CHITTENDEN COUNTY

Burlington International Airport Study

Prepared by Chittenden County Regional Planning Commission
ABSTRACT

TITLE: CHITTENDEN COUNTY BURLINGTON INTERNATIONAL AIRPORT STUDY

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CHITTENDEN COUNTY REGIONAL PLANNING COMMISSION

SUBJECT: To study Airport Governance Alternatives for Burlington International Airport

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ABSTRACT: Investigation of selected airports nationwide having various types of governance and the relationship to airport services including conclusions and recommendations on the governance of Burlington International Airport.
The Chittenden County Regional Planning Commission concurs with the finding of its Airport Study July 1985. The Commission finds that it is desirable, because of the public debate currently surrounding this topic, to set time lines for accomplishment of seven recommendations of this report and that it is good public policy to set goals and have measurements for accomplishing said goals.

The Chittenden County Regional Planning Commission adopts the Airport Study of July 1985 with the following steps and times therefor:

1. That the City of Burlington take appropriate steps to change the City Charter, Chapter 3 to provide and establish,

   a. Burlington International Airport funds as separate from the City General Fund---so called enterprise funds;
   b. Burlington International Airport should establish annually its operating budget based on airport revenues;
   c. Burlington International Airport to operate and handle its own revenues;
   d. Burlington International Airport is granted authority to contract for services, and as appropriate, on a bid basis.

2. That the City of Burlington solicit legislative approval for Burlington International Airport to have the authority to issue Revenue Bonds as appropriate.

3. That the time frame for accomplishing 1 and 2 above be targeted within 2 years from July 15, 1985.

4. That Burlington International Airport adopt during FY87 and maintain a true capital program based on the needs of Burlington International Airport to stay current with the appropriate service needs of this growing region.

5. That this Commission review annually the progress on these recommendations.

6. That this Commission upon the expiration of said two-year period, review the status of accomplishments at Burlington International Airport and make appropriate recommendations for action as needed.

Dated this 23rd day of September, 1985.
In response to requests by Greater Burlington Industrial Corporation and the Lake Champlain Chamber of Commerce to study the merits of creating a regional authority to govern Burlington International Airport (BIA), Chittenden County Regional Planning Commission (CCRPC) has investigated the relationship between airport governance and the provision of airport services and has concluded the City of Burlington should continue to own and operate BIA. Although the establishment of an authority would extend control of the facility to other municipalities who benefit from it, an authority would not provide substantial benefits over the present system to merit the change. This report does, however, suggest the City work with other interested parties and legislative bodies to enhance BIA's ability to serve the region, while insuring that the Cities of Burlington and South Burlington receive adequate compensation for the services they provide to the airport. Specific recommendations include:

- granting BIA increased control of airport revenues through the establishment of a legally separate airport revenue fund.
- giving the airport commission increased ability to manage its resources in a businesslike manner so as to not burden the City taxpayers.
- granting BIA the authority to contract with public or private service providers for necessary services or provide those services themselves.
- investigating the benefits and costs of allowing the airport commission to issue revenue bonds and seeking enabling legislation if it is desirable.

Based on findings from interviews with officials and documents from nine airports located mostly in New England, this report concludes that autonomy, not a specific type of ownership, is the key issue in the successful provision of airport services. Because an airport contracts services from private airlines and concessionaires, it must function as a commercial enterprise with the ability to control its financial affairs. But because it provides a public service with substantial use of public dollars, it must be accountable to the public sector. This study yields little evidence suggesting that one of the three forms of governance: state, municipal or regional, accomplishes the twin goals of autonomy and accountability substantially more efficiently than another.

Ideally, a strong relationship should exist between the political subdivision served and the one to which the airport is accountable. Adherence to this principal of public policy, however, may not be worth it in the case of an already established airport. Other strong reasons must exist to transfer ownership of the airport from one level of government to another. While authority ownership may extend control and any attendant risk, this may have no practical application if the airport is self-supporting and financially autonomous.

Although authorities may exhibit certain strengths, certain disadvantages such as cronyism, loss of public accountability and a higher cost of debt may also exist. In any case, the structure of the airport governance is not dependent on its ownership, but on the authority granted it through state enabling legislation and city ordinance.
The three authorities studied in this report became authorities in an effort to deal with specific serious political or economic issues, not to increase political representation. Two municipal airports which investigated the possibility of authority governance chose to remain municipal facilities.

In fact, Burlington International Airport does not face a serious problem. Enplanements are increasing and the airport is growing. Burlington continues to support its capital needs through bond issues and its budget requests. Perhaps its most serious problem is the perception of difficulty. So that this does not become an issue that undercuts its credibility, the question of airport governance should be laid to rest and the airport should be allowed to continue its positive service to the community.

Section I of this report outlines the case study approach used and discusses the findings for each of the three forms of governance. Section II discusses the present situation and presents recommendations.

I. THE STUDY

To determine if BIA should become a regional authority, CCRPC looked at the relationship between governance and the provision of airport services at nine aviation facilities. Staff was instructed to conduct a comparative study of small airports in New England, including representatives of each of the three forms of government.

1. city
2. regional authority
3. state

As the following table of New England airports comparable to BIA indicates, however, none of them is a regional authority.

<table>
<thead>
<tr>
<th>Airport</th>
<th>CT93 Enplanements</th>
<th>Primary Runway Lengths</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.I.A.</td>
<td>377,446</td>
<td>7807'</td>
<td>city</td>
</tr>
<tr>
<td>Portland</td>
<td>346,472</td>
<td>6800'</td>
<td>city</td>
</tr>
<tr>
<td>Bangor</td>
<td>172,862</td>
<td>11439'</td>
<td>city</td>
</tr>
<tr>
<td>Manchester</td>
<td>40,067</td>
<td>7001'</td>
<td>city</td>
</tr>
<tr>
<td>Bradley</td>
<td>1,513,536</td>
<td>9501'</td>
<td>state</td>
</tr>
<tr>
<td>T.F. Green</td>
<td>406,516</td>
<td>7166'</td>
<td>state</td>
</tr>
</tbody>
</table>

Therefore, in addition to the airports above, the following regional authorities were also studied.

<table>
<thead>
<tr>
<th>Airport Authority</th>
<th>Enplanements</th>
</tr>
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<tbody>
<tr>
<td>Charleston (S.C.) Aviation Authority</td>
<td>425,000</td>
</tr>
<tr>
<td>Greater Orlando Aviation Authority</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Capital Regional Airport Commission (Richmond, VA)</td>
<td>627,000</td>
</tr>
</tbody>
</table>

Staff studied these authorities because they had responded to an inquiry about authorities made last year for BIA and because all of them were once city-owned airports. None of them, however, is in a state with a township form of government. One other city-owned airport, LAX, in Los Angeles, was included on the recommendation of several airport managers.
This report is a case study, and its conclusions are not based on a random sample of any kind. It does not intend to generalize its findings to other airports. Nevertheless, the issues at these airports are in many instances similar to those with which this region must contend. But in each case, the solution or resolution of these issues is based on circumstances unique to the region.

CCRFC staff collected data through telephone interviews with airport personnel and documents including airport leases, enabling legislation, airline leases and other appropriate documents. Appendix I presents the topics discussed in the interviews. In several cases, more than one interview was conducted with different airport officials.

