

7. Financial Implementation Plan

Introduction

This chapter of the Airport's Master Plan Update (MPU) presents the financial implementation analysis for Colorado Springs Airport (COS or the Airport) and examines various facets of the financial operating condition of the Airport. In addition, this chapter reviews the Airport's historic operating revenues and expenses and provides estimates for future financial results. The goal of this chapter is to contextualize the financial implications associated with carrying out projects recommended in this Master Plan.

The projections of airport revenues and expenses focus on the three planning periods of this MPU's Capital Improvement Program (CIP): Phase I (short/intermediate term), Phase II (intermediate/long-term), and Phase III (long-term). Specific years for the development of recommended projects are not included in these phases, as their consideration should be determined more by demand and planning activity levels. These planning periods provide a framework for the Airport's financial support for future capital projects: either by contributing local share of costs in coordination with FAA and Colorado Department of Transportation (CDOT) grants, reimbursement of Passenger and Customer Facility Charges, through other miscellaneous grants, or by wholly funding the projects. The CIP and associated financial plan included in this chapter are informed by circumstances and conditions that were current when this Master Plan Update was completed. Ultimately, capital projects will be undertaken when demand warrants and as appropriate funding becomes available.

The financial implementation analysis was comprised of the following efforts:

- Gathered and reviewed key Airport documents related to historical financial results, CIPs, operating budgets, regulatory requirements, and Airport policies.
- Interviewed key Airport management personnel to gain an understanding of the existing operating and financial environment, as well as the overall financial management philosophy.
- Reviewed the MPU CIP, project cost estimates, and development schedule anticipated for the three planning periods to project the overall financial requirements to implement the CIP.
- Identified and analyzed the sources and timing of capital funding available to meet the financial requirements for funding the CIP.

- Analyzed historical and budgeted operating expenses, developed operations and maintenance expense assumptions, and projected future operating costs for the planning periods.
- Analyzed historical and budgeted operating revenues, developed operating revenue assumptions, and projected future operating revenues for the planning periods.
- Completed results of the analysis and evaluation in a Financial Plan Summary that provides conclusions regarding the financial feasibility of the CIP.

Airport budgets can be broadly categorized as capital improvements and operating and maintenance (O&M). Grants issued by the FAA and CDOT are generally restricted to capital improvement projects, and, with few exceptions, cannot be used for airport O&M expenses. Operating revenues generated by aircraft landing and parking fees, fuel flowage fees, land and building leases, etc. can be applied to both capital improvements and O&M expenses.

Capital Funding Sources

The implementation of COS's Master Plan CIP is anticipated to be funded primarily through the following sources:

- FAA grants from its Airport Improvement Program (AIP)
- State of Colorado funding sources
- Local funding sources
- Other capital project funding sources, such as private parties

Federal Aviation Administration Grants

Airports included in FAA's National Plan of Integrated Airport Systems (NPIAS) are eligible to receive FAA grants. The FAA is the most significant source of funding for the construction of airport projects. Following World War II, the federal government recognized the need to develop airports to meet the nation's long-term aviation needs and initiated a Grants-In-Aid Program.

Following a series of federal airport funding programs, the Airport Improvement Program (AIP) was established by Congress on behalf of the FAA through the Airport and Airway Improvement Act of 1982. The initial AIP legislation provided funding through the fiscal year 1992, but since then the AIP has been reauthorized and amended multiple times, most recently through the FAA Reauthorization Act of 2018. The current AIP program was authorized for five years through FY 2023 (September 30, 2023). Congress will need to authorize a new AIP program or pass continuing resolutions for the FAA to continue issuing grants after that date.

Funds obligated for the AIP are drawn from the Airport and Airway Trust Fund. The trust fund receives revenue through user fees on aviation fuels, airline ticket sales, and air freight shipments. It is designed to support the improvement of the country's air transportation system by funding airport improvements, airport repair projects, and air traffic control system modernization.

AIP grants are generally available for planning, development, or noise compatibility projects at public-use airports included in the NPIAS. Eligible projects are those that enhance airport safety, capacity, security, and environmental concerns. In Colorado, the FAA provides 90 percent funding for eligible projects at airports that are not large or medium hubs. COS is a small hub airport and thus can receive up to 90 percent funding for eligible projects.

Sponsors can leverage AIP funds for most airfield capital improvements, and in limited situations, for terminals, hangars, and non-aviation development. Professional services required for eligible projects, such as planning, surveying, and design, may be eligible for AIP funds. In most cases, an airport's demand for capital improvements must be quantified and documented (i.e., through an airport master plan process), each project must be shown on an approved Airport Layout Plan (ALP), and projects must meet appropriate Federal environmental and procurement requirements.

Projects related to revenue-generating improvements (such as privately owned or leased hangars and aprons) are typically not eligible for AIP funding, nor are standard airport operations and maintenance costs (salaries, equipment, supplies, etc.). Operating revenues generated by aircraft landing and parking fees, fuel flowage fees, land and building leases, etc. can be applied to both capital improvements as well as O&M expenses.

AIP grants are generally divided into two categories: entitlements and discretionary. Entitlement grants are allocated among NPIAS airports through a formula largely driven by passenger enplanements, landed cargo weights, and types of operations. Currently, "primary" airports—defined in the NPIAS as having a level of commercial air service (i.e., enplane more than 10,000 passengers per year)—receive \$1,000,000 annually in entitlement funding. "Non-primary" airports, which include small commercial service airports and general aviation airports, are currently eligible for \$150,000 of annual entitlement funding. Under current legislation, the AIP will typically provide 90 percent of the total cost of an FAA-eligible capital project for all airports other than large or medium hubs (with the remaining balance often covered through a combination of state and local funding), though this remaining percentage can be reduced based on the size, complexity, and requirements of a specific project.

As defined in the most current version of FAA Order 5100.38D, *Airport Improvement Program Handbook*, AIP grants must be expended within four years of their issue, or they will be returned to the FAA. Like entitlements to individual airports, each state receives an annual apportionment from the FAA based on an area-population formula. As these federal funds may be utilized at the discretion

of each individual state, the State of Colorado uses this money to support capital projects at general aviation airports within the state.

