industry most are the changes to capacity. Capacity is essentially measured by available seat miles or seats. This has trended differently based on what size hub you are. Large hubs (as defined by the FAA, which categorizes airports based on the percentage of enplanements they have out of total enplanements nationwide) saw a 6.5% decline in capacity. Medium hubs saw a 17% decline. Small hubs within the top 100 of all airports saw a 15.6% decline in capacity. Medium and small airports were impacted by the fuel crisis and recession more than any other airports. During this time period, COS saw a 12.2% decline, and we continue to work to keep the number low. We've fared better than our counterparts.

When comparing COS specifically, we typically take the 15 airports above us and 15 below us in enplanements, and that gives us the airports that have about half our enplanements and double our enplanements. On the graph you can see that, across the board, the airports experienced a decrease in capacity, except for a couple airports that experienced growth for very specific reasons. Long Beach saw the additional of Allegiant Air, Grand Rapids saw the addition of a low-cost carrier, and White Plains received new Southwest service.

From the same group of airports, the following slide focused on the airports that are located near a larger hub like Colorado Springs. They have lost service as well, minus a few outliers like Long Beach and Grand Rapids. The pressure of having a larger hub nearby increases the leakage factor.

That is what the airport has experienced over the three years, and outlines our constraints and our battle. What that means for us, from an airline perspective, that their decisions are driven by economics. There is no longer an emotional appeal. Along with that, there aren't many “turf wars” between airlines wishing to defend a market. In addition, systems are contracting to reach hub efficiency and flow as many people as possible through limited areas. The COS goal is to help airlines meet their business goals- we are likely to have the best results when we work to meet their business goals. While we have airlines' attentions, we point out that we have the potential of sustaining point to point service versus just adding to their hubs.

Our approach is to be in constant communication with airlines at all levels- analysts to management to executives. We communicate daily, weekly, and meet face-to-face many times a year. When there is an indication that additional routes are being seriously considered, COS meets with the airline managers directly at their headquarters more frequently. During those meetings we provide local market data. We constantly track the local market- population base, the military, the local economy, bookings out of COS, DEN, and by zip codes. The research is very time-consuming but it builds the underlying base in communications with airlines. The airlines provide updates on their business model- changes in fleet, routes, and their revenue. It is a dynamic conversation because the industry changes daily, and thus the conversation is usually different month-to-month. The airport analysts work to provide the ever-changing local data needs to provide to the airlines. We also use a variety of analysts and consultants from firms who might have particular insight into various aspects of the industry or specific airlines. Finally, it comes down to cost. We keep our operating costs down and we put in place an incentive program that offsets the initial costs airlines incur when entering a new market or beginning new routes. We share net income, after we cover our costs, on a 50/50 basis with the airlines, and the balance is transferred to our reserves. Our strong reserves allow us to fund the incentive program.

The FAA recently released a long-term forecast and has identified three main trends. The FAA believes that international markets will continue to grow more quickly than domestic. During the time we've seen decreased capacity domestically, international capacity has increased. Smaller regional jets will be replaced by larger jets, specifically 50-seat aircraft. High fuel prices have led to small jets becoming unprofitable, and we have seen airlines shutting down agreements with regional carriers. Lastly, large airports will continue to grow faster than small and medium airports. In the short term, we expect capacity declines to continue, and do not expect capacity to return to pre-recession levels quickly. Airports in unique situations do have opportunities in the near future and we feel that COS is one of them. Most recently we've been in a defense mode to hold on to our service, but we've never stopped working for new service.

- **STAFF REPORTS**

✈ **Finance & Administration – Gisela Shanahan**

Traffic Report

- **Enplanements –** May 2011 up 0.1% compared to May 2010. Year-to-date is a 2.2% decline. Would like to point out that 2011 had trended about 3% below 2010- the airport did not face continued months of additional decline as interpreted by various sources.
- **Landed Weight –** May 2011 is 0.1% below May 2010- driven by fleet changes.
- **Freight and Mail –** 15.8% down for the month compared to 2010; 1.3% down year-to-date.
- **Aircraft Operations –** 18.3% down from May 2010; continue to see general aviation and military driving that number.
- **Load Factors –** 83% compared to 81.4% for May 2010; 73.6% compared to 75.2% year-to-date compared to 2010; load factors continue to run strong and these are considered full flights.
- **Seats Available –** Down 2.2% for May 2011 versus May 2010; 0.8% down year-to-date; driven by fleet changes

Finance Report - Preliminary

- **Earned Revenue vs. Budgeted –** 4.5% below budgeted forecast
- **Revenue vs. Actual Revenue –** 3.7% above revenue earned in 2010 year-to-date
- **Expenditures vs. Budget –** 6.7% below budgeted forecast
- **Actual vs. Actual Expenditures –** 5.6% below 2010 expenditures year-to-date

Commissioner Patterson inquired which category (within the Financial Report) absorbs the fuel costs. Gisela offered to provide a breakdown for Commissioner Patterson.