State-owned airports

Interviews with officials at T.F. Green and Bradley airports, in Rhode Island and Connecticut, indicate that although they are both state-owned airports, their organizational structures and response to the provision of airport services differ significantly. The chief of airport facilities at T.F. Green reports to the assistant director of transportation for airports, who in turn reports to the executive director of the Rhode Island Department of Transportation. The T.F. Green official who was initially interviewed was unable to answer questions about funding and contracting out of services because these functions are handled by different divisions of the department of transportation.

All revenues generated at T.F. Green go into the state General Fund and do not cover airport expenses. The legislature approves the airport budget as part of the transportation budget, based on its needs, not its revenues. T.F. Green may make legitimate special budget requests, a process which DOT staff view as positive because it makes the legislature aware of special problems at the facility.

The capital needs of T.F. Green and the division of airports are met through State of Rhode Island General Obligation bonds. Airports must compete with transportation and other infrastructure needs. This year the legislature approved a bond issued for highways and deferred airport requests until next year. In past years, voters have voted down airport-bonding issues.

The state pays no property tax, or payments in lieu of taxes, to the municipality in which the airport is located. This is not considered an issue because Warwick provides no services to the airport.

One of the airport officials interviewed believes that state ownership gives the facility the support of and access to state facilities, including the state police and bomb squad. But, he sees the fact that the state legislature doesn't appropriate needed funds and that the airport must deal with the state employees union as shortcomings of state ownership. He believes the state should expand its aviation functions and that an authority offers more flexibility and less political interference. But he is concerned that an authority would work only if it could generate sufficient revenue. It should be noted that T.F. Green and other airport officials believe T.F. Green cannot generate sufficient revenues because of its proximity to Boston's Logan Airport.

The picture at Bradley International differs significantly from that of T.F. Green. According to officials interviewed for this study, however, Bradley was managed in a similar fashion until several years ago. All revenues were deposited in the state General Fund and did not cover expenses. The airport had to compete with other state needs for G.O. bonds which were tax supported.
Thus, the state could not adequately maintain airport facilities and Bradley had difficulty attracting airlines. The airport official interviewed suggested that, as a state facility, Bradley suffered when the state Agency of Aeronautics was merged into the Department of Transportation, which is in essence a highway department without the facilities or knowhow to run aviation facilities.

In 1981, concerned about the conditions at Bradley and its role as an "important inducement for industrial and commercial enterprises to remain or locate in this state," the state legislature promulgated legislation to allow Bradley to issue $100 million in revenue bonds. This legislation further established a separate fund for airport revenues, and gave the Department of Transportation the right to approve its own budget with the consent of the Office of Policy and Management. The budget is guided in great part, however, by bond indentures of trust stipulations. Autonomy was further enhanced at Bradley through the development of separate dedicated support services. The state provides no financial support.

This new financing arrangement is very successful, according to the airport manager. The airport operates in the black now, and enplanements have increased 30% over the past several years. Because of new confidence and a boom in land use in central Connecticut, Bradley has been able to attract 50 million private dollars, including a 30-million-dollar Sheraton Hotel.

Although it has the right to contract with private or public service providers, Bradley continues to receive and pay for state services. Now that Bradley is a money-making operation, however, service charges are increasing at a faster rate than might be appropriate and Bradley officials believe they must negotiate more carefully.

As a state entity, Bradley provides municipalities a payment in lieu of taxes. The municipalities believe this amount is not enough, although they also receive a personal property tax for private businesses at the airport. Airport officials maintain that the communities should realize this additional tax revenue is only generated because of the airport's existence and that they do benefit from the airport's presence.

The person interviewed said that before Bradley became an enterprise fund, there had been a serious move to make the airport an authority. The problem at Bradley was seen as the lack of ability to manage the airport. The larger issue, however, was really a lack of ability to control resources. The establishment of a separate airport fund, coupled with the ability to issue revenue bonds, has remedied these shortcomings. It should be noted that the revenue bonds are issued at a rate of 1 pt higher than would be G.O. bonds. Nevertheless, the autonomy and freedom from competition with other state needs this gives the airport is well worth it.

City-owned airports

Most of the airports of comparable size to BIA in New England are city-owned. This report includes the findings of interviews with officials and documents from Portland, Bangor and Manchester air facilities. Several years ago both Bangor and Manchester explored the possibility of creating authorities, but chose to stay with municipal ownership. This section also includes information about L.A.X in Los Angeles, a considerably larger municipal facility.
Portland International Jetport is part of the Portland Department of Transportation and Waterfront facilities. Until recently, all revenues were deposited into the city General Fund and did not cover expenses. Several years ago, however, a separate airport revenue fund was established in order to help meet airport expansion needs. To expand, the jetport needed the long-term commitments of the airlines which insisted on several assurances including: the establishment of a separate airport fund; the promise to keep all airport revenues at the airport; the right to review the budget; and the ability to veto any construction project if costs could be allocated to the airlines. In determining rental rates and user fees, the airlines stipulated that expenses allocated to the various airport and terminal building areas and services be traceable if possible. Further, the Use and Lease Agreement states:

Airport expenses shall include expenses of the Department of Transportation and waterfront facilities and expenses of the other city departments for work done for the airport or charged to the Department; provided however that work done by other city departments for which they are to receive payment shall be reasonable, traceable, identifiable and detailed in an invoice.

Therefore, the airport pays the city on a project-by-project basis for the services it provides and must justify these expenses to the airlines. Please note, however, that there is some sense that the city draws down more money from the airport than is justifiable, through the dual job descriptions of airport staff.

At this time, the city issues G.O. bonds paid by airport revenues. It is, however, considering the possibility of using revenue bonds and has hired an outside consultant to investigate the advantages. But the airport manager says the airport gets the bond issues it needs and does not have to compete with other government infrastructure needs for funding.

The city council actively scrutinizes the budget, but the airport manager does not believe this hinders airport operations. Being part of city government allows the airport to coordinate services with other departments. In fact, since the airport became an enterprise fund, conditions at the airport have improved substantially and the facility now operates in the black.

The air facility at Bangor, Maine is also a department of city government, whose director, the airport manager, reports to the city manager. A three-person committee of the nine-member city council, however, constitutes an airport commission, which sets policy, approves leases and contracts, and reviews the budget, which must then be approved by the entire city council. This system has worked efficiently and quickly with few problems. There has been some minor difficulty, however, in obtaining approval of the purchase of heavy equipment. The council must be educated about the reasons this specialized equipment is so much more expensive than the kinds of equipment other departments buy.

A city ordinance established a separate airport fund, and the facility is responsible for its revenues and expenses. It receives no funding from the city, although Bangor does advance funds which the airport must pay back. Capital expenditures of more than $25,000 are financed through city G.O. bonds paid by airport revenues.
The city council prefers that the airport use city department services. In fact, the airport cannot contract out for these services for which city departments charge direct costs and a 100% overhead fee. Thus, the city does extract revenues from the airport. For example, airport use of city engineering services allows the city to keep an extra engineer on staff. Sometimes, as in the case of legal support, the airport must compete with other departments for the services it needs and may have to wait.

In general, however, the airport manager believes that city governance is as efficient a form of governance as a regional authority would be. The use of city-backed 0.0% bonds afforded the airport a lower cost on debt. Moreover, the airport doesn’t have to duplicate services that the city might not provide if the airport were not city-owned.