In addition to entitlement grants, the AIP distributes discretionary grants since the capital requirements of airports often will exceed the limits of their annual entitlement funding. National discretionary funding levels are established annually by the FAA and are available after the distribution of entitlements. Generally, airports compete for these discretionary grants, which are awarded based on the priority ratings assigned to each potential project by the FAA. The prioritization process makes certain that the projects the FAA views as important and beneficial are allotted adequate discretionary funding and are the first to be completed. Each NPIAS airport project is subject to eligibility and justification requirements as part of the AIP funding process.

Under the current AIP authorization legislation and based on its inclusion as a Small Hub Airport in the NPIAS, COS is currently eligible to receive entitlements of roughly \$3,500,000 per year through the planning period. Additional financing is anticipated to be realized through AIP discretionary funding, based on the project eligibility ranking methodology and available federal funding.

State of Colorado Funding Sources

CDOT Aeronautics' mission statement lays out the agency's commitment to "support Colorado's multi-modal transportation system by advancing a safe, efficient, and effective statewide aviation system through collaboration, investment, and advocacy." In support of that goal, CDOT Aeronautics provides funding assistance to airports within the state through two primary mechanisms.

First, CDOT Aeronautics provides a five percent matching grant to any airport that receives a federal AIP grant. As noted previously, AIP currently provides funding up to 90 percent of an eligible project cost, with the balance being the responsibility of the airport sponsor.

Second, CDOT Aeronautics collects aviation fuel taxes and automatically disburses 65 percent of those collections back to the airports of origin as regular entitlement funds. 35 percent of the fuel tax collections are funneled into the Colorado Discretionary Grant Program, which is distributed by the Colorado Aeronautical Board. These grants are disbursed on a discretionary basis to Colorado's 74 public-use airports for maintenance, capital equipment, and developmental needs. Under this program, CDOT Aeronautics can reimburse an airport sponsor for up to 90 percent of the total project cost.

No state general funds are used to meet the needs of CDOT Aeronautics' operations or the Colorado Aviation System. After 65 percent of fuel taxes are disbursed back to the airports, the remaining funds are used to fund the Division of Aeronautics' administrative costs, which are capped at five percent of the prior year's total revenue. The remaining funds are then distributed under the Colorado Discretionary Grant Program described above.

Local Funding Sources

Local funding is typically generated from an airport's operating revenues and generally consists of user lease, fuel sale, and service fees. The user fees are typically established by the airport based on market conditions in the area and vary from airport to airport. COS has several revenue generating sources:

- Aircraft fuel sales
- Hangar leases
- Land leases
- Tie-down fees
- Other operating revenues
- Non-operating revenues, such as return on investments, interest payments, etc.

Landside facility development and levels of aviation activity are typically the primary factors affecting airport operating revenues. These revenues will normally increase as a function of usual inflationary growth as well as average annual increases associated with existing leases. Additional airport development will often increase the operational levels and number of based and itinerant aircraft. In general, land and building leases provide the most stable long-term sources of revenue at an airport, as fuel sales, tie-down rates, and other operational fees will fluctuate with traffic levels. Commercial service airports, unlike general aviation airports, typically generate some revenue from auto parking, concessions, and terminal building tenants.

It is important to recognize that while the Colorado Springs Airport is owned by the City of Colorado Springs, it is financially operated and managed as an enterprise fund. An enterprise fund is an operational model used by many municipal resources and services to promote and maintain long-term financial sustainability whereby the Airport effectively operates as a business and must be financially self-sustaining without receiving any local taxes or general fund monies. The City currently uses enterprise funds to account for its airport, cemetery, development review, golf course, Memorial Health, parking system, Pike's Peak – America's Mountain fund, and stormwater system.

As an enterprise fund, COS utilizes an accounting and financial reporting mechanism that places revenues and expenditures into a fund with financial statements separate from all other municipal activities. This system identifies total direct and indirect maintenance costs, as well as the sources and amounts of revenues that support the facility and services. Direct costs like personnel services, expenses, and capital outlay are budgeted and accounted for in the enterprise fund. Indirect costs are expenditures budgeted and accounted for in the general fund and allocated to the enterprise fund. Examples of indirect costs

are central service department costs (accounting, treasury, collections, law, and the like), insurances, and fringe benefits that are budgeted and accounted for as an estimate in cooperation with the general fund.

With respect to the airport, this has resulted in its operation as a self-funded and financially self-sustaining entity; thus, COS does not receive any direct financial support from the City of Colorado Springs. Aside from the airport's rates and charges, the airport actively leases airport property for non-aeronautical use as a revenue stream. This revenue stream is used to supplement capital financial needs, and over time, may ultimately be used to lower fees for aeronautical users.

Future development at the Airport shall continue to be self-funded by users of the airport and aviation system; no local taxes will be used to fund Airport capital improvements.

Other Capital Project Funding Sources

The traditional funding sources described in previous sections (FAA grants, CDOT grants, and airport revenue) often fall short of the financing required the full range of capital projects programmed for development during a CIP. In addition, some projects are not eligible for FAA or state grants. When the availability of traditional funding is lacking, other non-traditional sources need to be investigated and possibly utilized, for the ultimate implementation of projects. In this chapter, these sources have collectively been referenced as "Other Funding Sources." If funding sources cannot be identified and obtained in the time frames planned, the associated projects would necessarily be delayed until appropriate funding can be identified and secured.

Non-traditional funding sources for an airport typically include general fund revenues, bond issues, and private funding. Of these, general fund revenues and general obligation bonds are by far the most common funding sources, particularly at commercial service airports. The debt level and ability of municipalities and counties to finance additional debt governs their ability to issue general obligation bonds for airport capital projects. As the debt burden increases, rating agencies often lower the institution's credit ratings, which increases their interest payments.

Private funding sources (FBOs, aircraft owners, investors, etc.) often cover the cost of hangars and fuel storage tanks, and, less often, of parking aprons, taxiways, and utility hookups. However, when private parties make capital investments in airports, they often try to negotiate reduced land and/or building lease rates to balance spending. Additionally, the private part may seek to avoid property reversion clauses—whereby ownership facilities constructed on an airport ultimately revert to the airport after a set period (often a minimum of 20 years).

