



MEMORANDUM

Date: July 30, 2007

From: Tess Heffernan, Policy and Project Manager, City Manager's Office

To: Airport Steering Committee Members

Re: **Fort Collins-Loveland Airport Governance Issues**

Our region is fortunate to have the Fort Collins-Loveland Airport, which serves an important niche in our transportation infrastructure. In addition to its many benefits the airport has faced challenges over the years, and this memorandum addresses concerns surrounding one of them – that of its current and potential governance structures. This analysis is not intended to be a business plan or detailed assessment of the operations of the airport, with the exception of those areas where the governance structure is negatively impacting the ability of the airport to function at its greatest potential.

The airport is jointly owned and operated by the cities of Loveland and Fort Collins; full control and decision-making authority is placed with the City Councils of both cities. Under the current governance structure, an Airport Steering Committee is charged with facilitating communication between the cities and advising the Councils concerning Airport issues such as general policies, land use, budget, capital improvements and strategic planning.

Attachment 1 outlines the results of a historical search of the Fort Collins City Clerk's files, beginning with the 1963 agreement to construct an airport. Since commencing operations in 1965, the airport has tried on a range of governance structures, including an Airport Board, Ad Hoc Committee, Airport Authority and Joint Steering Committee. As one might expect, each governance model served its purpose at the time it was implemented.

Over time, changes in the growing cities and the airport facility itself have necessitated reassessments and updates to the governance structure. However, one thing has remained constant: the joint ownership model is difficult to manage and that difficulty is increasing. It remains an ongoing challenge to find a workable governance structure that effectively balances the two cities' desired level of control and decision-making with the delegation of responsibilities needed to efficiently operate the Airport.

Current Structure: Airport Steering Committee (Advisory)

The 1994 Intergovernmental Agreement set up an Airport Steering Committee made up of the Mayors and City Managers from each City, an Airport Liaison from each City and the Airport Manager. There are both benefits and downsides to this structure:

Pro

- Full control and decision-making authority remains with the City Councils of both cities; each city is assured of control of Airport assets and operations
- Steering Committee members serve as a communication link between the Committee, Airport staff and the City Councils; the Committee advises the Councils on policies, land use, budget, capital improvements and strategic planning
- The Steering Committee is an effective sounding board

Con

- The Steering Committee has no voting authority; decisions go to two sets of elected officials
- This structure has proven more difficult to implement as the region has grown and policy issues have become more complex, e.g. the creation of the Transportation Security Administration (TSA), development along the I-25 corridor, Allegiant Air services, etc.
- Separate City Charters, processes and decision-making approaches by each of the cities have led to Airport staff spending increasing amounts of time on administrative issues; there are two sets of City staff members reviewing documents, two City Councils making decisions, two organizations with which to communicate, etc.
- The current “dual headed” approach handicaps the ability to make timely decisions and react accordingly when emergency issues arise.
- The IGA requires the two cities operate under a joint Administrative Rules document, however none currently exists. This needs to be developed to further outline the roles and responsibilities of each City.
- It is difficult to schedule Steering Committee meetings that all can attend due to Committee members’ responsibilities, conflicting priorities and schedules.
- There is some question as to whether or not the cities know and agree upon the mission of the airport and a vision for its future. This issue is addressed further in the following section of this memorandum.

The Fort Collins/Loveland Airport Fall 2006 Operational Assessment co-authored by Keith Reester (Loveland) and Don Bachman (Fort Collins) provides additional insights on how the current governance structure impacts Airport operations. A number of issues should be reviewed and, where appropriate, provisions of the IGA changed to address those issues, including:

- The IGA does not delineate between strategic/policy decisions and tactical/operational decisions and as a result, the Airport Manager has little decision-

making authority. Changes are needed in order to allow the Airport Manager more authority and/or discretion in operational decisions.

- The City of Loveland is contributing more than the City of Fort Collins in staff time and many other areas; the cost share ratio/agreements should reflect this
- Complex issues have sometimes been left unresolved because it is too cumbersome to do so under the current structure; an issue can get “stalled” on someone’s desk. A process for expediting and/or mediating issues when appropriate should be discussed and formalized.

Airport Mission and Vision

What is the mission of the Fort Collins-Loveland Airport? Why does it exist today, and what is the vision for the airport in the future? These questions were asked by citizens during outreach for the 2006 Master Plan Update and asked of staff as part of this analysis. There does not appear to be a clear consensus on the answer.

The 2006 Master Plan Executive Summary does not include a formal mission of the Airport, but it does state that it “... will continue to be a busy general aviation airport with some commercial passenger service. The Airport is an important transportation facility; a center for aviation-related business and it supports regional economic development activity.”

