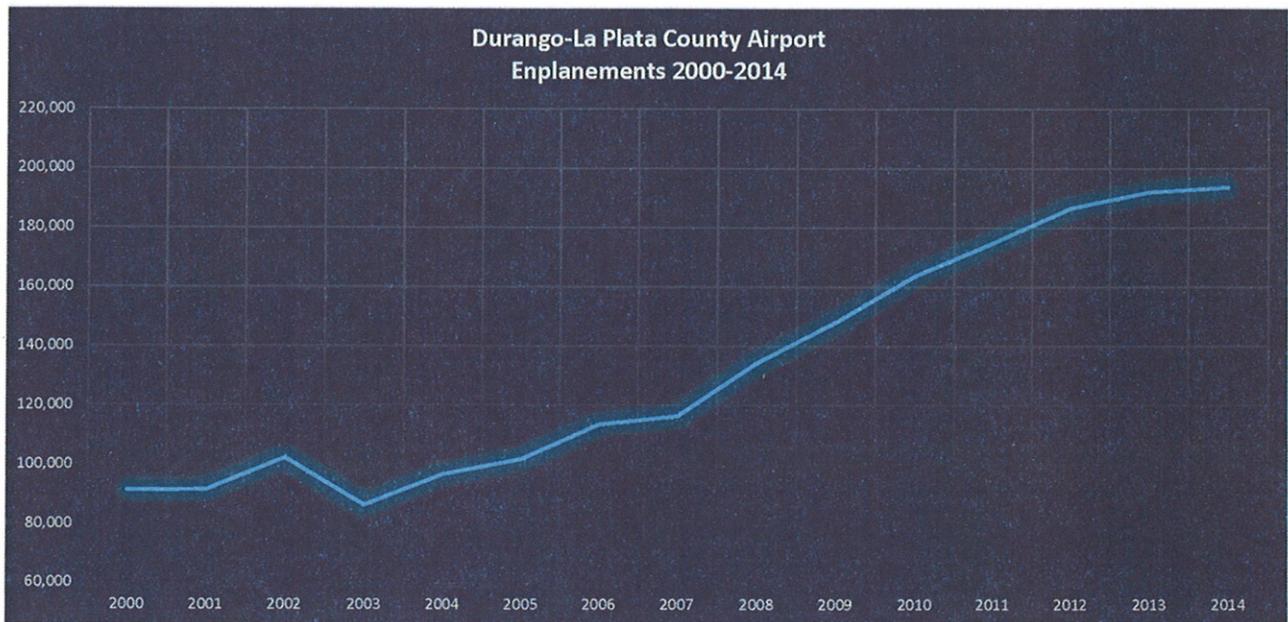


Durango-La Plata County Airport

2013 - 2015 Annual Report

The Durango-La Plata County Airport (DRO) has experienced tremendous growth and change over the past decade. We've witnessed the airport's evolution into a bustling facility that truly serves as the regional airport for the entirety of SW Colorado and the Four Corners area.



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
91,276	91,405	102,175	86,198	96,560	101,742	113,516	116,310	134,386	148,077	163,611	174,805	186,567	191,980	193,537

With multiple daily flights to three hub airports, passengers at DRO can easily and efficiently connect to any location in the world. With a thriving regional economy and the continued strong tourism draw to Durango and the Four Corners region, DRO is well positioned to carry its recent momentum into the coming years.

This inaugural annual report is intended to provide a high level overview of the current state of the Airport, the efforts that have been made since 2013 when the Airport began a different path for success under new management, the air service picture as it presently stands, the airport's overall fiscal position, and the major projects that have recently occurred or are on the horizon at DRO.

As the Airport has been under new management since 2013, this report is intended to provide an update on the past three years respectively and the goals and objectives for the upcoming year. Future annual reports will focus only on the current year prior and the goals of the upcoming year.