Passenger Facility Charges

The Passenger Facility Charge (PFC) Program allows publicly owned commercial airports to collect fees up to \$4.50 per flight segment for each eligible passenger. PFCs are added onto the price of the airline ticket and distributed back to the airport to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase carrier competition. PFC funds can be leveraged as an entity's matching share of an AIP project or utilized to fund a project independently of the AIP. Of the 80 Small Hub airports in the country currently collecting PFCs, 79 of them, including COS, collect the maximum allowable amount of \$4.50 per enplaned passenger.

Customer Facility Charges

A Customer Facility Charge is a user fee imposed by an airport on each rental car user, which is collected by rental car companies. These revenues are used for capital and financing costs of rental-car related projects, like consolidated rental car facilities (CONRACs) and other roadway projects. COS currently collects a fee of \$2.50 per rental day.

General Fund Revenues

General fund revenues are those provided by the airport sponsor (municipality or state) from their general tax revenues. Airport capital development expenditures from general fund sources have been somewhat difficult to obtain in recent years. One reason for this difficulty is the seemingly universal shortfall, and associated uncertainty, in local general fund revenues. The amount of general fund support for airport improvement projects varies by airport and is generally based upon the local tax base, the credit rating of the municipality and state, the priority of the development project, historical funding trends, and, of course, local attitudes concerning the importance of aviation. As an enterprise fund for the City of Colorado Springs, COS operates as a self-funded and financially self-sustaining entity—it does not receive any direct funding support from the City nor is any anticipated in the future.

Bond Funds

Since the mid-1990s, the use of various types of municipal securities (bonds) has increased significantly. Municipal securities are a generic term for interest-bearing obligations issued by state and local governmental entities to finance capital costs. These funding instruments are generally broken down into the following categories: general obligation bonds, revenue and special facility bonds, hybrid source bonds, and industrial development and exempt facility bonds.

Because COS is owned by a municipality, its bond issues must compete with other government departments/divisions (schools, road, sewer, etc.) for attention and consideration by City leadership. As with the general fund apportionment, bond issues supporting airport development depend greatly on

the priority assigned to such projects by the local community. At the time of this MPU, COS has no outstanding debt from bonding sources or otherwise.

Private Funds

Items such as hangars, fuel systems, and pay parking lots are not typically eligible for federal or state grant funding because they generate income for the airport and thereby fail to meet the requirements for such funding as defined in Chapter 3 of FAA Order 5100.38D. Communities sometimes work with FBOs or other local businesses to fund these types of improvements. Each of these options would need to be weighed independently for appropriateness of their application for eligible projects.

Additional Funds

In addition to all the funding sources listed in this section, COS explores a wide variety of grants to improve airport facilities, like Charge Ahead Colorado grants, which provide funds for electric charging stations. COS strives to find creative funding mechanisms to improve the airport without drawing from the general fund or local tax dollars.

Financial Analysis and Implementation Plan

This section, along with the tables presented at the end, illustrate the effort to analyze the financial feasibility of CIP implementation during the planning period.

Capital Improvement Program (CIP)

This section lists and briefly describes the projects identified in this MPU recommended for inclusion in COS's CIP. The individual projects are listed in order of their CIP identifying letter (CIP IDs are used for tracking only and do not indicate priority) and all projects are assumed to require some level of federal, state, and/or local funding, unless otherwise indicated. Note that this listing is the best estimate of anticipated projects at the time of this MPU. Because future requirements and demands may change the scope or timing of these projects, the CIP must be reviewed, assessed, and updated on a regular basis (typically annually). Additionally, each project will require environmental documentation prior to execution.

Phase 1

- A. Taxiway Enhancements:** This group of projects include multiple airfield taxiway connector improvements intended to meet FAA requirements and recommendations.
- 1. Taxiway A Separation:** This project will include a shift of Taxiway A from Runway 17R/35L from 400 feet to 500. Connector modifications from the Taxiway to the Runway are also included.
 - 2. Reconstruct Taxiway A1:** As part of the shift of Taxiway A, it is also recommended that Taxiway A be extended to the end of Runway 17R to enhance access to the runway.
 - 3. Relocate Taxiway E2:** Relocating Taxiway E2 will reduce taxiway convergence and provide an appropriate taxiway bypass configuration serving Runway 17L.
 - 4. Relocate Taxiway E4:** High-speed Taxiway E4 will be relocated to the south to reduce taxiway convergence and help address Hot Spot 3.
 - 5. Relocate Taxiway B Entrance:** Taxiway B, where it meets Taxiway E will be reconfigured to reduce taxiway convergence and help address Hot Spot 3.
- B. Runway Decoupling – Shift Runway 13-31:** This project shifts Runway 13-31 southeast to decouple the runway safety area from that of Runway 17R-35L. This project also includes associated taxiway connector improvements.
- C. Construct CONRAC Facility and Transform Existing Rental Car Parking into Short-Term Parking Lot:** This project relocates rental car facilities into a consolidated rental car facility accessed via Peak Innovation Parkway, west of the terminal. This project relocates the existing rental car parking lot and transforms the lot into short-term parking.
- D. Westside Development**
- 1. Consolidate General Aviation Fuel Farm:** This project entails consolidating the general aviation fueling facilities into one, centralized location.
 - 2. Expand General Aviation Ramp:** This project expands the apron on the westside of the airfield and is tied to the redevelopment of Taxiway A to better utilize space and accommodate more diverse aircraft. Various connectors from the apron to Taxiway A will be removed or added to meet FAA guidance. Various in-fill hangar development within vacant spaces within the Westside Development Area will be added.

- E. Consolidate/Relocate SRE/Airfield Maintenance Center:** This project would relocate the existing airfield maintenance shop to construct a consolidated snow removal equipment and airfield maintenance facility on the east side of the airfield. It is estimated that the cost of this project would be shared equally between the FAA and the Airport. That estimate may change based on the final design of the facility and funding availability.
-

Phase 2

F. Expand Passenger Terminal:

Stage 1: This stage of the Passenger Terminal Expansion creates a rounded structure at the end of the existing concourse, widens the existing terminal and expands the main terminal building resulting in additional gates, larger holdrooms, expanded concession areas, and more space for circulation, baggage claim, ticketing and passenger screening. It is estimated that this project would be funded by the FAA AIP at 70 percent, multiple years of State funding up to \$1,000,000 and the remainder funded by the Airport. Those estimates may change through negotiations with the FAA and State based on funding availability.