Commissioner Elliot inquired whether the airport is maintaining personnel vacancies. Mark responded that the airport has seven vacant positions that are budgeted for in the 2011 budget. The City is currently on a hiring freeze and the airport is not exempt from that condition. The airport is incurring additional costs due to overtime. The positions are essential, sometimes 24/7 positions, that need to be covered by overtime. The hiring freeze established by the City is legitimate because it allows time to evaluate costs that affect the general fund. The airport is not part of the general fund but follows the policies and procedures.

✈ **Operations and Maintenance – John McGinley**

Operations

- We had our annual Part 139 certification inspection earlier this month. The inspection took about 2.5 days. The FAA looks at our inspection records, NOTAMs issued, training records, and daytime and nighttime airfield inspections. There were no major findings or issues; it was a positive experience. The FAA requested more information about our airfield paint removal operations and the airport is putting together a plan to keep to standards.

Maintenance

- Electrician has done work on the Runway 13/31 Runway End Identifier Lights. The work was done in-house.
- Crews are continuing airfield painting.

- All departments are working on the 2012 budget.

- Staff continues to work on the Minimum Standards Program. The FAA has reviewed our program and has not indicated any concerns. The FAA feels the standards in the program are reasonable. We continue to meet with managers of the local FBOs. Over the next month we will be finalizing permits for the various types of operations on the airfield. We do not have any more public comment processes before us, and next month we should have an adoption date planned.

✈ **Planning and Development – John McGinley (Dan Gallagher out of town)**

Planning Projects

Consolidated Terminal Expansion/Renovation Project Summary- Dan created a consolidated summary of the three projects (Checked Baggage Inspection System, Security Screening Checkpoint Expansion/Reconfiguration, and 3rd Floor Expansion/Reconfiguration). Over the last month we have awarded the first major contract for this project- the contract that involves the building components for the entire project. We received seven proposals and ended up issuing a Notice of Award to Art Klein Construction to serve as our General Contractor. The baggage handling system portion of the project is the next major step. There was a great response to the pre-proposal meeting held in early June and we expect to receive several proposal submittals.

Construction

DAR Project- We met a major milestone, which was the completion of the first phase. Our next phase began yesterday. All business park traffic is being routed south on Powers to the new intersection with Cresterra Parkway. Construction on the north portion of Cresterra Parkway began yesterday. In the near future, construction work will begin at the intersection of Milton E. Proby Parkway and Air Cargo Road to tie in the new section of Cresterra Parkway. The schedule is showing completion in October and to date we are on schedule. Installation of all associated signage and dissemination of traffic information to impacted stakeholders has thus far been smooth.

Runway 13/31- We are on schedule to have the runway open on June 30th. Taxiway B2 will remain closed until we attain the correct signage for the taxiway, but taxiways B3-B5 will be opened.

Commissioner Patterson indicated that there are cracks on the tunnel connecting the main terminal and the East Terminal Unit. John responded that the tunnel is freestanding and experiences contracting and expanding. Any cracking is probably due to weathering and is not structure-related but we will take a look at it.

Commissioner Patterson also inquired whether there are updates on the Cirrus meeting in August. John mentioned that we expect a large showing for the Cirrus and TBM conventions but that there are no further updates.

Commissioner Patterson asked about whether the airport has looked into solar panels. Mark responded that the airport is interested in renewable energy and has looked at options where we would work in conjunction with Peterson AFB. We also would need to work with Colorado Springs Utilities (CSU) to connect to the grid. At this point the capital costs would not cover the return on investment but the gap is getting smaller each year with technological increases so we continue to monitor the option.

✈ **Director's Report – Mark Earle**

We continue to work through the transition that is happening downtown. There are many past processes that are being reevaluated by the new leadership, and changes to the processes can be cumbersome. The staff downtown is working hard to implement the changes and keep up with the pace of work, and we are doing our best to not get in the way. However, when it comes to the issues that are critical to us, such as staffing, as previously mentioned, we continue to bring those up.

Commissioner Elliot brought up a negative experience at a different airport, and mentioned that he appreciates how responsive the COS airport staff is to customer comments, questions, and concerns. Mark thanked Commissioner Elliot for his positive words, and noted that the airport customer service program is still in the beginning stages. While we've worked towards a positive customer experience already, the airport continues to grow in that respect.

- **OTHER BUSINESS**
  None

- **CHAIRMAN'S COMMENTS**
  None

AIRPORT STAFF ACTION ITEMS

Action Item	Assigned To	Status

Minutes respectfully submitted by:
Agnes Blachut, Public Affairs Administrator