



MINUTES
Airport Advisory Commission
September 27, 2011

COMMISSIONERS PRESENT: Dr. Pat Boone – Vice Chairman
Dave Elliott
Bud Patterson
Dr. Chris Thornton
Randy Courduff

COMMISSIONERS ABSENT: Wally Miller – Chairman
Tom Hayden

NON-VOTING MEMBERS PRESENT: Steven Janitell, Alternate Commissioner
Peggy Littleton, El Paso County Commissioner

NON-VOTING MEMBERS ABSENT: Rob MacDonald, Pikes Peak Area Council of Governments

CITY STAFF PRESENT: Mark Earle, Director of Aviation
Gisela Shanahan, Asst. Director, Finance & Administration
John McGinley, Asst. Director, Operations & Maintenance
Dan Gallagher, Asst. Director, Planning & Development
Neil Ralston, Airport Planning & Development Manager
Agnes Blachut, Airport Public Affairs Administrator
Dana Jackson, Airport Sr. Office Specialist

CITY STAFF ABSENT: None

GUESTS PRESENT: Kelly Jackson, Air Service Development Analyst
Erik Anderson, Airport Financial Analyst
Cheryl Schwab, Airport Finance & HR Manager
Alex McKean, RS&H (Reynolds, Smith & Hills)
Ryan Pritchett, Armstrong Consultant Inc.
Dan Porter, SEH (Short Elliott Hendrickson, Inc.)

Next meeting is Tuesday, October 25, 2011

- **APPROVAL OF THE AUGUST 23, 2011 MINUTES**

Vice Chairman Boone asked for approval of the August 23, 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 DP 78-196-A8MN11/AR FP 11-00415**
- **Item #2 CPC ZC 11-00088/CPC CU 11-00089**
- **Item #3 PPR-11-015**

Airport staff reviewed three new land use items, two in the City of Colorado Springs and one in the County. Staff did not recommend any objections to any of the items.

One item remains tabled from a previous meeting (Item #4 from July 2010).

A motion was made by Commissioner Thornton to approve all three land use items per staff recommendation, Commissioner Patterson seconded the motion; it was carried by unanimous vote.

- **STAFF REPORTS**

Traffic Report & Finance Report – Gisela Shanahan

Traffic Report

- **Enplanements** – Decline of 6.9% compared to August 2010. Mid-August is the end of the summer season for the airlines. Airline reductions are as follows: Allegiant had a small decline of just 1.1%; American Airlines reduced capacity on the Saturday flights primarily; Delta reduced frequencies to Salt Lake and the 2nd frequency to Minneapolis; Frontier also had some fluctuations in the Saturday scheduling; United had a loss in frequency from Chicago. Continental was the only airline that increased for the month of August due to the Houston flight. The above frequency changes were expected, which brings us to a 3.7% decline, year-to-date.
- **Landed Weight** – Down 5.1% for the month and down 2.6% year-to-date, which is primarily driven by the changes in the airline landed weight.
- **Freight and Mail** – Down 3.5% for the month; down 3.4% year-to-date.

A recently published article addressed freight reduction on the global scale. We are beginning to see heavy reductions in freight internationally which is beginning to impact the domestic market. Ultimately, there are a lot of moving parts when it comes to the pieces that impact the airline industry.

- **Aircraft Operations** – Flat at 0.8% higher than last year, but down 13.9% year-to-date.
- **Seats Available** – Decline of 6.8% for the month; down 3.4% year-to-date. These numbers are closely matched to the enplaned passenger enplanement decline which means the planes are full; it's a matter of seats coming out of the market.

The airlines have just recently announced the following cuts across the domestic systems: Delta announced a 5% reduction from October to December 2011; COS is not seeing this reduction, the schedules have been loaded and we are retaining what we have. They also anticipate cutting another 2-3% in their domestic market in 2012.

American announced a 4% reduction on Tuesday, Wednesday and Saturday frequencies across their system, beginning in August and another 0.5% in 2012.

United/Continental announced a 2-3% reduction in 2012.

Our schedule has stabilized and the airlines feel they have right-sized our market in relation to their system as a whole.

Discussion ensued about international flights connecting through O'Hare and the delay going through domestic security. Gisela pointed out that there are approximately 10 checkpoints that are scattered throughout the terminal, about every 100ft. The bottlenecking occurs with the centrally located checkpoint, which is the most commonly used checkpoint.