2013 Highlights

- Initiated efforts to increase operating revenues and rebuild sufficient working capital/reserves which included an overall review and increase in many of the rates/charges, new agreements & re-negotiated leases while simultaneously cutting expenses
- Installed a Sprung tensile fabric structure to provide immediate relief in the departure lounge while increasing operating revenues by then offering an additional 4,500 square feet for use
- Overhauled the Airport Security Plan after it was identified that the airport was out of compliance in recent prior years with certain TSA regulations
- Added over 200 overflow parking spaces to the credit card parking lot in order to accommodate growing traffic using in-house resources
- Completed a Wildlife Hazard Assessment study
- Partnered with the Transportation Security Administration (TSA) to install a second X-Ray screening lane, increasing the efficiency of the screening process.
- Reorganized the Airport operations, maintenance, and ARFF/Public Safety departments to allow for better focus on safety, productivity, and training in these areas
- Received state funding and completed a Taxiway A pavement maintenance project
- Through an RFP process, hired Aviation to serve as DRO's Engineer on Record
- Began an aggressive air service development effort to increase service with existing carriers, to seek new entry carriers, and/or new routes. Initial specific focus included increased daily service to Dallas which went from seasonal service of one flight per day to year round service, increased daily service to Phoenix on US Airways, and added capacity on United to Denver while starting to target new direct routes to Houston and LA
- Completed the year with a then all-time DRO record of 191,980 enplanements

2014 Highlights

- Continued focus on increasing operating revenues, working capital/reserves, rates/charges adjustments, and new modern leases and agreements
- Initiated the Airport Master Plan process and an update to the Terminal Area Master Plan thereby providing an extensive opportunity for the community to learn of the significant deficiencies of the terminal system at DRO and weigh in on the alternative solutions to meet rapidly growing demand. Public engagement tools included over a dozen meetings and hearings with elected officials, advisory committees, local boards and commissions, virtual town hall meetings, live polling, open houses, media events, airport tours, and professional videos. Project cost - \$889,602, primarily paid for through grants requested and received from the FAA and CDOT Aeronautics
- Obtained a weather observation site certification from the FAA, thereby allowing airport staff to then be trained and certified to serve as backup weather observers in the event of an Automated Surface Observation System (ASOS) failure. Four airport employees immediately

received extensive training in order to become certified weather observers, then started an in-house training program for other employees to become certified

- Transitioned DRO to the NOTAM Manager system, thereby increasing the speed and accuracy of Notices to Airmen (NOTAM's).
- Established the Durango Airport Airfare Club thereby providing weekly specials and travel information to frequent users of the airport, grew this membership to over 1,000 subscribers in the first year
- Issued a Request for Proposals and subsequently negotiated new concession agreements with five rental car agencies which included a new fee structure and updated minimum annual guarantees thereby increasing operating revenues while also raising customer facility charges for future rental car projects
- Negotiated DRO's first Off-Airport Rental Car Concession Agreement, adding a sixth rental car agency
- Built and opened a new restaurant/bar structure in the departure lounge using in-house resources, offering secure-side food and beverage for the first time at DRO. This project came in under budget and ahead of schedule. First year operating revenue increase of \$14,000
- Began replacing a portion of the departure lounge passenger seating
- Issued an RFP to install and implement an automated parking system thereby allowing the airport to save over \$250,000 annually in operating revenues
- Instituted a Ground Transportation Agreement, simultaneously addressing liability concerns and increasing revenue.
- Negotiated a new lease with the TSA for terminal office space
- Completed a Wildlife Hazard Management Plan
- Created an Airport environmental department to properly handle the water/waste water treatment facilities the airport owns and operates, to oversee the fuel farm, the storm water compliance measures, the wildlife program, the de-icing program, and all other environmental areas of concern for the airport and it's tenants
- Continued aggressive air service development initiatives, realized growth on American of now three daily flights most of the year and increased capacity with US Airways to Phoenix and increased capacity on United to Denver
- Completed the year with an all-time DRO record of 193,537 enplanements