In fact, about 10 years ago, in response to a request that he explore other options, the previous airport manager investigated the benefits of an authority and determined the cost of revenue bonds, both in interest points and administrative overhead, would not be worth the change. He was also concerned that the bond underwriters would assume too much control of airport management. His study could not isolate factors that would make an authority more efficient than it was at the time. Finally, the study rejected the idea of an authority because other municipalities in the area showed no interest in the concept. The present airport manager voiced his concern about the potential for cronyism in an appointed commission. The sense of airport officials at Bangor is that an authority is only a benefit if the municipality can’t finance capital improvements, if the risk needs to be spread out, or “if you have a bad political situation or people in government don’t want to pay.”

The airport manager believes that the present structure of the airport allows the facility to offer airlines a very competitive package for services. Bangor maintains an “excellent relationship” with carriers, who have obtained the right to request the airport management to justify a service charge based only on revenues and expenses.

Besides the high price that city departments charge for service, the only other shortcoming of the present structure relates to personnel issues. Although airport mechanics require special certification, they are paid the same as other city mechanics. The airport manager believes the city pay scale should be more flexible and respond to the special training and skills of airport workers.

The City of Manchester, New Hampshire, also investigated the possibility of creating an authority at Manchester Municipal Airport. In 1966 the airport study commission determined that:

It is financially and geographically impossible to establish such an agency at this time. Such an agency appears to be financially impossible because of the limited revenues available to support an operating airport and geographically impossible because of the actual division of Cranier Field by the town line and county line.

In 1973 the airport manager, E. ’Mike’ Goodwin, in The Need for Establishment of a True Authority at Manchester’s Municipal Airport, concluded that the problems facing this facility could only be solved through the creation of an authority. These problems focused on the town line that neatly divides the airport in half, creating confusion over which municipality should provide services, and a situation...
in which one municipality provided most services and another received most of the taxes. This problem was exacerbated by a developing industrial park with a similar tax situation.

Goodwin recommended the creation of an authority because:

Responsibilities would then be defined. Those problems arising within the boundaries assigned to the new authority are definitely the responsibility of the authority. No bickering between city and town as to who will [make repairs]... With an autonomous authority responsibilities for road repair, snow removal signs... fall to the new authority. They either do it within their capabilities or pay for contractor services.

Goodwin went on to say that the facility could be self-supporting through the joining of the air-park and the developing industrial park. Although the neighboring town of Londonderry would lose about $170,000 in industrial taxes, it would stand to gain in the long run because it has "by far the greatest potential industrial growth adjacent to the field."

Today, the governance of the airport has not been changed into an authority, but many of its problems have been resolved through the development of the industrial park and negotiation between the two municipalities. As established by a 1959 ordinance, the airport is governed by a seven-member commission appointed by the mayor. This commission has full charge and supervision over the daily operation of all municipal aviation fields but has no control over the resources of the facility. All airport revenues go into the city General Fund and are controlled by the city.

Because of the industrial park, the airport has become self-sufficient. But the City of Manchester keeps at least 20% of the yearly revenues for other general fund purposes. Manchester has been able to do this, it maintains, because it has always owned the land on which the airstrip and the terminal were built. Manchester was not initially a military airbase. Moreover, the terminal constructed in the 1950s primarily used private and local funds. The city maintains it has a right to recuperate its investment and has no commitment to the FAA. The FAA contends that it will not interfere in local political issues.

Manchester Airport is in a unique position, since the industrial park subsidizes 80% of the airport. Industrial park revenue funds must be used at the airport because the park used to be a military facility. These revenues also finance capital improvements so that the airport has no need for nor has it received much FAA support. Nor has the airport needed to incur capital debt. But the airport manager does not know if the city would obligate G.O. bonds if they were needed.

The airlines have not requested that airport revenues be kept at the airport because they do not pay fees or allocatable costs. Charges to the airlines are subsidized by the industrial park. Manchester sets fees based on comparable standards at other airports.

The town line and tax issues have been resolved through negotiation. The Airport Commission sat down with representatives of both municipalities to develop a cooperative plan to provide services to the airport. Manchester continues to pay property taxes to the other municipality, but they developed a deal in which Manchester got a tax break in return for certain airport use rights.
The airport commission would like to increase its autonomy. It is presently negotiating with the city to retain its revenues. It would like the ability to issue revenue bonds if necessary or to develop an adequate capital fund. And while the city provides support services to the airport at no charge, the airport manager believes they could accomplish these tasks more efficiently at the airport. The present system creates an undue amount of paperwork. Moreover, the airport manager believes the city personnel system hinders hiring and firing at the airport because civil service is slow and restrictive.

Although L.A.X. in Los Angeles is significantly different from the other three city-owned airports in this report and BIA, findings from telephone interviews and documents are included as an example of a city airport that functions as an authority. L.A.X. is managed by the Department of Airports, which is governed by a five-person commission appointed by the mayor. These commissioners are all private citizens. The department has total control of its own revenue and expenditures of all bond funds relating to its activities and facilities. The airport receives no tax dollars and is totally self-sufficient. While the department approves its own budget, the city council must approve all leases made for a period of longer than five years.

Presently, the department issues revenue bonds for capital improvements, which must be approved by the city council. Department officials are concerned about the future of this financing mechanism, however, and would like to develop a capital fund. But the contractual arrangement with the carriers insures that the airlines would cover expenses so that the airport would be self-sufficient. That this agreement does not permit the development of a capital fund is viewed as a problem.

The airport pays the city for numerous services it provides. There have been some problems with this, but the Board of Commissioners has been very lenient, though because it is appointed by the mayor, it may have limited latitude. Under a charter amendment, however, the department may contract services to a private-sector provider if it can show a savings by doing this. In practice, they use this as a negotiation tool. Nevertheless, some council members believe the airport should pay more for services.

Department officials think the present arrangement works well. Governance is not the important issue: autonomy is. L.A.X. has the ability to control its resources and has flexibility in decision making, while the city council retains some oversight functions.

Aviation authorities

This section presents the findings from interviews with airport officials and documents from the following authorities.

Capital Region (Richmond, VA) Airport Commission
Charleston (S.C.) Aviation Authority
Greater Orlando Aviation Authority
Capital Region Airport Commission (CRAC) was created by an act of the Virginia General Assembly in 1975. It is a completely autonomous body which owns the airports and improvements in fee simple. CRAC's powers are all inclusive so far as airport regulations and issuance of bonds are concerned.

The authority consists of twelve members. The City of Richmond, the County of Chesterfield, and the County of Henrico each appoint four commissioners. Presently five of these twelve representatives are elected officials.

The commission has complete control of its finances and the right to issue revenue bonds. However, each member subdivision must approve the maximum amount and general purpose of each issue. In addition to the right to issue revenue bonds, CRAC may issue "any such bonds... additionally secured by a pledge of any grant or contribution from a participating subdivision." Although CRAC is self-sufficient and controls its own finances, it must submit an annual budget to the participating political subdivisions. CRAC must seek approval of its budget, however, only if it has a deficit and is seeking funds from the members.

Prior to the creation of the authority, the airport was not self-supporting. Its revenues became part of Richmond’s General Fund, and no relationship existed between revenues and the airport budget. Because the airport was a sub-sub unit of city government, it did not have a high priority in municipal functions. In fact, the airport was restrained by the administration structure and city politics. Recommendations and requests made by airport management were not understood and were acted upon by city administrators who did not understand the business necessities of the airport." Lack of support for the airport was exacerbated by the fact that the city was paying the entire deficit and providing all the services while airport tenants paid a personal property tax to the county. Therefore, the city requested that the County of Henrico share the responsibility of the airport.

