Office Of The City Auditor
Colorado Springs, Colorado

Jacqueline M. Rowland
City Auditor, CPA CFE PMP

24-24 Colorado Springs Airport Rates and Charges

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Purpose

The purpose of this audit was to review the City of Colorado Springs Airport rates and charges model to ensure methodology was consistently applied and in compliance with applicable regulations. The model determined airport user fees which account for the primary Airport revenues.

Highlights

We conclude that the methodology used in the airport's rate and charges (RC) model was consistently applied and in compliance with the reviewed regulations. Additionally, we identified one observation during our review.

Background

The Colorado Springs Airport (COS) is a joint military and commercial facility spanning 7,200 acres and is located approximately six miles south of downtown Colorado Springs. COS objectives were to diversify revenue through air service growth and economic development, ensure compatible land use and adequate protections for future needs, and ensure a safe, efficient, and financially stable airport.

A portion of COS operating income was derived from the revenue through the rates and charges assessed to airlines for landing fees, terminal rates, and loading bridge charges. These charges are forecast in advance through their RC model with any settlement occurring annually in July. Part of the settlement process included finalizing any shared income credit for applicable airlines as outlined in the signatory airline agreements. The RC fees were based on direct and indirect aeronautical expenses combined with capital improvement expenditures. These expenses were then allocated based on aircraft weight, square feet of terminal space rented, or number of loading bridges assigned.

Signatory airlines have a signed use and lease agreement that entitles them to certain benefits such as income sharing provided they meet the terms and conditions such as leasing of space and passenger volume. Non-signatory airlines were not subject to the same requirements and as such pay a higher rate on landing fees, terminal rate, and loading bridges.

Using 2023 data, the RC model was reviewed for understanding, methodology, and

Management Response

Management was in agreement with our recommendation.

Recommendations

1. Clarify language on non-signatory airline rates and income sharing eligibility in airline use and lease agreements.

accuracy in forecasted fee calculations. The RC model was also reviewed against applicable contract agreements and Federal Aviation Administration regulations for compliance. In addition to reviewing the RC model, the 2023 settlement process and accompanying models were reviewed for methodology and mathematical accuracy.

In addition to reviewing forecast and settlement processes, historical rates and charges from 2015-2023 were compiled for comparison. From 2020-2023, COVID-19 impacted airport operations and adjustments were made to rates and charges methodology via contractual agreements with signatory airlines. Over the eight year period reviewed, the only significant increase was seen in the loading bridge rate. The significant increase was due to operations and maintenance costs significantly increasing while the number of loading bridges only increased nominally in 2023.

We would like to recognize and thank the Airport Staff for their assistance and support during this review.

Observation 1

Contract language did not specify if the base rates used in calculating the non-signatory airline rates were before or after shared income was credited in the rates and charges model.

Lack of clear contract language could result in airlines being incorrectly charged for landing fees and terminal rates. The impact of income sharing on the projected non-signatory rates used in 2023 was an approximate reduction of 35% for the landing fee and terminal rate income.

Airport management was aware of the need for clarification and is working with the airlines to update contract language.

Recommendation

Airport management should:

Work with the airlines to update non-signatory contract language to clearly state whether the calculation includes the income sharing credit.

Management Response

Airport management recognizes that the contract language did not provide a detailed explanation on the calculation of non-signatory rates and charges. As of October 2024, the airport is in the final stages of negotiations with signatory airlines on a new five year use and lease agreement, which also governs the airline rates and charges methodology. The draft agreement specifies that the non-signatory rates and charges for landing fees, terminal rental, and loading bridges will be calculated based on the average rates prior to the application of revenue share. The airport expects to finalize the new use and lease agreement by the end of CY 2024.