2015 Highlights

- Remaining focused on increasing revenues, working capital/reserves, and updating leases and agreements has resulted in an overall increase of operating revenues from 2012 through 2015 of approximately 12.7% and a current reserve that provides DRO a safety net of nearly 12 months of expenses in the event of a major economic setback at the airport
- Anticipate the completion of the Airport Master Plan before end of year
- Initiated an Environmental Assessment (EA) of the proposed new terminal location with an expected time-line of 2015-2017. The EA will seek to meet the requirements under the National Environmental Policy Act for the terminal replacement site and its alternatives. This

project includes the coordination with FAA in identifying and contacting 29 separate Native American tribal organizations for their input and consideration along with all other agencies, property owners, and those that might be affected by the new development. Project cost - \$1,036,039 which is being funded through grants requested and received from FAA and CDOT Aeronautics

- Secured funding for a taxiway rehabilitation project scheduled to commence in the spring of 2016
- Completed the transition to automated parking equipment
- Started replacing the Airports vehicle fleet with four new vehicles
- Airport load factors are projected to finish 2015 at or near the all-time DRO record
- American Airlines is projected to post a 35% increase in enplanements over 2014
- US Airways is projected to post a 20% increase in enplanements over 2014
- Completed an FAA mandated tri-annual disaster drill in April
- Oversaw the relocation of the Runway 3 Localizer Antenna out of the runway safety area
- The first annual Aviation Celebration was a great success with over 1,700 members of the public in attendance
- Began working with Telluride Ski Resort to promote DRO as an entry/exit airport for the resort's customers
- Replaced more seating in the departure lounge area and installed new carpet in the departure lounge before the close of 2015
- Partnered with the Transportation Security Administration (TSA) to install an Advanced Imaging Technology (AIT) scanner before the close of 2015, greatly increasing the efficiency of the screening process
- Continued aggressive air service development efforts by meeting with over seven different airlines in over 16 meetings throughout the year seeking additional service and new carriers

2016 Goals & Objectives

- Increase community outreach initiatives in 2016 as the Airport seeks to provide a greater level of education to the community regarding the role the Airport plays in the regional economy, its current struggles, and its plans for improvement
- Complete the rehabilitation project of the primary taxiway
- Facilitate an Environmental Assessment of the proposed new terminal location
- Fog seal and restripe Runway 3/21
- Provide a safe environment for the roughly 400,000 passengers and their countless friends and family that frequent the Airport on an annual basis
- Host a second annual Aviation Celebration community event
- Implement an official Airport Rules & Regulations document
- Update the official Minimum Standards for Commercial Aeronautical Activities document
- Draft a new Airport Rates & Charges document for implementation in 2017