An undated presentation titled “The City of Loveland 2007 Business Development Strategy” was given to the Loveland City Council by the Business Development Office. The presentation laid out the “Fort Collins – Loveland Airport Roles” as:

- Convene an Aviation aerospace cluster
- Apply for the Aviation Development Zone Status (this has since been done)
- Continued investment in airport infrastructure and improvements
- Determine the scope of work for an airport business plan.
- Work with NCEDC to develop a targeted marketing strategy to attract aviation and aerospace companies to airport locations

Additionally, the City of Loveland 2007 budget states two objectives for the Airport:

1. Become self-sufficient by 2009.
2. Increase availability of Airport ground for hangar construction.

It appears both cities would benefit from an in-depth discussion about the purpose of the Fort Collins – Loveland Airport in 2007 and beyond. Is it primarily for economic development? If not, why does the airport exist?

Alternative Governance Structures

This analysis included a search for “best practices” in governance structures, in part to learn if the joint ownership/steering committee model has been more successfully implemented in other communities. In searching written materials and talking with

industry experts in Colorado and elsewhere, no support was forthcoming for the governance structure currently used by Fort Collins and Loveland. Several alternative structures were suggested, however, as noted below.

A. Airport Authority

The Fort Collins-Loveland Airport was governed by an Airport Authority from 1983 – 1900, when it disbanded of its own volition. The Authority had six members, three appointed by City Councils of each City.

The 1991 Strategic Plan notes that the Authority “...suffered with a very serious and ultimately fatal flaw. It had the responsibility for operating the Airport but not the authority.” The Fort Collins ordinance establishing the Authority seems to support this statement. It specifies “Nothing in this ordinance shall be construed to assign, convey or otherwise transfer to the Airport Authority any right, title or interest in the Airport or any improvements situated thereon, nor to grant to the Authority any of the rights, privileges, powers, duties or functions of an authority as they apply to said Airport, but, instead, all of such matters are hereby reserved unto the Cities, except as may hereafter be granted by separate agreement or instrument.” The lease was intended to give the Airport Authority some operating authority but it appears that did not occur.

This history aside, the aviation professionals interviewed for this analysis to a person supported the Airport Authority model. The pros and cons of this structure include the following:

Pro

- The Authority is charged with serving and making decisions in the best interest of both communities
- The most effective Authorities embody the “Policy Governance” oversight model, directing an Airport Manager who is responsible for day to day operational decisions.
- Authority Members can commit the time and have expertise to handle the airport management and development. City Council members often have too many other commitments to provide adequate time and attention to Airport matters.
- The “two pronged” approach is eliminated and replaced with one centralized Board that is able to make more timely decisions when needed
- Members each have set terms (e.g. 4-year terms), creating continuity.
- In Colorado, an Airport Authority has the power to issue bonds payable from the income derived from the Airport. The statutory provision does not, however, authorize the Authority to assess and levy taxes for the payment of the bonds.
- The cities maintain ownership of the Airport, appoint Authority members, and have the ability to dissolve the Authority.

Con

- In order for the Authority to be successful, the two City Councils would need to agree to turn over the majority of decision-making responsibilities for the Airport to the Authority.
- An Airport Authority might cost more because it would be independent of the Cities and not have the management, financial, legal and other services that have been provided by Cities in the past. (In 1983 the estimate was \$42,000 higher cost per year.)
- The FAA will not award grants to Airport Authorities in the State of Colorado because the statute does not satisfactorily guarantee continuation of the Authority. The cities will still have to accept and guarantee the provisions of federal grants for the Airport. (This has been identified for “cleanup legislation” per the State Aviation Director.)

In Colorado there are currently Airport Authorities in Greeley, Telluride, Limon, Centennial and Front Range airports. Should the Cities wish to explore this model further, additional research should be conducted into the similarities, differences and effectiveness of these operations.

B. Privatization

In the United States, General Aviation airports the size of Fort Collins–Loveland are generally either owned by a municipality or County. Privatization of airports has been a trend in other countries, however, and there seems to be an increased interest in this concept in the US as other industries (e.g. telecom, electric utilities, water and wastewater facilities, etc.) privatize.

Privatization in this case does not mean selling the entire Airport property to a private sector buyer. Funding from the FAA and state would preclude this. Rather, the most feasible model would likely be some type of long-term lease arrangement, whereby a private operator would make lease payments to the Cities.

Pro

- Proponents of privatization argue those airports are more efficient, accountable and customer-oriented.
- The airport is not a core business for the Cities.