The city sold the airport to CRAC for three million dollars. Richmond valued the airport at 55 million, but the county was unwilling to consider paying any proportional amount of this. Therefore, through political negotiations, Richmond and the county determined the price should be based on the amount of debt the city had retired on its bond issue.

Of the 10.5 million it had issued, Richmond had retired about 3 million dollars. Based on the population of the two jurisdictions, Henrico County contributed 1.3 million dollars to the equity of the airport which CRAC paid to the City of Richmond. CRAC assumed the outstanding debt of 7.5 million. When the County of Chesterfield joined CRAC, it voluntarily contributed $500,000.

CRAC was very successful in turning the airport around. Before it became an authority it was losing close to 3/4 of a million dollars each year. After four years it had eliminated the outstanding debt and was "firmly in the black." CRAC executive director explains how this was accomplished:

We negotiated new leases and contracts in a more businesslike manner, adjusted rates in the parking lots, developed new fees and rentals. We achieved some economies, eliminated some positions and added some financial support services.
CRAC is tax exempt and pays no property tax. Tenants, however, pay a personal property tax and licensing fees to the County of Henrico. No other revenues flow to the city or the counties.

CRAC officials believe the creation of the authority has generally worked out well. Under city ownership the airport was too heavily affected by administrators who did not see the important role the airport played in economic development. Notwithstanding, some shortcomings do exist. Because some members of the board are local elected officials, CRAC decisions are sometimes colored by partisan politics and a lack of a regional outlook. The size of the commission has become somewhat unwieldy. Efforts to establish an executive committee are also hampered by certain Virginia laws. Finally, the airlines have refused to sign lease agreements because of some of the "businesslike control" implemented by the CRAC.

To move on, the Greater Orlando Aviation Authority, established in 1976, consists of seven members. By statute, one member is an incumbent member of the Orlando City Council, one member is an incumbent of the Board of County Commissioners of Orange County, and five members are appointed by the governor. These commissioners are residents of Orange County, although two may be from adjoining counties. They are private citizens. Because political cronyism was one of the problems that led to the establishment of the authority, as will be discussed later, the private citizens serve for four years and the elected officials for two.

The authority has complete control of the day-to-day operations of Herndon Municipal Airport and the Orlando Jetport. By statute, the authority must be self-sufficient and keep all revenues generated by each facility for use at each. Separate revenue funds are maintained for each facility.

The authority and the City of Orlando, however, remain joint sponsors of the airport facilities. As such, they share certain rights and responsibilities. The authority can issue revenue bonds only with the approval of the city council. These bonds do not, however, encumber the city’s debt limit. Airport improvement projects must be approved by both the authority and the city. In fact "politically sensitive issues" are still handled by the city. Any regulatory change requires a 'hearing' with the city. The authority does, however, have complete control over its budget, although it must submit it to the city council for a public hearing process.

The city still retains ownership of Orlando Jetport and leases it to the authority. The authority agreed to pay $250,000 per year for the lease-hold. These payments are suspended, however, until the debt service on an expansion project is paid off in 2008. The authority has made two payments to Orlando.

To determine this yearly payment, the city calculated its total contribution to the jetport to be about 1.5 million and then began negotiations with the authority. Both parties were looking for a payment the airlines and the FAA would accept. FAA was disappointed with the concept of any kind of payment. Nevertheless, they accepted the concept that if airport revenues cannot flow out of the airport, the municipality has a right to recoup the funds that have flowed into the facility.
In addition to this deferred lease hold payment, the authority initially paid a payment in lieu of taxes for lease-hold. State law, however, eliminated leaseholds as taxable property. In its place, the authority now pays the city for the services it provides, calculated on the investment function of its rents. The authority has the option of seeking service elsewhere.

Orlando chose an authority governance for its air facilities because it faced an untenable political situation which was inhibiting the jetport's growth. One of the airport concessionaires controlled the city council. Delta Airlines sued the city for the reversal of certain decisions the council made under the influence of this concessionaire.

At the same time, the jetport wanted to begin a major expansion project. The bond signatories would not underwrite an issue until the jetport was insulated from political pressure. Moreover, as part of city government, the airports were just another duty for legal and financial staff. As one interview respondent noted:

The jetport was becoming too big not to have its own support services, its own counsel, finance, fire-fighting,... It needed another management mechanism with political neutrality.

The initial attempt at an authority was not successful. Commission members were appointed by the city council and cronyism continued. Eventually the governor intervened, mandating that most board members be appointed at the state level.

One city official interviewed believes the present situation is quite positive. Through the creation of an authority, COAA was able to get an enormous project going, which the city could and would not. He says the airlines support this arrangement because it keeps airport funds separate. The airlines' reactions are based on getting fair market rental and landing fees. Relations between the authority and the city are good. A previous city attorney commented:

The city approves everything the aviation authority presents. A healthy tendency to communicate with the city has developed because of the joint sponsorship concept.

This same city official maintains that fiscal autonomy is the essential element in a successful authority. He also thinks good management very important. "Professionals in aviation business try to stay away from locally politically run airports, therefore you won't be able to attract qualified staff."

South Carolina State Statute established the Charleston County Aviation Authority in 1970. This special purpose district is responsible for all public airports in the county, including Charleston International Airport and two general aviation facilities, and has the authority to levy taxes and issue both revenue and general obligation bonds.

The authority consists of seven members. Two are nominated by the Charleston Senate Delegation, two by the Charleston House Delegation, and one member is a nominee of the Charleston City/County Council. The mayor of the City of Charleston and the chairman of the Charleston County Council are ex-officio members.
Charleston International Airport, which is located in the City of North Charleston, is a joint-use airport. The military owns the airfield, while the authority owns the terminal. The military maintains the airfield and rents space in the terminal. The authority gives the military half of its landing fees.

Although the authority has the statutory right to tax and issue G.O. bonds, the airport is totally self-supporting and uses no taxpayer money. All operating funds come from airport revenue and capital funds from industrial park revenue, over which the airlines have no control. The airport pays no property tax or payment in lieu of taxes to North Charleston. Industrial and commercial activities pay a personal property tax, however. Initially, this included the parking fields, but this was challenged and exempted because it is considered a public benefit. The authority enjoys good relations with North Charleston, which provides traffic and fire services for free. In exchange, the authority sold the city a piece of land for a fire station at a discounted rate.

While the authority has control over its resources, it must submit its budget to the Charleston legislative delegation for approval. Now the county wants to have that responsibility so that it can have greater control.

The airlines have been somewhat leary of the new development at the airport. Their concern is that they will be forced to subsidize growth at the general aviation facilities. Initially, they refused to sign contracts needed for a bond issue, but CCA was able to obtain a Standard and Poor's rating and incur the debt. The airlines then signed so that they could get their construction requirements met. In return for this, the airlines may veto any capital improvements in excess of $250,000 which can be allocated to the airline cost center.

The transition of Charleston International Airport from the City of Charleston to the authority was certainly not a smooth one. Prior to the transfer, the city had been running the airport at a deficit and drawing over $500,000 a year from the facility. It maintained it was able to do this because it owned the land on which the terminal was built in fee simple. It had never been owned by the military. In the late 60's the Air Force became concerned about the city's lack of response to increased use. The city had no plans to accommodate this growth. The Air Force threatened to throw the city off the airfield. The mayor contended that the city did not have the expertise to make plans, nor did it have the tax base to incur the debt necessary for the construction. Therefore, he suggested sale of the terminal facilities to the aviation authority. After 3 years of negotiation, a sale price could not be agreed upon. The authority, which had powers of eminent domain, threatened to condemn the airport. The mayor established a blue-ribbon panel that determined the appraised fair market value of the terminal at 3 million dollars. This was accepted by the authority, which also bought some additional land for the development of an industrial park. The FAA, however, penalized the authority by requiring CCA to complete 2.5 million dollars work of FAA-eligible capital improvements in a five year period with no FAA funding.