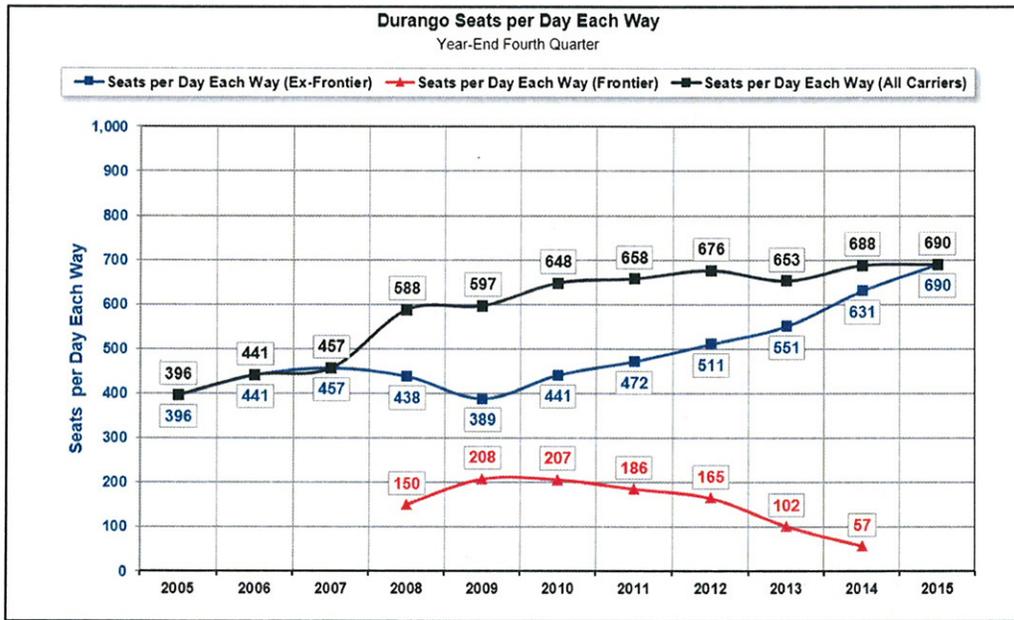
- Update the Airport Certification Manual (ACM), including revisions to the Airport Emergency Plan (AEP)
- Implement new training software for airport employees
- Implement a web-based electronic FAA Part 139 inspection and compliance program
- Acquire a replacement snow removal vehicle
- Hosting an annual Colorado Airport Operators Association conference in Durango which will bring airport officials from all over the state of Colorado, their staff, and their families to Durango for a three day conference in June
- Secure the funding/begin the design of the terminal project
- Continue pursuing new air service routes and new entry carriers

Air Service Update

The Durango-La Plata County Airport continues to thrive even in a period of adjustment. The decision by the new management group of Frontier Airlines to restructure their operational model, thereby reallocating more of their aircraft to larger hub type airports, has left many regional airports struggling in terms of capacity. DRO is no different in that it misses having the low cost carrier serve our market, however our airport has been fortunate to experience a period of adjustment that includes having the incumbent carriers quickly replace a significant amount of the capacity or seats lost when Frontier departed.

Although Frontier ceased providing service to our market in 2015, DRO has only realized a seat capacity drop of 3.2% year-to-date as of the end of September. This is indicative of the fact that the other carriers serving DRO have recognized the opportunity to increase their capacity offerings, thereby further illustrating their continued interest and investment into our market.

Durango's Capacity Increased to a New High of 690 Seats per Day Each Way in 2015 Despite the Loss of Frontier Service in 2015



Furthermore, the capacity offered at DRO continues to be utilized. DRO has an overall load factor average through September of 79.4%, with some airlines reporting months in the high 80% to even middle 90% range. Airlines typically consider a flight to be full at around 80%. The airport is seeing larger and newer aircraft enter the market as well, and is now being served by at least three daily CRJ-700 jet aircraft which seat 66-70 passengers, and at least one daily CRJ-900 jet aircraft that seats up to 79. Added to the fact that DRO is now serving more daily flights to more destinations than ever before, these are all strong indications that the Durango-La Plata County Airport remains a competitive and growing market and continues to be a strong economic engine for our region. The current service level of two legendary carriers serving three hub airports provides DRO's passengers with a strong mix of available destinations and connection times.

Flight Schedule as of October 2015

- 3 daily departures to Dallas-Fort Worth on American Airlines
- 8 daily departures to Denver on United Airlines
- 3 daily departures to Phoenix on American Airlines

Despite the healthy levels of air service currently seen at DRO, airport staff continue to aggressively pursue additional routes and frequency from both existing carriers as well as carriers that are not presently serving DRO. Between October of 2014 and October of 2015, airport staff will have met with seven different airlines in 16 separate meetings.

October 2014 – October 2015 Durango Air Service Development Airline Meetings

October 2014	American, Delta, Frontier, SkyWest	Chicago, Los Angeles, Denver, Atlanta, Salt Lake City
April 2015	Alaska, Allegiant, SkyWest, United	Los Angeles, Las Vegas, Phoenix, Salt Lake City, Houston, Chicago
June 2015	Alaska, Allegiant, American	Los Angeles, Las Vegas, Phoenix, Chicago
September 2015	United	Houston, Chicago, Los Angeles
October 2015	American, Frontier, United	Chicago, Los Angeles, Denver, Houston

Fiscal Update

Operating Revenue

Airport operating revenues have risen steadily over the past three years. An overall 12.7% increase has been seen from 2012 through 2015.

