



CITY OF LOVELAND
MUNICIPAL AIRPORT

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AGENDA ITEM: 1
MEETING DATE: 10/9/2012
TO: City Council
FROM: Jason Licon, Airport
PRESENTER: Jason Licon

TITLE: Fort Collins-Loveland Municipal Airport Update

RECOMMENDED CITY COUNCIL ACTION: Information Only

DESCRIPTION:

This will be an informative presentation outlining the recent decision made by Allegiant Airlines to discontinue serving the airport, and how the airport will work to obtain another carrier. It will also include information regarding airport safety and statistical data regarding airport activity levels.

SUMMARY:

The airport is a critical component of the regional economy providing access to the air transportation system. The discontinuance of commercial airline activity will have an impact on area residents and to the airport. This presentation will outline those impacts and how the airport plans to address the issue.

REVIEWED BY CITY MANAGER:



LIST OF ATTACHMENTS:

Presentation Slides



FORT COLLINS • LOVELAND
AIRPORT

Loveland City Council Study Session

October 9, 2012

Topics of Discussion

- Allegiant Airlines Service Termination
 - Airline Reasoning
 - Airport Facts
 - Airport Impacts
- Air Service and Economic Development
- Airport Safety
 - FAA Statistics
 - Historical Data
 - Operations Count

Allegiant Air Service Termination

- Allegiant Airlines has served the Fort Collins Loveland Airport since 2003
- During this time the airport accommodated approximately 560,000 people arriving and departing on Allegiant
- Allegiant provided nonstop service to Las Vegas four times weekly and Phoenix/ Mesa twice weekly on their 150 passenger aircraft

Airline Reasoning

- Reason for service termination was not initially given
 - Official statement from the airline was that it was an “internal business decision”
 - Recent statement from the CEO cites a growing safety concern for continued operations at FNL due to a lack of a tower
 - According to airport fuel flowage data, airport activity levels have decreased since a peak in 2007
 - FAA records show that there have been no recorded incidents at our airport involving airline aircraft (according to the FAA’s near midair collision system database)
 - Airport staff will continue to investigate the safety related allegations through various channels including the FAA and National Transportation Safety Board

Airline Reasoning

- Air service from the airport was growing and successful
 - 44,999 Commercial enplanements in 2011
 - 35,671 in 2010
- Report from Allegiant at their May conference was that the airline was profitable and extremely happy with our facility overall
- Outside consultant estimates show our airport having a very viable and sustainable leisure travel market, where Allegiant was making an above average profit margin within their system

Airport Impacts

- Approximately 20 jobs will be lost or relocated immediately
 - Peaks Café 2 employees
 - TSA 9 employees relocated
 - Allegiant 9 employees terminated
 - jetCenter 1 employee (staffing reorganization)
- Airport will be required to continue operations at a commercial airport level
- Air charter activity will continue with part time TSA support

Airport Financial Impact

- Airport revenues will be impacted, reducing operations and capital income \$1,330,000 by 2014 of a total of \$2.5 million
 - \$295,000 in operations revenue annually starting November 1st
 - Parking \$200,000
 - Landing Fees \$28,000
 - Terminal Fees \$38,400
 - Fuel Flowage \$28,600
 - Airport will need to contribute \$100,000 for grant matches in 2013 and \$50,000 in 2014
 - \$1,035,000 in FAA grants and passenger facility charges
 - FAA entitlement will go from \$1 million to \$150,000 in 2014
 - \$185,000 in passenger facility charges are lost
 - State grants may be reduced

Fort Collins - Loveland Airport 2003-2011 Total Expenditures & Funding Source Analysis