The authority also undertook the airport expansion the Air Force deemed necessary, by issuing G.O. bonds of the special purpose district which had the tax base to do this while the City of Charleston did not. The authority is now repaying the taxpayers' investment in the airport.
The officials interviewed believe the authority is functioning quite well. It provides the autonomy necessary to accomplish tasks, without being slowed down by bureaucracy. The staff has specialized aviation expertise.

The authority board, however, remains very partisan because they are political appointments. Sometimes they impede the businesslike functionings of the authority because they don't fully understand the issues.

Conclusion

The findings of this study suggest that autonomy, not what type of political subdivision owns the airport is the key issue in the provision of airport services. Because it must act as a private business in its dealings with airlines and concessionaires, an airport needs autonomy to function in a prompt, efficient and businesslike fashion. It must be able to obtain funds for capital improvements and control its revenues and costs. At the same time, because it uses public resources and is a public good, it needs to be accountable to the public it serves.

None of the examples explored in this study show that one type of ownership is substantially more capable of accomplishing these objectives than is any other. Under any of the three types of ownership, the aviation facility can have the ability to obtain and control its own resources, make contracts of its own, choosing with public or private service providers and issue revenue and G.O. bonds without undue competition.

It does seem, however, that conflicts about payments for services are more likely to exist in city or state-owned airports than at an authority. This no doubt reflects the desire of a political subdivision to obtain revenues from its airport. This problem can be resolved by permitting the airport facility to contract out for its services.

No strong relationship seems to exist between the type of ownership and accountability. City-owned airports do seem to be somewhat more financially accountable than are authorities. But each of the airports reviewed has developed a management and governance to suit its needs. For example, the City of Orlando and the aviation authority jointly sponsor the Orlando Jetport and share responsibility and oversight. L.A.X and state-owned Bradley approve their own budgets as do the authorities.

As noted in this study, the creation of an authority may offer an appropriate solution to a specific airport problem. Orlando Jetport faced a serious political problem and faced legal action. The City of Richmond assumed the entire fiscal burden and risk for an airport that paid taxes to the county. And Charleston was about to lose the right to use the military airfield unless it could come up with a bond issue big enough to cover a major expansion. Charleston did not have a large enough tax base to achieve this. It should be noted that the Charleston County Aviation Authority used special district G.O. bonds financed by taxpayers to cover its initial capital improvements.

At all three authorities, airport officials mentioned administrative problems that contributed to the need for an authority. For example, Richmond did not have the appropriate administrative structure to further airport development. Orlando had to compete for city services but was big enough to support its own. But these problems were secondary to the problems actively impeding the survival of the airport. An authority takes time, resources and hard work to create.
Charleston negotiated for three years. Orlando redesigns its authority after an initial failure. Clearly, an authority was created at each of these three airports in response to a serious problem.

Certainly an authority is the appropriate type of governance in specific instances. If a municipality won't or can't support its airport, if it faces serious political problems, or if it must assume the financial responsibility for a facility that benefits another or larger region, an authority should be considered. A regional authority does assure that those people who are served by the airport, govern it. It is, of course, difficult to determine the exact boundaries of the region that benefits from the facility. And while an authority may constrain undue partisan political pressure, it may insulate the facility from political input or fall prey to cronyism. Finally, if it can only rely on revenue bonds, the cost of debt may be more expensive and difficult to obtain.

The results of the case studies in this report, suggest that if given the statutory authority, any airport governance may issue revenue bonds. Because they are riskier than G.O. bonds and have attendant administrative costs, revenue bonds will generate a higher debt service. However, revenue bonds do have certain benefits. The debt incurred by revenue bonds is paid entirely by airport revenues and does not obligate the political subdivision in any manner. Thus, airport capital requests do not compete with other infrastructure needs. Moreover, the issue of revenue bonds will not be limited by a municipality's or state's debt ceiling.

As airports become self-supporting and generate surplus revenues, however, political subdivisions will want to benefit directly from these funds. Every municipality or state looked at in this study wants to share in the economic success of its airport. Since it has become increasingly difficult to take monies overtly from airport revenues, municipalities are overpricing airports for support services provided. If, as in the case of L.A.X., airports can contract with the provider of their choice, the municipality or state will not be able to do this. At the same time, governments should be paid for the necessary services they provide.

State enabling legislation and city ordinances determine the structure of an airport. Under any type of ownership, an airport may issue revenue bonds, contract out for services, provide its own support services and control its budget. Unless special circumstances mandate the need for an authority, it is not inherently a better model of airport governance than is state or city ownership.
II. BURLINGTON INTERNATIONAL AIRPORT

B.I.A. has played an important role in the economic development and well-being of the region and Vermont. Self-supporting since 1951, the airport has helped attract major employers to the area, and is itself a job generator. In 1982, deregulation of the air carrier industry threatened BIA with the loss of major airline service. Today, however, nine commercial air carriers serve the airport and enplanements have doubled between 1983 and 1984. PeopleExpress carried nearly half of these outbound travelers in 1984. While proposed PeopleExpress service from Montreal will decrease air travel at BIA by about 5-10%, the overall future of the airport seems promising.

Structure and Governance of BIA

In 1929 the City of Burlington began the operation and management of this municipal airport in the adjacent community of South Burlington. Over the years, the City acquired the land on which the airport sits through private gifts and federal grants. A 1984 report from the Burlington Office of the Treasurer states the airport was and is a wholly-owned entity of the municipal corporation like any general department of the city. It further states that legally under the City Charter, the airport is financed through the General Fund of the City. Beginning with fiscal year 1951, the airport was required to become a financially self-sufficient and self-sustaining entity. While the airport continued to be accounted through the General Fund of the City, it was in effect treated as an Enterprise Department. Both Burlington Electric and the water utility are Legal Enterprise Departments. Self-supporting, the finances of these two entities are by Charter legally separate and distinct from the rest of city government.

By City Charter the airport is governed by a Board of Airport Commissioners, which consists of four legal voters of Burlington appointed by the City Council, and one legal representative of South Burlington.

The Charter states:

Said Board shall have the exclusive general management and control of all lands owned or leased and used by the City for the purposes of a municipal airport and of all buildings, property and equipment of the City thereof; but shall be subject in all respects to any limitations, resolutions and orders of the City Council; but shall have no power to expend any money or incur any debt beyond the amount of the appropriations made by the City Council.

The Charter further states that the Board has the power to make and alter rules and regulations pertaining to the airport, but it must obtain the approval of the City Council.

The City Council provides oversight to the Airport Commission in several ways. It must approve its budget which the mayor reviews and submits to the Board of Aldermen which can vote to decrease, but not increase, it.

The Airport Commission must seek the approval of the financial board for all construction projects of more than $50,000 and both the Finance Board and the Board of Aldermen for those of more than $100,000. The City Council also retains the right to review and approve all contracts of more than five years and those pertaining to real estate.
The Airport Commission pays for its share of capital improvement costs with city-backed C.O. bonds financed by airport revenues. These C.O. bonds must be approved by the City Council and 2/3 of the city voters. Although these bonds do not use tax dollars, they do encumber city debt.