- G. Relocate Airport Surveillance Radar (ASR):** This project relocates the ASR to within the airfield, between the runways. This project will require further study and consultation with the FAA. There is a possibility that this project could be funded by the FAA's Air Traffic Organization, Facilities and Equipment Division at 100 percent.

- H. Redevelop Existing Rental Turnaround Facilities into South Long-Term/Economy Parking Lot:** This project adds 57 acres of long-term or economy parking south of the existing lots. Rental car agency turnaround facilities would be relocated to the CONRAC.

- I. Develop East Deicing Apron:** This apron will free up space on the Airport's terminal apron and serve as the primary deicing apron for air carrier aircraft as well as storage/staging of deicing equipment and fluid.
-

Phase 3

J. Expand Passenger Terminal

Stage 2: This stage of the Passenger Terminal Expansion extends the concourse to create a Y-shaped configuration to utilize the depth of the apron space to produce additional aircraft gates. Phase 2 also includes an expansion of the apron to provide double width taxiways around the terminal. The terminal's departure level vehicle road is expanded to

increase curb frontage and meet additional traffic/passenger demand. It is estimated that this project would be funded by multiple years of State funding up to \$1,000,000 and the remainder funded by the Airport. Those estimates may change through negotiations with the FAA and State based on funding availability.

- K. Construct East Long-Term/Economy Parking Lot:** This project adds 30 acres of long-term or economy parking east of the existing lots.
- L. Relocate Airport Traffic Control Tower (ATCT):** This project relocates the ATCT from its current location north of the crosswind runway to just east of the terminal building. This project will require further study and consultation with the FAA. There is a possibility that this project could be funded by the FAA's Air Traffic Organization, Facilities and Equipment Division at 100 percent.
- M. Install MALSR / ALSF-2 on Runway 35R –** This project installs a Medium-intensity Approach Lighting System (MALSR) or Approach Lighting System with Sequenced Flashers II (ALSF-2) on Runway 35R in order to lower approach visibility minimums to that runway end. There is a possibility that this project could be funded by the FAA's Air Traffic Organization, Facilities and Equipment Division, but based on Airport input, this project is shown as 100 percent funded by the Airport.
- N. Extend Runway 35L:** This project extends Runway 35L 2,500 feet. This also includes corresponding extensions, connectors and high-speed exits to Taxiways A and C as well as extending the taxiway and runway lights and approach lighting system.

It is important to note the descriptions above and cost estimates below do not include the large-scale construction of hangars in the Westside Development Area's southern portion or hangars in the Eastside Area along Taxiway E. These areas will be preserved for aeronautical use due to their proximity to the primary runways and will feature large hangar facilities. The development of these areas is intended to accommodate large tenant aircraft, maintenance repair overall, and/or additional air cargo operators. Additional design work will be needed and based on tenant specifications. Therefore, cost estimates are not included and depend on the types of facilities built. Costs for development will primarily be the responsibility of the future tenant, to be determined.

Additionally, throughout the 20-year planning period, ongoing pavement and airfield maintenance projects will be required as needed. This includes pavement crack and seal or rehabilitation projects necessary to maintain a safe environment for aircraft operations. As part of ongoing airfield maintenance requirements, COS should regularly inspect airfield pavement and grounds to ensure that problem areas are addressed.

Estimated Project Costs and Development Schedule

A list of capital improvement projects has been assembled based on the preferred development alternatives for the Airport established in **Chapter Five** of this Master Plan. This project list has been illustrated on the ALP drawing set and documented on the CIP, both of which should be maintained and updated, as required, by Airport management. Generally, the CIP has three primary purposes:

1. Identify projects that will be required at the airport over a period of time.
2. Estimate the order of implementation of the projects.
3. Estimate the total costs and funding sources for each of the projects.

As the CIP progresses from project planning in the current year to projects planned in future years, the plan becomes less detailed and more flexible. Additionally, the CIP is typically modified on an annual basis as new projects are identified, priorities change, funding sources evolve, and financial environments develop.

Each proposed capital improvement project within the planning horizon has been assigned to one of three planning phases: Phase I (short/intermediate term), Phase II (intermediate/long-term), and Phase III (long-term). The assignment of these projects into appropriate periods are depicted in **Table 7-1** which shows all proposed CIP projects (including AIP-funded, State-funded, Airport-funded, and privately funded) and estimated costs. Detailed cost estimates are provided in the Appendix. As mentioned previously, reauthorization of the FAA AIP by Congress may change the funding formulas used in these tables. It is important to note that the cost estimates for the individual projects are based on 2022 dollars, with no escalation.