	Operating Revenue	Percent Change From Previous Year
2012	\$2,753,116	
2013	\$3,001,579	9.0%
2014	\$3,135,936	4.5%
2015 Forecast	\$3,101,900	-1.1%
2016 Proposed	\$3,187,180	2.7%

In addition to the increase derived from the overall growth of air service at DRO, the following specific changes have been made over the past three years in order to maximize the revenue potential of the airport.

- The installation of automated parking lot equipment in November of 2014 allowed the airport to end its contract with the concessionaire that had previously conducted parking operations

at the Airport. Eliminating the management fees formerly paid to the concessionaire has resulted in a sizable increase in parking revenue collected by the Airport. Total Airport collections in 2014 were \$1,055,906, while forecast collections in 2015 are \$1,300,000.

- A new Rental Car Concessionaire Agreement was instituted in November of 2014. This agreement incorporates increased rates for terminal space, wash bay space, parking spaces, and Customer Facility Charges (CFC's)
 - Counter space price increases result in an annual revenue increase of approximately \$5,880
 - Parking space price increases result in an annual revenue increase of approximately \$73,900
- Airline billing for the use of the departure lounge has been updated to reflect the increased square footage that resulted from the addition of the temporary tent structure
 - The additional 2,946 square feet billed at \$14.52 per square foot results in an annual revenue increase of approximately \$42,775
- 222 overflow spaces have been added to the revenue parking lot
 - At \$7 per day, if just ¼ of the new spaces are used 10 days per month, this results in an annual revenue increase of approximately \$46,600
- Water billing is being more accurately enforced, several new meters have been installed at locations that were receiving free water, and rates have been increased to help capture lost revenues and cover operating expenses
- Fuel flowage fees were mistakenly being billed at \$0.07 per gallon instead of the proper \$0.08 per gallon in prior years. This rate was corrected in May of 2014.
 - Results in an annual revenue increase of approximately \$4,865
- Airline flight crew parking is no longer free
 - Active flight crew now pay \$30 per month for parking resulting in an annual revenue increase of approximately \$17,600
- The new office space lease with the TSA included an increased rate per square foot, charges for the use of the airport conference room, and charges for custodial support.
 - Results in an annual revenue increase of approximately \$20,299.
- The Ground Transportation Agreement instituted in 2014 requires operators to pay fees for the right to operate at the airport
 - Results in an annual revenue increase of approximately \$5,000
- A departure lounge restaurant/bar facility was opened in November of 2014

- Increased sales by the restaurant concessionaire have resulted in an average annual increase of concession fees of approximately \$13,500.

Operating Expenses

Airport operating expenses were intentionally held at low levels from 2012 through 2014 while the airport worked to build up a healthy operating reserve. The increase seen in 2015 is largely attributable to the addition of much needed airport personnel. A total of four new positions were added in 2015 to address glaring safety and productivity needs. The increases slated for 2016 include money for terminal/grounds projects, marketing campaigns, a public aviation event, hosting a state conference, and increased electrical utilities.

	Operating Expense	Percent Change From Previous Year
2012	\$2,137,770	
2013	\$2,262,238	5.8%
2014	\$2,205,367	-2.5%
2015 Forecast	\$2,761,839	25.2%
2016 Proposed	\$3,100,348	12.3%

Despite the increases seen in 2015 and proposed for 2016, annual operating expenses still remain lower than operating revenues. Airport staff are dedicated to keeping costs under control, and the preservation of a healthy working reserve remains a top priority.

Working Capital / Reserve

Airport staff have strived to prioritize the buildup of a healthy working reserve. Through prudent budgeting and careful monitoring, the reserve has seen regular increases since 2013.