Con

- The Cities would have much less control over Airport policy and operations.
- Airlines dispute claims that privatization leads to lower costs/fees.
- The airport does not currently operate at a profit therefore the feasibility of this option at this point in time is questionable

C. Airport District

In 1990 the Steering Committee discussed whether or not some type of an Airport District with taxing power would be a desirable long-term solution for the Airport. The Committee subsequently decided to work with the State legislature to create legislation enabling Airport Districts with taxing power. This legislation does not exist, thus the Airport District concept is not an option as of this writing.

D. One City Assumes Full Operational, Management and Financial Responsibility

Another governance structure for consideration is that of one of the two Cities assuming full responsibility for the Airport. The benefits and downsides to this model mirror those of the Airport Authority, with a few modifications as noted below.

Pro

- The managing City is charged with serving and making decisions in the best interest of both communities.
- The “two pronged” approach is eliminated and replaced with one City Council that is able to make more timely decisions when needed.
- Both Cities maintain ownership of the Airport and would have the ability to create a different governance system should this model prove unsatisfactory to both parties.

Con

- The Cities would need to agree upon which City is best suited to manage the Airport and one City Council would need to turn over the majority of decision-making responsibilities for the Airport to its peer City.
- Constituents of the non-managing City might be concerned their needs are not adequately represented.

In the past, Larimer County Commissioners have expressed interest in the County assuming all or partial responsibility for the operation, management and finances of the Airport. The involvement of the County is yet another option the Cities might wish to pursue.

Conclusion

There are many options available to the Cities in regards to the governance of the Fort Collins-Loveland Airport. This analysis supports the argument that the current Joint Ownership/Steering Committee model is outdated and a change is needed in order for the Airport to effectively operate into the future.

Even if the decision is made to maintain the current governance model, however, it is essential that the Cities engage in a straightforward review of the mission and vision of the Airport. A serious discussion about the purpose of this facility today and the vision

for its future use is needed. This will provide a foundation for subsequent business plans and guide how the Airport can continue to best serve the Fort Collins and Loveland communities and surrounding region.

Fort Collins – Loveland Airport Governance Historical Analysis June 2007

Source: Fort Collins City Clerk's files

Highlights denote key governance structure decisions or changes

- November 1963 - Cities of Fort Collins and Loveland signed a joint agreement to build a regional airport to serve the two cities and the surrounding areas of Larimer and Weld Counties. Soon afterward, land acquisition and construction began.
- 1965 - Airport operations commenced. Original operating costs were shared on a 2/3 to 1/3 basis, respectively, between Fort Collins and Loveland. In 1979, the Cities formally agreed to share these costs equally.
- December 9, 1965 – Cities establish the Fort Collins–Loveland Regional Airport Board with 3 members from each City and one member from Larimer County
- 1969 Rules and Regulations
 - Fort Collins – Loveland Airport Board – “charged with the responsibility of providing for the safety and convenience of the public using the Fort Collins-Loveland Airport. The Airport Board attempts to administer, improve and maintain this Airport in a manner to insure that its facilities will provide in each case the greatest service for the greatest number of its owners, the people of the Cities of Fort Collins and Loveland and Larimer County and its patrons.”
 - Airport Manager – official designated by Airport Board to “administer, govern, superintend and control generally all activity” at the airport.
- 1974 – first Airport Master Plan developed with FAA-assisted funding
- July 3, 1979 – City Councils adopt a Joint Operating Agreement for the Airport
 - Airport Board replaced with an Airport Ad Hoc Committee consisting of 2 Councilmembers from each City and the 2 City Managers. Larimer County had never provided funding or support for the Airport so the County representative was not continued on the Committee.
 - Agreement calls for a Comprehensive Five-Year Plan to be adopted within a year so that “airport operations and the development of adjacent industrial areas be planned and developed according to a rational, attainable plan utilizing to the greatest extent possible revenues generated from airport operations.”
- 1980 – Airport Master Plan updated