Table 7-1: Capital Improvement Program

CIP ID	Project	Estimated Capital Costs	Funding Sources			
			Federal	State	Local	Other/Private
Phase I						
A	Taxiway Enhancements					
	- Taxiway A Improvements	\$87,124,342	\$78,411,908	\$4,356,217	\$4,356,217	\$0
	- Reconstruct Taxiway A1	\$5,635,059	\$5,071,553	\$281,753	\$281,753	\$0
	- Relocate Taxiway E2	\$5,810,075	\$5,229,068	\$290,504	\$290,504	\$0
	- Relocate Taxiway E4	\$9,265,738	\$8,339,164	\$463,287	\$463,287	\$0
	- Relocate Taxiway B Entrance	\$6,573,402	\$5,916,062	\$328,670	\$328,670	\$0
B	Runway Decoupling – Shift Runway 13-31	\$63,931,234	\$57,538,111	\$500,000	\$5,893,123	\$0
C	Construct CONRAC facility and transform existing rental car parking into short-term parking lot	\$66,967,586	\$0	\$0	\$66,967,586	\$0
D	Westside Development					
	- Consolidate general aviation fuel farm	\$7,200,000	\$0	\$0	\$7,200,000	\$0
	- Expand general aviation ramp/hangars	\$88,770,192	\$72,243,173	\$500,000	\$7,527,019	\$8,500,000
E	Consolidate/Relocate SRE/maintenance facility	\$43,626,724	\$21,813,362	\$0	\$21,813,362	\$0
	Phase I Total	\$384,904,352	\$254,562,400	\$2,864,214	\$118,977,739	\$8,500,000
Phase II						
F	Expand Passenger Terminal (Stage 1)	\$232,486,947	\$162,740,863	\$1,000,000	\$68,746,084	\$0
G	Relocate Airport Surveillance Radar	\$8,640,000	\$8,640,000	\$0	\$0	\$0
H	Redevelop rental turnaround facilities into south long-term/economy parking lot	\$65,226,824	\$0	\$0	\$65,226,824	\$0
I	Develop Deicing Apron	\$34,894,619	\$31,405,157	\$750,000	\$2,739,462	\$0
	Phase II Total	\$341,248,390	\$202,786,020	\$1,750,000	\$136,712,370	\$0
Phase III						
J	Expand Passenger Terminal (Stage 2)	\$271,970,568	\$190,379,398	\$1,000,000	\$80,591,170	\$0
K	Construct east long-term/economy parking lot	\$33,800,644	\$0	\$0	\$33,800,644	\$0
L	Relocate airport traffic control tower	\$75,600,000	\$75,600,000	\$0	\$0	\$0
M	MALSR / ALSF-2 for Runway 35R	\$4,356,000	\$0	\$0	\$4,356,000	\$0
N	Extend Runway 35L by 2,500 feet	\$103,269,000	\$92,942,100	\$1,250,000	\$9,076,900	\$0
	Phase III Total	\$488,996,212	\$358,921,498	\$2,250,000	\$127,824,714	\$0
	Grand Total	\$1,215,148,954	\$816,269,917	\$6,864,214	\$383,514,823	\$8,500,000

Source: Jviation

Note that the phasing of projects is established based on a combination of immediate needs (e.g., timing of required pavement reconstruction, meeting market demands, etc.), compliance with current airport safety design standards, advancing airport goals, and funding availability. Projects shown in Phase I include

those that are a higher priority to the airport's immediate needs, are timelier in nature, and/or are related to meeting FAA design standards. Projects included in Phase II and Phase III tend to have more flexibility in terms of their timing and some could be adjusted based on factors such as funding availability, conditions of pavements, market demands at that future time, etc.

The federal funding share for eligible AIP projects at COS is typically 90 percent with the State of Colorado providing a 5 percent matching share, which leaves the local share also at 5 percent. For some of the project, the funding share is different and based on revenue generating capability of the facility built or the department within the FAA that may be funding the project.

In response to the COVID-19 Pandemic, in March of 2020 the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act included \$10 billion in economic relief for airports affected by COVID-19. The law had several features designed to support airports. First, it provided funds to increase the federal share of discretionary grants in the AIP from 90 percent to 100 percent, eliminating the state and local shares for FY 2020. Second, the law provided new funds, characterized in size by the airport's role, to all NPIAS airports. Primary commercial service airports with more than 10,000 annual enplanements, including COS, received additional funds based on the number of enplanements. These funds could be used for any purpose for which airport revenues could be used, including operations and maintenance expenses. COS was allocated approximately \$24.3 million in CARES Act grants.

As a follow-up in December of 2020, Congress also passed the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA). This law included an additional \$2 billion in funds for US airports in response to the Covid-19 pandemic. \$1.75 billion was distributed similarly to the CARES act, which allocated approximately \$4.3 million to COS.

In November of 2021, the President signed into law, the Bipartisan Infrastructure Law (BIL), with the goal of investing in and modernizing US infrastructure. The law included \$15 billion for airport-related projects, beginning with a \$2.89 billion investment for fiscal year 2022. The money can be invested in runways, taxiways, safety/sustainability, and other similar projects typically eligible through the AIP. These funds have been made available to airports around the nation, and COS has been allocated approximately \$4.4 million for fiscal year 2022.

Based on the CIP presented above, approximately \$816.3 million in federal funds will be required to complete all the projects. Federal funding assistance for projects within each phase will exceed the approximately \$3,500,000 annual entitlements given to COS and will require the use of combined entitlements and discretionary funds. Additionally, state funding requirements for this CIP will total approximately \$6.9 million, and local funding requirements will exceed \$383.5 million. Finally, local private investment in the form of hangars, aprons, etc. over the planning is anticipated to be \$8.5 million. This does not include large-scale hangar development that may be constructed by maintenance, cargo and/or other future tenants.

Airport Operating Revenues and Expenses

Airport revenues are typically generated through user fees charged by a given airport for the facilities and services that it provides. These user fees are normally established by that airport based on the market conditions within its service area and can vary dramatically from airport-to-airport. At COS, operating revenues are realized through several sources:

- Aircraft Fuel Sales
- Ground/Land Leases
- Tiedown/Ramp Fees
- Landing Fees
- Concessions
- Rental Car Fees
- Public Parking Fees
- Other miscellaneous sources

As additional airport development occurs, the number of based aircraft and itinerant aircraft operations should reasonably be expected to increase, resulting in a commensurate increase in airport operating revenues (revenues associated with fuel sales, aircraft tiedowns and landing fees are directly influenced by traffic levels). Additionally, as new leases are enacted and existing leases are updated to reflect prevailing rates and terms, the Airport's largest source of revenue, Peak Innovation Park, will continue to grow over the long term.

Ideally, operating revenues will at least offset the airport's O&M costs. Airport operating expenses do not include non-cash and capital costs associated with depreciation and infrastructure development. Primary components of O&M costs at COS include, but are not limited to, the following elements:

- Salaries/Benefits/Pensions
- Operating
 - Maintenance
 - Repairs
 - Utilities
 - Materials and Supplies

The historical operating revenues and expenses for COS between 2016 and 2021 are presented below in **Table 7-2**. It should be noted that due to the COVID-19 pandemic and the subsequent CARES Act Funding, figures from 2020 differ substantially from other years.