- The City charges the airport for the support services it provides, including a fee for C.O. bond insurance. While the airport staff does not believe the charges for these services are too high, they do believe they could perform most of the financial services in-house at a savings of about $30,000 a year. To do this, the airport would need the authorization to write its own checks.

Because it is located in South Burlington, the airport receives services including fire and police back up from that municipality, in addition to water and sewer services for which it pays a fee. From 1971 through last year, the airport paid a low negotiated payment in lieu of taxes to South Burlington. This year, after the agreement ended, South Burlington assessed the airport about $160,000 in taxes. The Airport Commission is presently contesting this.

The Controversy

In 1983 the City of Burlington decided it would transfer each year $300,000 of surplus airport operating funds into the General Fund. A report from the Office of the Treasurer maintained the airport owed the city 1.9 million dollars because:

- From 1921 to 1951 airport expenditures exceeded revenues by $400,000.
- From 1951 on there were certain expenses, such as employers portion of Social Security and payment to the retirement fund, which the City argues should have been paid from the airport, but were paid by the General Fund.
- The City includes an interest figure.

The state adamantly opposed this transfer, maintaining the City had signed assurances with both the airlines and the FAA stating that all airport revenues would be used at the airport. The City maintained that it was simply recovering a debt the airport owed it. The Airport Commission asserted that the airport did not have a surplus. These funds were much needed capital improvements.

The City Attorney in 1983 and the Federal Aviation Authority (FAA) in 1985 both issued opinions stating the City would jeopardize federal funds if it transferred airport revenues to the General Fund. (Appendix 2) The City Attorney noted that "at present the airport does not as a rule generate substantial net revenues," in part because the City's ability to accrue significant net revenues is limited by the requirement that airport charges not be more than what is reasonable compensation for the use of the field and its equipment. FAA Chief Counsel, J.K. Murdock, asserted that the FAA cannot approve the City's proposed use of airport revenues for non-airport purposes, primarily because of Section 511 (a)(12) of the Airport and Airway Improvement Act of 1982 (AAIP), which states:

All revenues generated by the airport, if it is a public airport, will be expended for the capital or operating costs of the airport, the local airport system or other local facilities which are owned or operated by the owner or operator of the airport and directly related to the actual transportation of passengers and property.
Murdoch states:

The fundamental principle of Section 511 (a)(12) is that all activities which generate revenue at an airport do so because of the airport.

He further states:

There is a fundamental inequity in your proposed transfer of airport revenues. Over the past thirty-four years, the federal assistance grants awarded out of Airport and Airways Trust Fund and received by [Burlington] for its airport have totaled nearly 6.8 million dollars. The development financed by this assistance has in turn allowed the airport to generate substantial revenues which you now propose to divert.

In response to the decision that it could not transfer airport revenues into its General Fund, the City suggested it might wish to sell the airport to a regional authority. The Mayor expressed concern that while City taxpayers could finance the facility they could not benefit from it. A public debate ensued about the potential effects Burlington's actions might have on the provisions of airport services, and the possibility and benefits of a regional authority. Members of the state legislature introduced a bill in the 1984 legislative session to create an authority. This proposed bill states:

Under present law, the capital needs of the airport must be met by General Obligation bonds by the City of Burlington. Because the airport benefits an area far larger than the City of Burlington proper, it is unfair to continue to subject property taxpayers of the City of Burlington to the potential burden placed on them by General Obligation bonds.

The public good requires the immediate creation of a regional airport authority to assume ownership, management and responsibility for future development of Burlington International Airport; to raise sufficient funds for the airport's capital needs by the issuance of revenue bonds...

A State study group authorized by the Governor, a City of Burlington study group, and Chittenden County Regional Planning Commission are all presently investigating possible future options for BIA.

Transfer of the Airport

As the debate about airport ownership continued, a list of reasons emerged for the transfer of the airport. They include:

- The airport serves the region, therefore it should be governed by it. Burlington should not bear the entire risk.

- Burlington has lost credibility with the FAA and its ability to govern BIA has been undermined.

- The City might persist in attempts to transfer revenues from the airport.

- The airport should be able to issue revenue bonds.
A regional authority is a more efficient form of governance.

The city wants to sell it.

The following section deals with each of these points.

Ideally, a strong relationship should exist between the people who use the airport and those who govern it. It is true that BIA serves more than just Burlington and its residents. It would be difficult, however, to define the exact region that benefits from the airport. And while this is an important principle of public policy, more than this should precipitate a major reorganization of a successful airport. It would take time for an authority to function smoothly and the airport might lose the confidence of some carriers and concessionaires. It took Charleston County Aviation Authority three years to negotiate the sale of Charleston Airport.

Transfer of the airport to a regional authority would free Burlington property taxpayers from the entire risk of the airport. But Burlington taxpayers have contributed nothing to the airport since 1951. The use of General Obligation bonds does affect the amount of other G.O. debt the city can incur. But, since reappraisal, the debt ceiling has been substantially increased so that it may not be a problem. And as will be discussed later, the city-owned airport can be empowered to issue revenue bonds.

It has been suggested that the city's attempts to transfer airport revenues to the general fund has undermined the city's credibility with the FAA. Airport staff and officials note that they have worked hard to re-establish good relations with the FAA and believe they have succeeded. They remain concerned about BIA's ability to compete for discretionary grants. This concern may be overstated. FAA officials told CCRPC staff that many cities take revenues from their airports, but FAA doesn't have the staff to perform thorough audits. More than that, this report revealed several examples of municipalities that used airport revenues for other purposes. It is hard to believe the FAA would punish Burlington for exploring this possibility, but not acting on it.

It is possible that if the airport remains owned by the city, it could take revenues from it. In a letter to the Director of Aviation at BIA, William Cronan, Manager of FAA Engineering and Safety Branch, notes:

Airport generated revenues can be used for other than airport transportation needs. However, your first obligation is to generate as much income as possible from the airport and to use those funds to operate, maintain (and hopefully continue to develop) the airport in a safe and serviceable condition. If this is not done, the city would be in a weak position to use the airport-generated revenues for non-airport use.

Another FAA official suggested that according to AARF Section 511 (a)(12), after all airport expenses were met, airport revenues could be used for other city transportation services. It should be noted that if the state assumed ownership of the airport, its revenues could be used at other airports or for other transportation programs. This would not be a problem at a regional facility.

In spite of this, it is unlikely that the city could transfer airport revenues to other transportation projects. If it wanted to receive FAA funds for the airport, Burlington would have to assure the FAA that it met all the costs of the airport including capital improvements first. And as stated earlier, the airport cannot achieve significant net revenue. Moreover, contracts with the airlines further constrain the city.
Burlington could use interdepartment transfers of funds for airport services to take revenues from the airport. But airport staff maintain that the City is not overcharging them for the services it provides. Even the interdepartmental transfer for police services is "not out of line." This issue could be completely resolved, however, by allowing BIA to contract for its services through a bidding or negotiation process. In the meantime, the City should receive fair compensation for its services covering both direct and indirect costs.

Framers of the proposed legislation to create an authority state the airport should be able to incur revenue debt. Revenue bond issue does have advantages over G.O. debt. The ability to issue Revenue Bond debt would permit the airport to undertake certain industrial and commercial projects it cannot presently do. It would not constitute indebtedness of any political subdivision, therefore freeing taxpayers from risk and the airport from competition with other infrastructure needs. Last year, concerned about the city debt ceiling, the mayor's office approved a $3.9 million bond request instead of the 5.9 the commission requested. This may no longer be a problem because reappraisal has substantially increased the city debt ceiling. On the other hand, revenue bonds cost more than do G.O. bonds because of increased risk and a potentially lower rating.