	Working Capital/Reserve	Percent Change From Previous Year
2013	\$2,400,313	
2014	\$2,603,666	8.5%
2015 Forecast	\$2,943,727	13.1%
2016 Proposed	\$3,030,559	2.9%

With average monthly expenses totaling approximately \$258,400 in the proposed 2016 budget, the current reserve provides a safety net of nearly 12 months of expenses in the event of a major economic setback at the airport. Although such an event is not expected, the airport staff places a high value on this type of security.

Personnel Changes

The airport staff has seen an increase from 16 employees in 2012 to a total of 21 employees in 2015. Positions have been added to both the Airport Rescue and Firefighting (ARFF) and airport maintenance departments in order to better serve the airport's safety and maintenance needs. The creation of an Environmental Department in 2015 resulted in the addition of two staff members dedicated primarily to the daily maintenance and upkeep of the airport's stand-alone water treatment and wastewater treatment facilities.

The overall growth that has been experienced at DRO over the past decade plus has resulted in a significant increase in the demands placed upon the airport staff. Since 2004, commercial enplanements have risen from 96,560 to 193,537 in 2014, a 100% increase. In that same time period the airport staff has grown by just 62%, from 13 to 21. In order to compensate for this shortfall, further personnel additions will be strongly considered in future budget years.

Project Update

The Durango-La Plata County Airport is comprised of over 1,300 acres, nearly 3.5 miles of runways and taxiways, over 100,000 square yards of aircraft aprons, a 41,500 square foot terminal building, an ARFF/Maintenance facility, exterior roadways, and numerous parking lots containing over 1,200 parking spaces. All of this infrastructure requires continuous upkeep in order to maintain the safe, efficient, and convenient facilities that the traveling public has come to expect.

A total of \$3,465,914 worth of capital projects have been completed at the Durango-La Plata County Airport in the past three years (2013-2015). In 2016, an additional \$6.5 million worth of projects are slated for completion.

2013 Projects

- Taxiway Alpha pavement maintenance
 - \$60,000 project – funded by CDOT, \$6,000 local PFC match
- Sprung tensile fabric structure addition (temporary tent addition currently housing the American Airlines departure gates along with a restaurant/bar)
 - \$641,484

2014 Projects

- Terminal Area Master Plan
 - \$444,444 project – funded by CDOT, \$44,444 local PFC match
- Airport Master Plan
 - \$889,602 million project – funded by FAA/CDOT, \$65,394 local PFC match
- Departure lounge restaurant / bar addition
 - \$23,733
- Departure lounge seating replacement

- \$17,982
- Automated parking equipment installation
 - \$292,630

2015 Projects

- Environmental Assessment
 - \$1,036,039 million project – funded by FAA/CDOT, \$42,063 local PFC match
- Terminal improvement projects (partial carpet replacement and seating replacement)
 - \$60,000

2016 Projects

- Taxiway Alpha rehabilitation
 - \$4.9 million project – funded by FAA/CDOT, \$197,000 local PFC match
- Fog seal Runway 3/21
 - \$875,000 project – funded by FAA/CDOT, \$35,525 local PFC match
- Acquire replacement snow removal vehicle
 - \$484,100 project – funded by FAA/CDOT, \$19,655 local PFC match
- Terminal improvement projects
 - \$25,000
- Wastewater Treatment Plant improvements
 - \$40,000

Conclusion

The past three years have brought many changes to the Durango-La Plata County Airport. A new era in which DRO serves as a true regional airport for all of SW Colorado and the Four Corners region is upon us. This new reality brings with it both exciting new opportunities as well as new challenges. The airport staff is committed to ensuring that DRO is continually striving towards excellence in the areas of safety, efficiency, and customer-friendly operations. Thank you for your interest in the Durango-La Plata County Airport.



Kip Turner
Director of Aviation
Durango-La Plata County Airport