Finance Report - Preliminary

- **Earned Revenue vs. Budgeted** – Bottom line is that we are 0.4% below budget. The airline revenues are up 0.9%; Terminal Concessions up 2.7%, driven by additional rent we've received; Terminal Area down 3.7% driven by public parking; Other Buildings & Areas up 18.3% due to the timing of the fuel excise and sales tax, which normally fluctuates throughout the year.
- **Revenue vs. Actual Revenue** – Year-to-date we are up 3.0%. Airline Revenue up 7.0% largely due to changes in the loading bridge revenue; Terminal Concessions are up 1.7%; Terminal Area down 1.2%; Other Buildings & Areas are up 13.3%; Other Miscellaneous is down 53.7% which is driven by Dollar Thrifty's uncollected late fees associated with their bankruptcy, but it will level out towards the end of the year.
- **Expenditures vs. Budget** – We are running 7.8% behind year-to-date; Personnel Services are a large contributor as we continue to have vacancies. Repairs and Maintenance is down which is attributed to a variety of factors which has led to savings across the board. Services are down due to timing, but we anticipate expending the budget in place. Parking Management is slightly below budget; Utilities, Advertising and Insurance are all due to timing.
- **Actual vs. Actual Expenditures** – We are running 4.7% behind last year's expenditure levels. There is a shift in the Supplies category, because we are doing some of the painting and rubber removal work in-house vs. paying a service fee to a contractor so the expenditures are shifting from Services to Supplies. Advertising is due to timing and Equipment and Capital Outlay is up given the investment in equipment.

2012 Budget Update – Gisela

Gisela introduced the 2012 Budget Update presentation; highlights included the following:

- Recap of national trends – aviation challenges
- Passenger Traffic from 2006 to 2012 (projection)

- 2012 Budget Overview
 - COS has fared well compared to other airports
 - Terminal concession revenue per enplaned passenger has increased 3%
 - Tight controls on operating budget
 - Budget projections assume passenger traffic will continue at current levels
 - Budget includes airline rate decrease
 - Cost per enplaned passenger projected to be \$8.45, which is 14% below the national median and 40% below DIA
- 2012 Revenues – overall down by about \$200K
- 2012 Expenses – bottom line increased by \$200K

Commissioner Patterson asked if the Salaries/Benefits for 2012 category were based on all positions being filled. Gisela confirmed the amount is with all staff filled. Commissioner Patterson then asked how understaffed we are. Mark replied that we are 11% understaffed. Furthermore a lot of the unfilled positions are key positions on the Operating side of the airport. We are currently under the same hiring freeze that the rest of the City has been under for over a year now, even though we're an enterprise, self-funded and have no tax revenues being used for our operations. We have the money to fund our positions; however we were put under the same hiring freeze as the rest of the City. We are spending a lot of money on overtime and are deferring projects and maintenance, which has proven to be inefficient. The airport staff is currently working with downtown on a pending request to fill these key positions.

- 2012 Net Income – reduced by about \$400K
- Capital Projects

Commissioner Courduff asked about COS obtaining additional air service since our cost per enplaned passenger rate is 40% below DIA. Mark pointed out that there is little connection between airport costs and the level of service an airline is willing to provide—airport costs are only 3-4% of the total cost of running an airline. However, we strive to keep our costs as low as possible, and DIA costs are currently twice that of COS. A more useful benchmark is to compare COS costs to other airports of a similar size. Gisela affirmed that based on the ACI survey we are right at the national median in this category.

Mark pointed out that on the capital side; we have been very aggressive over the last 8 years to obtain AIP Grants, particularly the discretionary funds that are over and above the entitlements. We've anticipated at some point that we would see a downturn in AIP funds in exchange for a much larger Passenger Facility Charge program, so we've worked to get as much as we can out of the PFC program over the past few years. Congress is now discussing a major reduction in the Airport Improvement Program beginning next year. Our FAA contacts have advised us that they are planning on a significant cut in the program, and that we should plan accordingly.

Commissioner Thornton asked about the distribution of capital funds. Mark explained the entitlement and discretionary funding process.