The Burlington city attorney says the state legislature can grant the Airport Commission the right to issue revenue bonds. It presently cannot because it is not expressly authorized to do so, not because it is owned by the City. The city attorney expressed some concern that because of the short duration of the airport contracts, 5 years, the airport, owned by an authority or the city, might have difficulty issuing revenue bonds. Bond signatories might request longer contracts and other assurances. Airport staff mention that the facility is shifting to an allocated costs fee system that might well satisfy underwriters.

Either as an authority or a city-owned facility, the airport commission could issue revenue bonds with the appropriate enabling legislation. However, it might be at a disadvantage if it could only issue revenue bonds and not incur General Obligation debt as well.

This report suggests that a regional authority is not necessarily more efficient than another form of ownership. It is true that authorities tend to have more autonomy, but state-owned Bradley and city-owned L.A. X have high degrees of autonomy and, apparently, success.

BIA staff and officials suggest a certain tension exists between the airport commission and the city government. Because of the city contract review process, projects have been slowed down and have become more costly. Line items in the airport budget have been altered. The city treasurer's office duplicates certain airport financial services at a cost of about $30,000 to the airport.

Recently, the mayor's office ignored the Airport Commission's decision to contract with South Burlington for police services and instead implemented an interdepartmental transfer of funds for more costly Burlington police services. Airport staff do not believe the City has overcharged the airport. But the Commission is concerned that it cannot control its budget to operate in the most efficient manner possible. In another instance, the mayor's office has not yet approved a construction contract because the contractor is not unionized. The Airport Commission believes the delay will increase project costs.
Clearly some tension does exist between the City Council and the Airport Commission. But, because the City Council oversees the Airport Commission, this may not be inappropriate. If, however, this tension severely limits the efficiency of airport operations, changes should be undertaken. The City could implement these changes through Charter amendments, giving the Airport Commission much the same authority as the Electric Department. In 1978, the City Council granted the Electric Company the powers of the City except in specific areas such as eminent domain. The City Council still retains the right to approve revenue bonds, construction contracts of more than $100,000, contracts of more than one year and to set rates and fees. The Electric Department handles its own finances, writes its own checks and approves its own budget. Its revenues are kept separate and are not handled through the General Fund. The Electric Department has a high degree of autonomy while remaining accountable to the City Council.

By Charter amendment, the City Council could grant similar powers to the Airport Commission. It could establish a separate airport revenue fund for which the Airport Commission would be responsible. It could further stipulate that no tax money be used to support the airport. While the Airport Commission should have control of its resources and budget, the City Council should still retain oversight in the area of federal grants, contracts and bond issues.

The findings of this study suggest that legally the FAA would allow Burlington to sell the airport if it did not interfere with airport services. It might, however, penalize the facility as it did in the case of Charleston's sale.

In all three instances investigated in this report, the buyer and seller determined the price through a lengthy negotiations process. No one considered a price based totally on the appraised value of the facility, but instead compromised on what the city, the authority, the FAA and the airlines would tolerate.

It is unlikely that Burlington would receive anywhere near the value of the airport. In fact, it would be very expensive to determine that value. In any case, if Burlington did sell the airport, the new authority would be strapped with additional debt service which would undermine its ability to offer competitive charges to the airlines. The uncertainty of the negotiation process might scare potential and existing air service away, further weakening air services at Burlington International Airport. Please note, also, no other municipalities have expressed interest in participating in purchase of the airport. It is true, however, the airport authority could assume full responsibility for the purchase price but as mentioned above, this might undercut the competitive position of the airport and its positive role in the region.

Conclusion

Creation of an airport authority generates very few benefits for the airport and the region. In fact, because of the attendant uncertainty during negotiations and start-up, the development of an authority to govern BIA might hurt the provision of air service. The three airports in this report that became authorities, did so because of pressing problems that could be solved no other way. City-ownership of the facility has worked well, at least since 1952 when the airport became self-supporting. There is no reason to believe this will change now.

And while it may be unfair to strap Burlington taxpayers with the entire burden of the airport, they really carry little burden. No local tax dollars have been used at the airport in over 30 years. Burlington's risk could be further lightened by enabling the airport the ability to issue revenue bonds if this is deemed appropriate and cost efficient.

BIA's efficiency could be enhanced by increasing its autonomy. By Charter amendment, the City Council could grant BIA the authority to control its own budget and checkbook and the right to contract out for services.
PROPOSED STUDY DESIGN
Alternatives for the Burlington International Airport

1. Question: What is the relationship between airport governance and the provision of airport services?

Case Study Methodology:
Staff will conduct a comparative study of 3-5 small hub airports in New England. These airports will represent the 3 forms of governance.
1) city
2) regional authority
3) state

The study will include, but not be limited to:
1) history of airports
2) demographic and enplanement information
3) use of government funds and bonding capability
4) relationship of airport commission to local and state governments
5) strengths and weaknesses
6) contractual relationships
7) charters or other organizational documents

Staff will obtain this information through telephone interviews with airport and local government officials. FAA will help staff select appropriate airports to study.

2. Question: In what situations have other governments sold airports?

Staff will look at several airports that have been sold. The study will include:
1) why the airport was sold
2) the FAA role in sale
3) financial effects of sale on airport; were revenues generated?; how were they used?; who got them?
Alternatives for the Burlington International Airport

4) what effects the sale had on the provision of airport services.

3. On the basis of the findings from the above research, alternative suggestions for the Burlington International Airport will be developed.
1983 Opinion No. 25

To: Hon. Bernard Sanders, Mayor
   Burlington Board of Airport Commissioners
From: City Attorney's Office
       Robert E. Fletcher, Joseph E. McNeil
Date: January 4, 1984
Re: Use of Airport Revenues for Non-Airport Purposes

FACTS

The City of Burlington, acting pursuant to its Charter and state law, established, operates and manages, through the Burlington Board of Airport Commissioners, the Burlington International Airport ("Airport"). Revenues of the facility are received from air carriers, concessionaires, fixed based operators and others who offer air transportation and associated services to the general public through the facilities made available at the Airport.

Both the Board of Airport Commissioners and Mayor Sanders have asked this office to investigate and report on the extent to which, if at all, revenues generated by the Airport may be utilized for non-airport general City purposes.

ISSUE

Whether, and to what extent, if at all, revenues of the Burlington International Airport may be utilized for other general city purposes.

SUMMARY

Nothing in the Charter of the City of Burlington or in the Vermont statutes pertaining to aeronautics directly permits or precludes such use. The general law applicable to revenues generated by enterprise departments of a municipality requires that at a minimum, operating expenses be paid prior to any other application of revenues. As to the net revenues of an enterprise
Hon. Bernard Sanders, Mayor
Burlington Board of Airport Commissioners
January 4, 1984
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Department, there is a split of authority among the jurisdictions, with the key consideration being the interpretation of applicable statutes, charters or ordinances.

In this instance, Section 48(L) of the Charter implicitly limits the rates to be set by the Commission; they can be such as yield no more than "reasonable compensation." Further, by federal statute the Airport's participation is certain federal grant programs is conditioned upon all revenues generated by the airport being used for operating or capital expenses of the airport. Finally, the contracts currently existing between the City and the air carriers serving the airport contain a warranty from the city that no diversion of funds from the airport will take place.