Year	CAPITAL							OPERATING		PASSENGER FACILITY CHARGES	
	FAA Grant # (date)	FAA Amount Granted	State Grant #	State Match Amount Granted	Additional State Granted	Airport Match FAA Expense (PFC Funds Used)	Airport Match State Expense	Airport Actual Operating Budget	Cities Contribution to Operations	PFC Collected - Actual*	Non PFC Revenue Airline Related*
2003	AIP18 (2003-2005)	\$ 200,055.00	03-18-12/9	\$ 7,555.00	\$ 12,000.00	\$ 11,114.00	\$ 3,000.00	\$ 1,006,217.82	\$ 120,000.00	\$ 11.68	
2004			04-13-13/10	\$ 17,013.00	\$ 8,710.00	\$ -	\$ 2,177.00	\$ 1,134,374.62	\$ 120,000.00	\$ 22,956.78	\$ 176,964.22
2005	AIP19 (2005)	\$ 1,150,000.00	05-14-14/11	\$ 30,263.00	\$ 31,500.00	\$ -	\$ 7,875.00	\$ 1,180,045.97	\$ 120,000.00	\$ 147,780.57	\$ 191,701.43
2006	AIP20 (2006)	\$ 4,700,000.00	06-12-15/12	\$ 121,776.00	\$ 128,183.00	\$ 121,776.00	\$ 37,045.00	\$ 1,208,678.14	\$ 120,000.00	\$ 145,374.85	\$ 176,350.15
2007	AIP21 (2007)	\$ 1,000,000.00	07-18-16/3	\$ 26,316.00	\$ 223,684.00	\$ 26,316.00	\$ 55,921.00	\$ 1,225,915.43	\$ 120,000.00	\$ 96,316.60	\$ 186,238.40
2008	AIP22 (2008)	\$ 741,606.00	08-FNL-01	\$ 19,501.00	\$ 127,600.00	\$ 19,501.00	\$ 31,900.00	\$ 1,757,442.31	\$ 170,000.00	\$ 135,649.90	\$ 177,250.10
	AIP23 (2008)	\$ 258,394.00	08-FNL-01	\$ 6,799.00	\$ -	\$ 6,799.00	\$ -		\$ -	\$ -	\$ -
			08-FNL-02		\$ 131,500.00		\$ 32,875.00				
2009	AIP24 & 25 (2009)	\$ 1,000,000.00	09-FNL-01	\$ 26,316.00	\$ 223,684.00	\$ 26,316.00	\$ 55,921.00	\$ 1,667,181.28	\$ 170,000.00	\$ 139,255.19	\$ 191,676.00
	AIP26 ARRA (2009)	\$ 549,000.00									
2010	AIP27 & 28 (2010)	\$ 1,000,000.00	10-FNL-01	\$ 26,316.00	\$ 221,731.00	\$ 26,316.00	\$ 55,432.00	\$ 774,300.09	\$ 170,000.00	\$ 139,518.59	\$ 256,517.41
			10-FNL-110		\$ 14,650.00		\$ 14,650.00				
2011	AIP29	\$ 6,661,218.00	11-FNL-01	\$ 175,295.00	\$ 224,705.00	\$ 299,295.00	\$ 44,444.00	\$ 740,210.00	\$ 170,000.00	\$ 180,000.00	\$ 267,612.41
Sub-Totals		\$ 17,260,273.00		\$ 457,150.00	\$ 1,347,947.00	\$ 537,433.00	\$ 341,240.00	\$10,694,365.66	\$ 1,280,000.00	\$ 1,006,864.16	\$ 1,624,310.12

Capital Expenditures 2003-2011

	Amount	%
Total FAA	\$17,260,273.00	86.5%
Total CDOT	\$1,805,097.00	9.1%
Total PFC	\$537,433.00	2.7%
Total Cities	\$341,240.00	1.7%
TOTAL	\$19,944,043.00	100%

Operating Expenditures 2003-2011

	Amount	%
Airport Generated	\$9,414,365.66	88.1%
Cities Contributions	\$1,280,000.00	11.9%
TOTAL AIRPORT OPERATING	\$10,694,365.66	100.0%

TOTAL ALL EXPENDITURES 2003-2011

	Amount	%
FAA	\$ 17,260,273.00	56.3%
CDOT	\$ 1,805,097.00	5.9%
PFC	\$ 537,433.00	1.8%
OWNER CAPTIAL	\$ 341,240.00	1.1%
NON OWNER OPERATING	\$ 9,414,365.66	30.7%
OWNER OPERATING (NON AIRPORT FUNDS)	\$ 1,280,000.00	4.2%
TOTAL AIRPORT EXPENDITURES	\$ 30,638,408.66	100%

Passenger Enplanements	
2003	10,307
2004	31,928
2005	34,669
2006	32,847
2007	28,315
2008	31,094
2009	31,079
2010	35,671
2011	44,999
Total	280,909

* Passenger Facility Charges Collected - \$.50/passenger

** Non PFC Airline Revenue: Parking, Terminal Use Fees, Guaranteed Fuel Purchases, ARRF Fees, Terminal Concessionaire Rent

Allegiant Service Termination

- Air service is the key to the airport achieving the goals in the current approved airport business plan and for overall financial sustainability
 - Airport has limited assets
 - There is no funding that currently exists for the development of airport property
 - During the past 10 years the increased Federal grant funds have been used to rehabilitate existing infrastructure where 2014 would have been the turning point for development
- A contract air traffic control tower would cost \$3-5 million to construct, and approximately \$500,000 - \$750,000 to operate including controller salaries