Table 7-2: Airport Operating Revenues and Expenses (Historical)

Operating Revenues	2016 (Actual)	2017 (Actual)	2018 (Actual)	2019 (Actual)	2020 (Actual)	2021 (Amended)
Airline Revenue	\$3,977,979	\$1,265,977	\$2,605,332	\$3,306,907	\$3,277,577	\$2,757,745
Non-Airline Revenue						
Public Parking	\$4,066,573	\$4,798,717	\$4,832,888	\$5,035,849	\$2,319,380	\$2,783,896
Rental Car	\$3,205,439	\$3,437,573	\$3,742,655	\$3,768,534	\$2,668,003	\$2,464,443
Terminal Concessions	\$860,893	\$984,567	\$1,211,935	\$1,350,156	\$728,786	\$688,271
Interest Income	\$584,482	\$387,700	\$412,714	\$376,278	\$100,950	\$212,734
Ground/Building Rent	\$1,962,816	\$1,997,160	\$2,731,970	\$2,480,188	\$2,479,940	\$1,704,697
Other Income	\$4,209,264	\$2,484,588	\$4,226,661	\$9,142,190	\$2,405,525	\$1,793,240
Peak Innovation Park	-	-	-	-	\$7,055,907	\$17,237,205
Other Revenue	-	-	\$15,066,560	\$3,904,312	\$3,948,720	\$4,073,612
Operating Revenue Total	\$18,867,446	\$15,356,282	\$34,830,715	\$29,364,414	\$24,984,788	\$33,715,843
Capital Revenue						
Customer Facility Charge	-	-	\$1,380,999	\$1,649,085	\$334,271	\$897,600
Passenger Facility Charge	-	-	\$3,527,661	\$3,440,636	(\$2,932,105)	\$1,685,040
Capital Revenue Total	-	-	\$4,908,660	\$5,089,721	(\$2,597,834)	\$2,582,640
All Revenue Total	\$18,867,446	\$15,356,282	\$39,739,375	\$34,454,135	\$22,386,954	\$36,298,483
Operating Expenses						
Salary/Benefits/Pensions	\$6,815,213	\$7,146,800	\$7,990,704	\$8,487,618	\$1,220,449	\$849,519
Operating	\$5,767,235	\$6,467,860	\$16,526,317	\$13,400,506	\$4,466,059	\$14,394,186
Transfers to Other Funds	\$3,589,972	\$2,319,961	-	-	-	-
Capital Outlay	\$151,008	\$116,521	\$257,256	\$228,009	\$72,541	\$290,574
Debt Service	\$2,000,000	-	\$294,603	\$101,857	\$329,588	\$1,549,433
Total	\$18,323,428	\$16,051,142	\$25,068,880	\$22,217,990	\$6,088,637	\$17,083,712

Source: Colorado Springs Airport Budget

The amount of land leased, the lease rates charged, and levels of aviation activity that generate fuel sales, landing fees, aircraft parking, and other user fees are the primary factors affecting operating revenues at the Airport. In 2021, the Peak Innovation Park supported roughly 27 percent of the airport's operating revenues, followed by a group of fees categorized as "other revenue" which

typically comprises approximately 22 percent. Public parking provides approximately 14 percent of airport operating revenue.

At COS, operating expenses, like maintenance, repairs, utilities, and materials, account for the largest percentage of annual expenses at roughly 85 percent, followed by Salaries/Benefits/Pensions at six percent. The table shows that the COVID-19 pandemic produced budget anomalies in 2020 and that revenues are increasing due to the new/expanded carrier service and the leases from Peak Innovation Park. Lastly, revenues far exceed expenses, which may allow for additional project funding.

Airport Rates and Charges

The Airport accepts AIP grants and must therefore abide by 39 FAA Grant Assurances. It is important that the Airport continue to consider the applicable guidelines with respect to the future establishment of lease rates and other income-generating fees:

- FAA grant assurance number 22, Economic Nondiscrimination, states: “It (i.e., the airport sponsor) will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.”
- FAA grant assurance number 22 also states that the sponsor will charge, “reasonable and not unjustly discriminatory prices,” and will also ensure that airport tenants who enter into an agreement with the sponsor will: “furnish said services on a reasonable, and not unjustly discriminatory, basis to all users.”
- Additionally, FAA grant assurance 22 states: “Each fixed-based operator at the airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.”
- FAA strongly encourages airport sponsors to set rates and charges that will make an airport financially self-sustaining as possible given the circumstances at that airport.
- The airport sponsor will not use/include any FAA grants in establishing fees, rates, and charges for users of that airport.
- The airport sponsor will permit no exclusive right for the use of the airport by any person providing, or intending to provide, aeronautical services to the public. However, the airport sponsor may choose to provide any commercial aeronautical service on an exclusive basis.
- The FAA considers any lease with a term of greater than 20 years to be long-term; a lease of 50 years or greater may violate FAA policy (source: FAA Order

5160.9B, Airport Compliance Manual). FAA generally considers 50-year lease terms as equivalent to the sale of airport property, which FAA allows only under very specific circumstances, and considers 50-year lease terms as infringing on the powers of the sponsor. The FAA recommends that lease terms extend no longer than the end of the amortization period and/or useful life of the facility.

The FAA requires airport sponsors to charge fair market value (FMV) for leases with non-aeronautical tenants. The agency allows the airport sponsor to determine FMV, which may be calculated using several different techniques: appraisals, comparable assessments, and compensatory or cost recovery systems.

When setting new or adjusting existing rates and charges, airports and their tenants are bound not just by FAA policies, but also by market forces. Airports and FBOs operate in a very competitive environment, and aviation users are price sensitive. As a result, while airport sponsors and the FAA may set a priority on achieving financial self-sufficiency, setting rates and charges on aeronautical users to achieve that goal may adversely impact the level of activity at the airport if competing airports and FBOs have lower rates and charges.

The FAA does not maintain a database of rates and charges set by airports. Some state aeronautics agencies (including Wyoming, Montana, Florida, Wisconsin, and Massachusetts) have undertaken statewide surveys of airport rates and charges, and individual airports also conduct surveys of adjacent airports and FBOs. However, most rates and charges surveys are typically not updated regularly. The rates and charges surveys reveal that there is little consistency between airports:

- Within each state, airport rates and charges can vary widely. Landing charges, tie-down and fuel flowage fees, land and building leases, etc. range from none to many dollars per item.
- Some airports impose a wide variety of fees, while others charge relatively few fees.
- Some airports update their rates and charges regularly, while other airports rarely change their rates and charges.
- Additionally, most surveys do not include the actual amount of revenue generated by each fee within a given fiscal year, what percent of total revenue is generated by each fee, or whether each airport is financially self-sufficient based on their rates and charges.