- 1981 – City of Fort Collins issues \$2,000,000 in bonds for Airport improvements. Loveland agrees to pay for ½ the cost of the annual payments on the bonds.
- June 1983 - City Councils approve creation of an Airport Authority
 - June 7, 1983 Fort Collins AIS: “It is important for the Cities ... to maintain ownership of the property until the bonds are repaid. The Airport Ad Hoc Committee therefore, proposes to lease rather than deed the facility to the Airport Authority.”
 - “Continuity Document for the Airport Authority Members” – July 8, 1983 – outlines tasks for coming months
- 1984 Rules and Regulations
 - Fort Collins-Loveland Airport Authority (as formed pursuant to Article 3, Titles 41, Colorado Revised Statutes)
 - Airport Manager – official designated by Airport Authority to “administer, govern, superintend, and control generally all activity at the Fort Collins-Loveland Municipal Airport and protect the interests of the Airport Authority and the cities of Fort Collins and Loveland.”
- 1986 – City of Loveland annexes the Airport as well as several industrial sites and existing businesses located around the Airport property; at that time agrees to conduct a feasibility study to look into acquiring Fort Collins’ interest in the Airport. Study completed July 1990 by Loveland Budget Director and concludes Loveland should not assume full responsibility for the Airport “at this or any future time.”
- May 1990 – Airport Authority, of its own volition, elects to cease to exist. Strategic Plan notes that the Authority “...suffered with a very serious and ultimately fatal flaw. It had the responsibility for operating the Airport but not the authority.”
- July 1990 – joint (Cities) work session for the purpose of discussing governance of the Airport; topics included mission of Airport, priorities, budget constraints and funding, governance models/alternatives
- August 31, 1990 memo to Council from Steve Burkett, Fort Collins City Manager
 - Consensus that having one of the two cities be the managing partner was acceptable; “strong sentiment that the City of Loveland would make a more logical managing partner than would the City of Fort Collins”
 - Three alternatives: 1. Status quo, 2. Modify status quo by hiring Airport Manager who would report to both cities, or 3. Managing Partner concept. (Managing Partner concept later rejected by Fort Collins, in part because cannot legally bind future Councils.)
 - Agreed to begin recruitment for full time Airport Manager

- “The single most controversial issue centers around the issue of ongoing funding for Airport Operations.” Decided to table till could be analyzed further
 - Discussed whether some type of an Airport District with taxing power a desirable long-term solution. Decided to work with State legislature to enable legislation for Airport Districts with taxing power. [NOTE: this was not accomplished; no enabling legislation exists today.]
- **Airport Strategic Plan completed in 1991 by consultant** Airport Corporation of America
 - Plan characterizes airport as “...akin to a neglected child in an unstable marriage.”
 - Consultant **recommended** that a temporary contract be implemented for one of the cities to operate, develop and manage the Airport, with both cities remaining financially responsible for the Airport. This was to be **a transition vehicle to a more permanent governance structure, and a number of alternatives were presented.**
 - **Alternatives rejected in favor of Intergovernmental Agreement for the Joint Operation of the Fort Collins-Loveland Airport.** Consultant characterizes IGA as falling short of the preferred alternative of a management contract with one of the cities, but a positive step towards that management contract and, ultimately, transition to a difference structure.
 - Another recommendation to “establish an Airport Management Committee ... to evaluate which alternative ... is in the best interests of the Cities and County” appears to have been rejected.
 - Additional recommendations include: “The managing entity and management of the Airport, under the status quo or one of the final alternatives, must take an aggressive stance on becoming more knowledgeable and spend more time managing airport affairs at the policy level ...” and “It is the responsibility of the Cities to provide leadership, direction and support for the development of the Airport until the community begins to provide its own level of leadership and support.”
- October 1990 – Intergovernmental Agreement adopted for the Joint Operation of the Fort Collins-Loveland Municipal
- 1992 – Intergovernmental Agreement adding legal basis for Loveland to construct and own a fire station at the airport.
- **1994 – Intergovernmental Agreement** affirming original agreement. Also **adds Airport Steering Committee consisting of the Mayors, City Managers, an Airport Liaison from each City and the Airport Manager.** Purpose of the Steering Committee is to “facilitation communication between the cities, and advise the Councils concerning Airport issues such as general policies, land use, budget, capital improvements, and strategic planning.”

- 1996, 2000 – IGA reauthorized (routine)
- September 2005 – Review and Evaluation of Internal Controls – audit conducted by Brandi Curtis, CPA, City of Loveland Internal Auditor
 - Several findings re: internal operating practices that are inconsistent with language in IGA (and which continue as of this writing):
 - “Both Councils are to review the operating budget but only the City of Loveland should approve the budget. Currently, both cities are requesting to approve the budget.” (Fort Collins City Council also approves the budget)
 - “Both Cities review and sign all major contracts for the Airport, which is not a requirement of the agreement”
 - “Services provided to the Airport include the basic functions by the City of Loveland, but additional services are performed without compensation. Included in this area is fire protection during all commercial flights and street repairs.”
- 2006 – Master Plan updated
- 2007 – IGA modified - membership of the Airport Steering Committee changed so that instead of the City Managers jointly appointing just one liaison, each City Manager now appoints an employee to be a liaison. Liaisons work together to assist in overseeing the operation of the Airport and in supervising the Airport Manager.