Allegiant Service Termination Conclusion

- Federal grants are good through 2013
- If the airport does not generate 10,000 or more enplanements during the calendar year of 2013 the funding level decreases from \$1 million to \$150,000
- The airport has no outstanding debt tied to Allegiant nor to commercial airport activity
- FAA discretionary dollars are uncertain and based upon regional needs and priorities

Air Service Development

- Is now the top priority for the airport
 - Key for financial sustainability as outlined in the business plan
- A new service provider will take time and investment
 - Persuasion for an airline to make a multi-million dollar decision is difficult and time consuming
 - Airlines schedule their flight activity up to a year in advance
 - Cities support is key to opening the door to potential air carriers
 - Carriers will most likely require incentives or guarantees to make the change until established

Air Service Development

- Strengths
 - Large catchment area
 - Lower cost to airlines and their customers than DEN or COS
 - Landing Fees
 - Parking Fees
 - Cost per enplaned passenger
 - Adequate facilities
 - Established leisure travel market
 - Easy access and processing

Air Service Development

- Weaknesses
 - Lack of a control tower
 - Federalized TSA support time limited
 - Proximity to Denver International Airport
 - Runway length (depending on aircraft)
 - Lack business development personnel on staff
 - Lack ground crew support
 - Do not have a formal incentive policy to attract carriers
 - Facilities although adequate and functional do not provide big airport amenities
 - Jet bridge
 - Baggage claim area

Air Service Development

- Opportunities
 - Obtaining a carrier that serves multiple destinations
 - Increased inbound travelers
 - Carriers not currently serving DEN
 - Local attraction partnerships
 - Ski packaging
 - Tourism partnerships with other cities
 - Some carriers are moving toward satellite airport routes to emulate Allegiant

Air Service Development

- Threats
 - Transportation Security Administration defederalization December 4th
 - Other airports that share catchment areas
 - Cheyenne
 - Denver
 - Time without a carrier
 - Empty facilities
 - Time limited resources

Air Service Development

- Current Strategy
 - In process of obtaining critical data & support to help support airline justification
 - Point of Sale Market Analysis which will identify traveler trends, habits and market opportunities based on leakage, airport usage, airline usage, retention and revenue potential
 - Identification of new route opportunities from airlines
 - Development of a community based air service development support group

Air Service Development

- Once the research is completed, we will approach air carriers with the appropriate presentation materials relevant to each
- The timeframe for possible implementation could vary widely depending upon airline, their priority level, asset availability, and risk requirements
- In conclusion, FNL has great strengths and some challenges to obtain new service, however it is ultimately up to an airline to make the decision

Airport Safety

- The airport is regulated by the FAA and is held to commercial airport certification requirements
- This year the airport had no discrepancies during the annual FAA safety inspection
- According to FAA database inquiries, our airport did not have any reported near miss events involving air carrier aircraft ever
- Airport safety is the primary goal for airport staff

Airport Safety

- As the airport grows with Northern Colorado, the activity level will increase
- Airport activity level will reach a point where an air traffic control tower will be necessary
- The FAA states that our airport is not yet to that level, and we are looking at where we will need to be to get to that point
 - When a tower is installed, activity levels may decrease initially
 - There may be alternatives using innovative technology that could provide tower like services at FNL

Airport Safety

- The Airport's activity level can be seen through fuel sales volumes at the airport:

Year	Total Gallons of Fuel
2007	1,028,508
2008	952,477
2009	687,721
2010	932,372
2011	873,304

- Current airport activity is estimated between 75,000 and 95,000 operations annually
 - An operation is a takeoff, landing, or landing approach

Comparison to Other Area Towered Airports

- Rocky Mountain Metro Airport – FAA
 - Average of 134,840 operations past 5 years
 - Average of 119,858 operations past 2 years
- Cheyenne Airport - Contract
 - Average of 51,734 operations past 5 years
 - Average of 46,307 operations past 2 years
- Front Range Airport - Contract
 - Average of 69,300 operations past 5 years
 - Average of 55,524 operations past 2 years

Airport Safety Conclusion

- Based on information gathered, the FAA may look to provide air traffic control services at FNL in the future
- FAA would have to conduct their own study to determine need and or feasibility
 - Benefit / Cost Analysis
- NextGen technology offers potential solutions
- A high number of airport stakeholders have expressed their desire for ATC services
- Some airport users still oppose the concept
- Ultimately, airport safety is our primary responsibility