Several factors affect what rates and charges an airport can impose:

- The lease agreements in place affect an airport's ability to impose new fees and/or change existing fees. While the FAA provides guidance on leases

between airports and tenants, it does not review and comment on leases unless specifically requested to do so.

- Some airports own all or most of the buildings, while others have relied on private investment to construct, operate, and improve buildings and other facilities on the airport. Leases also have a bearing on this issue; some airport leases have reversion clauses whereby all improvements constructed by a third party revert to airport ownership at the end of the lease term, while other airports do not.
- The amount of property available for both aeronautical and non-aeronautical development can affect revenue generation potential. For example, some airports that have large amounts of surplus property that generate significant revenue each year. This surplus may keep airfield rates and charges relatively low, which enhances their competitive standing among area airports. COS' leasing of land in Peak Innovation Park is an excellent example of this phenomenon.
- The airport's ability and/or its FBO to collect and track fees may influence rates and charges. Some airports choose not to impose landing or tie-down fees because they do not have the staff or resources for collection. Also, the cost to collect the fees may exceed the revenue generated.
- The level of competition from area airports and FBOs.
- The demand for aviation facilities and services within a given market area, including short and long-term trends in specific aviation sectors such as airline service, general aviation activity, and military activity.

Given those variables, caution must be used when considering other airport rates and charges as guidance. Because the economy is constantly changing, it is important for COS to be vigilant in ensuring that its rates and charges are appropriate for area market conditions. Rates and charges at COS are shown in **Table 7-3**.

Table 7-3: Airport Rates and Charges (2021)

Categories	Fee
Landing Fees	
<u>Signatory Operating Fees</u>	
Signatory Landing Fee	\$1.33 per 1000lbs MGLW
Signatory Maintenance/Ferry Landing Fee	\$0.67 per 1000lbs MGLW
Signatory Diversion Landing Fee	\$0.67 per 1000lbs MGLW
<u>Non-Signatory Scheduled</u>	
Scheduled Non-Signatory Landing Fee	\$1.66 per 1000lbs MGLW
Scheduled Non-Signatory Maintenance/Ferry Landing Fee	\$0.83 per 1000lbs MGLW
Scheduled Non-Signatory Diversion Landing Fee	\$0.83 per 1000lbs MGLW
<u>Non-Signatory Itinerant</u>	
Itinerant Non-Signatory Landing Fee	\$2.00 per 1000lbs MGLW

Categories	Fee
Itinerant Non-Signatory Maintenance/Ferry Landing Fee	\$1.00 per 1000lbs MGLW
Itinerant Non-Signatory Diversion Landing Fee	\$1.00 per 1000lbs MGLW
Ramp (Transient) Parking Fees	
<u>City West General Aviation Ramp</u>	
Per A/C MGLW 0-40,000	\$10.00
Per A/C MGLW 40,001-100,000	\$20.00
Per A/C MGLW 100,001-150,000	\$25.00
Per A/C MGLW 150,001-200,000	\$30.00
Per A/C MGLW 200,001-Greater	\$50.00
<u>Terminal North, East, West, Apron & Taxiway Parking</u>	
< 3 hours on City Ramp per A/C	\$69.00
> 3 hours on City Ramp per A/C per day	\$138.00
<u>Non-Preferential Gate and Bridge Usage</u>	
Scheduled per use	\$64.00
Itinerant per use	\$65.00
<u>City Ramp Parking & Gate Usage</u>	
< 3 hours Scheduled Carriers per A/C per use	\$120.00
< 3 hours Itinerant Carriers per A/C per use	\$121.00
> 3 hours Scheduled Carriers per A/C per use	\$189.00
> 3 hours Itinerant Carriers per A/C per use	\$190.00
Terminal Building Fees	
<u>Signatory Operating Fees</u>	
Signatory Terminal Fee	\$ 36.07 Per Sq./ft Annually
Signatory Loading Bridge Fee	\$6,933 Annually
Dual Operation Parking Position	\$5,199 Annually
<u>Non-Signatory Scheduled</u>	
Scheduled Non-Signatory Terminal Building sq./ft.	\$45.09 per Sq./ft Annually
Scheduled Non-Signatory Small 300 sq./ft.	\$5.00 per EP Operation
Scheduled Non-Signatory Large 600 sq./ft.	\$9.00 per EP Operation
Scheduled Non-Signatory Small 800 sq./ft.	\$12.00 per EP Operation
Scheduled Non-Signatory Large 1300 sq./ft.	\$20.00 per EP Operation
Scheduled Non-Signatory Ticket Counter & Bag Makeup - Small	\$17.00 per EP Operation
Scheduled Non-Signatory Ticket Counter & Bag Makeup - Large	\$29.00 per EP Operation
<u>Non-Signatory Itinerant</u>	
Itinerant Non-Signatory Joint Use per Enplanement Per Enplanement	\$2.21 per Enplanement
Itinerant Non-Signatory Small 300 sq./ft. Ticket	\$6.00 per EP Operation
Itinerant Non-Signatory Large 600 sq./ft. Ticket Counter	\$11.00 per EP Operation
Itinerant Non-Signatory Small 800 sq./ft. Baggage Makeup	\$15.00 per EP Operation
Itinerant Non-Signatory Large 1300 sq./ft. Baggage	\$24.00 per EP Operation
Itinerant Non-Signatory Ticket Counter & Bag Makeup - Small	\$21.00 per EP Operation
Itinerant Non-Signatory Ticket Counter & Bag Makeup - Large	\$35.00 per EP Operation
Fuel Flowage Fee	
Per Gallon	\$0.06

Source: Colorado Springs Airport

Additionally, COS has rates and charges for miscellaneous uses, including building rentals, cable TV services, telephone rates, and numerous administrative fees.

Airport Revenue Enhancement Considerations

As noted above, airports have a variety of revenue sources that provide multiple opportunities for revenue enhancement. Revenue generally falls into one of two categories:

- Aeronautical: tie-down, fuel flowage fees, aviation-related land leases, hangar and terminal rental, additional services, etc.
- Non-Aeronautical: non-aviation land leases, advertising, oil/mineral production, vehicle parking, etc.