Commissioner Patterson inquired about revenue and incentives for the 2 buildings currently in the Business Park. Gisela responded that we receive land rent and we're recovering the infrastructure investment that we've made through an additional surcharge that they're paying. There is no incentive, we are receiving fair market value

for the land and we're getting dollar for dollar reimbursement for the infrastructure that was put in place for the first 2 parcels. Dan added that when the Business Park is built out, 80% of the developable parcels are built out; we will charge a ground rent, ground lease and supplemental rent, which would be in the neighborhood of \$3.5M. Mark clarified that we do still offer rental abatement while a building is under construction, with lease payments beginning after the owner has beneficial occupancy. As an added note, we provide the same incentive for anyone developing at the airport, whether it's aeronautical or non-aeronautical.

→ **Operations and Maintenance – John McGinley**

Operations

- The FAA-ATCT facility has been authorized to use contract weather observers; the contract observers will start on Saturday. The contractors will relieve the controllers from performing this task.

Maintenance

- The terminal maintenance staff continues to work with the Projects staff on the construction throughout the building
- Staff worked on electrical repairs due to the abundant amount of rain and moisture on September 14th
- Field maintenance staff continues to work on erosion areas
- Landside maintenance is working on replacing some of the faded signs in the parking lot

GA

- TBM Aircraft Owners Convention was very successful
- Currently working with some representatives at the Tower to schedule the next COS Pilot briefing – possibly late October or early November
- The week of October 10th – John will be attending the NBAA (National Business Aircraft Association) Conference in Las Vegas, NV as part of our annual effort to market the airport and the general aviation

→ **Planning and Development – Dan Gallagher**

DAR Project

The road opened on September 16th. The contractor is still on site completing some punch-list items, comprised of finishing the medians, putting down some pavers and erosion control. We had a great Take Off event, which was well received and an overall success. The street lights will be installed in October by CSU. The final landscaping package is scheduled to occur in the spring.

Consolidated Terminal Expansion/Renovation Project Summary

Demolition and utility relocation are in progress; we are about 80% complete with the construction demo. We have relocated the water and waste lines on the west side. The electric work is underway; we had a significant savings in cost and impact to our operation – CSU field crew recommended an installation alternative and it has been a great benefit. Gas relocation still remains on the west side and will need to be relocated. On the east side, the Gate 2 loading bridge has been temporarily removed from the building and we are working on relocating the water line.

→ **Director's Report – Mark Earle**

During the Take Off event the media posed the question as to why we are investing in the Business Park at this time, with the economy where it is. From our standpoint there was no capital investment when it came to the infrastructure. The infrastructure that has gone into the Business Park up until this point was part of the Arrival/Departure Airfield Control Group (A/DACG) deal. The Defense Access

Road (DAR) was funded by the Department of Defense in exchange for the rent of 81 acres. The timing of the infrastructure was such that the military wanted the DAR built immediately which proved to be an opportunity for us to leverage capital into the Business Park. Since there is no investment of our cash, there is no return expected so we're very patient with capital in that regard.

We invested funds into the northeast corner of the Business Park about 4 years ago. However, when we invested in that portion of the Business Park we negotiated deals with Northrop Grumman and Aerospace Corporation to recover that capital, which is included in the lease agreements. Aerospace actually paid their capital up front and Northrop Grumman is paying through a surcharge that is a part of their lease; we are receiving 8% return for the money we invested. For that reason we can afford to be patient with the Business Park, but we don't plan to be. Corporate Office Properties Trust (COPT), our investment partner, will be making the rest of the infrastructure investments that will be going into the Business Park.

Within the staff reports section of the agendas moving forward, we plan to add a report that compares our enplanements to other airports our size. This report will reveal if the measures we're taking are keeping up with the rest of the industry when it comes to capturing enplanements and capacity.

- **OTHER BUSINESS**

None

- **CHAIRMAN'S COMMENTS**

At the next meeting, Commissioner Patterson would like to discuss attendance and phone attendance for Commissioners. Could Advisory meetings be conducted by phone vs. actually attending the meetings? Lastly, review Commissioner "sick time/illness" when it comes to attendance, in accordance with the charter.

Mark added that staff will provide background information to the Commissioner as to exactly what the rules are in order to be prepared for a discussion next month. Conversation developed about the Alternate Commissioner position and term limits.

AIRPORT STAFF ACTION ITEMS

Action Item	Assigned To	Status
Comparison report – COS enplanements vs. other airports our size	Gisela/Mark	
Providing background information re: Commissioner attendance	Mark/Agnes	"Advisory Commission Attendance Policy Background" sent on 10/9/2011

Minutes respectfully submitted by:
Dana Jackson, Airport Sr. Office Specialist