When examining revenue enhancement opportunities, airports should ask themselves the following questions:

- How will a change in rates and charges negatively impact traffic? Most aviation users are price-sensitive and have alternative airports and/or FBOs they could use.
- Are new fees easy to collect and manage, and/or does the airport have the staff and resources to collect the fees? Many airports, for example, find that consistently collecting landing and tie-down fees are difficult and expensive. Airports often have FBOs collect the fees, only a fraction of which are returned to the Airport. Airports that have instituted a percentage of gross fee revenue, for example, find that auditing tenants to confirm annual income levels is time-consuming and expensive.
- Are new fees or increased rates and charges non-discriminatory? FAA grant assurances specifically require that airport rates and charges be “reasonable and not discriminatory.”

Projected Operating Revenues and Expenses

The continued growth and demand of COS—in terms of activity, tenants, new leases, and facility development—will impact the Airport’s operating revenues and expenses over the 20-year planning period. Projections developed in this evaluation depict future airport operating revenues and expenses based on recent financial results, budgeted revenues and expenses, forecasted increases in airport enplanements as well as aircraft activities and airport tenant population trends identified in previous chapters of this Master Plan. Projections of future airport operating revenues and expenses at COS for the periods 2022 through 2041 are presented below in **Table 7-4**.

Specifically, the estimates for future operating revenues were established through close consideration of historical trends, proposed airport development initiatives, anticipated passenger/aircraft activity and how they might impact those future revenues. In most instances, revenue projections resulted from normal, conservative growth factors refined to reflect the circumstances of the Airport. These revenues are projected to increase between 1.0 and 3.5 percent

annually, with an average at the standard 3.0 percent annual growth rate. The exception to these rates may be miscellaneous revenues that could be realized through the one-time sales of airport assets, such as easement rights or other assets. Additionally, since the Airport will likely continue to lease lands for future aeronautical and non-aeronautical development throughout the planning period, increased revenue growth associated with land leases was identified in selected years.

On the operating expenses side, increases in salaries, wages, and overall operational activities are based on accepted inflationary growth rates (ranging from 2.0 to 4.0 percent average annual growth) with the two percent growth factors being applied to personnel and three percent applied to maintenance costs, as provided by COS management.

Table 7-4: Airport Operating Revenues and Expenses (Projected)

Source of Funds	2022	2026 (Projected)	2031 (Projected)	2041 (Projected)
Airline Revenue	\$4,351,774	\$4,897,960	\$5,678,078	\$7,630,862
<u>Non-Airline Revenue</u>				
Public Parking	\$7,985,427	\$8,987,668	\$10,419,171	\$14,002,495
Rental Car	\$5,022,038	\$5,652,348	\$6,552,621	\$8,806,174
Terminal Concessions	\$1,404,075	\$1,580,299	\$1,831,999	\$2,462,054
Interest Income	\$152,081	\$171,169	\$198,431	\$266,675
Ground/Building Rent	\$2,474,975	\$2,785,606	\$3,229,281	\$4,339,884
Other Income	\$2,322,964	\$2,614,516	\$3,030,941	\$4,073,331
Peak Innovation Park	\$3,000,000	\$3,376,526	\$3,914,320	\$5,260,518
Other Revenue	\$13,040,459	\$14,677,151	\$17,014,841	\$22,866,524
Customer Facility Charge	\$1,853,853	\$2,086,528	\$2,418,858	\$3,250,742
Passenger Facility Charge	\$3,611,151	\$4,064,382	\$4,711,733	\$6,332,175
Total	\$45,218,797	\$50,894,153	\$59,000,274	\$79,291,434
<u>Use of Funds</u>				
Salary/Benefits/Pensions	\$11,505,299	\$12,453,706	\$14,883,331	\$21,682,203
Operating	\$21,362,725	\$24,043,935	\$31,371,882	\$55,010,785
Transfers to Other Funds	-	-	-	-
Capital Outlay	\$269,778	\$303,638	\$351,999	\$473,057
Debt Service	\$222,637	\$222,637	\$445,306	-
Total	\$33,360,439	\$37,023,916	\$47,052,518	\$77,166,045

Source: Jviation, COS Budget. Debt Service figures represent average annual payments from 2022-2029, then average annual payments for 2030-2031, and no payments thereafter.

Financial Plan Summary

COS has a long history of self-sufficiency and does not receive funds from the City of Colorado Springs. This means that the Airport is fully self-sustaining and can fund many capital projects without the support of local tax revenues. Ongoing revenues will go toward supporting the continued development and operation of the Airport to meet the needs of Colorado Springs citizens, businesses, and tenants.

The primary goal for COS is to continue to operate as a facility that will best serve the evolving air transportation needs of the region while simultaneously maintaining itself as a self-sustaining economic generator for the City of Colorado Springs. This Airport Master Plan can best be described as the road map to helping the Airport achieve its goals. However, planning is a continuous process that does not end with the completion of the master plan. The fundamental issues that have driven this master plan will remain valid for many years, but will require updates to address on-going and changing needs. Therefore, the ability to continuously monitor the existing and forecast status of airport activity will be a key ingredient in maintaining the applicability and relevance of this study.

To realize those goals through the successful implementation of airport development projects, COS must make sound and measured decisions. Two of the most important factors in influencing the decision to move forward with a specific improvement are airport activity and funding availability. Both factors must be considered in the implementation of this master plan because while airport activity levels provide the “what” and the “why” in the establishment of airport improvements, the availability/timing of funding provides the “how.” The “what” and the “why” have been discussed in detail in previous chapters. This chapter has addressed the “how” by providing an overview of the practical financial realities required to implement this overall airport development program. While every effort has been made in this chapter to conservatively estimate when development may be required, aviation demand and the availability of financial resources for capital projects will ultimately dictate if facility improvements should be implemented, accelerated or delayed.

Based on the assumptions identified within the previous sections and subject to the availability of FAA funding, local funding, and the identification of other funding sources described in the analysis, implementation of the master plan CIP is financially feasible. However, the most significant concerns for implementation of this CIP is the availability of FAA discretionary funding and the identification of other funding sources beyond federal and local. Without those funding mechanisms, several projects must necessarily be shifted to later phases until funding is identified or is made available by accumulating airport revenue or grant funding.