Thus, efforts to appropriate revenues currently being earned by the Airport would, in the opinion of this office, jeopardize critically important federal funding, and violate existing contractual arrangements.

DISCUSSION

I. City Charter and Existing Contracts.

The Airport was established pursuant to authority delegated by the Vermont General Assembly to the city specifically in its Charter and to all municipalities in the state under the terms and conditions set forth in Title 5 of the Vermont Statutes Annotated. See specifically 5 V.S.A. §295 (1972). The Charter of the City of Burlington ("Charter") in turn empowers the City Council as follows:

To acquire and hold by lease, purchase or gift and to maintain within the limits of said city, or within the limits of an adjoining town, a public aviation field and municipal airport and to properly equip the same for use; to regulate the use of said field and its equipment and to charge, receive, demand and collect from time to time reasonable compensation for use thereof and to manage and control such field and its equipment, appoint proper officers to have charge of the same and to define their duties;...

Charter of City of Burlington, §48(L). The Charter thereafter creates, as an executive Department of the City, a Board of Airport Commissioners ("Board") and charges the same with "exclusive general management and control" of all lands, buildings, property and equipment of the Airport, subject to the orders and ordinances of the City Council. Id., at §276. At issue here is the extent
to which, if at all, any revenues of the Airport may be diverted from the Airport and applied to non-airport general city purposes. In order to address the question, it is necessary to consider first whether there is a definitive statutory basis for such a diversion (i.e., local charter, state or federal statute), and second whether there is a general, common law basis for doing so. Presumably, the process through which such utilization would be accomplished is the annual city budget process, although there is also authority under the Charter for the City Council to transfer funds from one department or branch of city government to another after the budget has been approved. See, Charter §157.

The revenues or other funds paid and payable to the Airport from whatever source, except capital improvement grants from the state and federal governments, form a part of the funds from which the City's annual budget appropriations are made. In this respect, the Charter treats the Airport differently than the City's other enterprise functions such as the Electric Light, Water Resources and Traffic Departments whose revenues are required to be segregated in separate accounts and not generally available for annual municipal appropriations. See, Charter §65 and 48 (LVIII(B)). This distinction is of importance because it means that from the standpoint of the Charter, Airport revenues may, at least under some circumstances, be utilized for non-Airport city purposes.

Annually, the Board submits to the Mayor a budget request for each upcoming fiscal year. Id., §157. The Mayor, in turn, with the assistance of the Board of Finance, submits a proposed budget to the City Council for its ultimate approval. As described by section 157, the budget submitted to the City Council is "an estimate of the necessary appropriations to cover the expenses of each department and branch of the city government for the next fiscal year." Charter, §157. Implicit in this language is a presumption that the proposal will provide adequate funds to each department to cover its respective operating expenses, although there is no definitive requirement to that effect in any provision of the Charter. There is, however, case law to the effect that a diversion of the revenues of an enterprise department prior to the payment of operating expenses, repairs, and indebtedness associated with that department is not permitted. See generally, Annot., Disposition of Revenues from Operation of Revenue-Producing Enterprise Owned by a Municipal Corporation, 103 A.L.R. 579, 579 (1936) (and cases cited therein). To quote the Annotation more precisely:

The purpose of operation of water works, electric plants, and other revenue-producing enterprises by
municipalities being generally the furnishing to residents of a needed service at as low a cost as possible, in the majority of jurisdictions the revenues thus derived are required to be devoted to the payment of operating expenses, repairs, and indebtedness incurred in the construction or purchase of the system, and often the extension or improvement thereof.

Id. Frequently, the determination of the questions which is herein being considered is a function of the construction and effect of specific statutory provisions. Id. Compare, Ohio Power Co. v. Craig, 50 Ohio App. 239, 197 N.E. 820 (1935) (dictum to effect that funds from municipal water system cannot be diverted to any other purpose) with, Wadsworth v. Santequin City, 83 Utah 321, 28 P.2d 161 (1933) (dictum to the effect that net revenues of a municipal utility belong to the city, and may be used for any corporate purpose). In those cases reported in the annotation, see, Annotation, 165 A.L.R. 854 (1943), countenancing a diversion of revenues, the facts consistently involve surplus revenues or net revenues; that is, revenues in excess of the operating expenses, debt service, and other necessary expenditures of the department. See, e.g., People v. Glencoe, 372 Ill. 280, 23 N.E. 2d 697 (1939), Electric Plant Bd. v. Mayfield, 299 Ky. 375, 185 S.W.2d 411 (1945); Miles v. Union Ice Corp., 133 Ohio St. 169, 17 N.E.2d 403 (1938). In short, it seems most prudent to proceed with this discussion on the presumption that funds sufficient to pay the operating expenses of the Airport will be appropriated, and that the "revenues" being discussed herein are "net revenues" of the Airport. On that point, it is most important to understand that at present, the Airport does not as a rule generate substantial "net revenues." There are two major reasons for this state of affairs.

First of all, Charter section 48(L) empowers the City to "charge, receive, demand and collect from time to time reasonable compensation" for use of the airport. Reasonable compensation, in the quasi-monopolistic context here used, connotes charges which are sufficient to cover properly allocable expenses plus a margin for "return" to insure solvency of the enterprise. The absence of competition in the immediate area for air carriers leaves the Airport without a "market" within which to price itself, although it is sensitive to the charges received by other "bus" airports (i.e., Albany, N.Y., Portland, Me., Hartford Conn.). Therefore, the Airport determines the amounts to be collected from air carriers for space occupied and for landing fees on a "cost-of-service" basis not unlike that used by other public utilities. Thus, each air carrier is allocated a proportional amount of the costs of the Airport's operations on a "square-footage-occupied" basis. Landing fees are based upon the gross
Landing weight of the aircraft actually landed, and thereby pegged to the burden placed upon the system. Concessionaires, for their part, bid the occupancy of limited space. The highest responsible bidder is awarded a contract which requires a minimum payment per year, plus a percentage of the revenues of the operation, if revenues exceed a certain figure.

As noted, each of the foregoing leases or contracts is long term. The existing air carrier leases, for the most part, expire in 1987. Nonetheless, the revenue portion, as opposed to other terms and conditions therein, is open to renegotiation every three years. In this case, the revenue portions are due to be renegotiated on or before June 30, 1984, with any outstanding disagreements being subject to binding arbitration. Although it is conceivable that the Airport could actively seek to negotiate higher air carrier space rentals or landing fees, it is to be remembered that they may only do so to the bounds of "reasonable compensation", which is a function of the costs of doing business. It has already been made clear to the Airport by the air carriers that any increases not warranted by increases in the costs of operating the airport will be vigorously opposed. Beyond this, however, there is a present contractual impediment to the diversion of any revenues generated from air carriers pursuant to current lease agreements. Principally, all air carrier leases contain the following clause:

E. The City has the exclusive jurisdiction to fix, alter, change, establish, collect rates, fees, rentals and other charges for the service and facilities of the airport except those items specifically fixed herein. The City hereby warrants that all revenues and receipts from rents, fees, charges, interest on funds not expended, or income from any source received or accrued to City from the airport and all parts thereof, shall be used exclusively by the City for the purpose of the airport.

This requirement is also subject to renegotiation in 1984. The air carriers, however, through their Negotiating Committee, can be expected to vigorously oppose any effort to delete this provision and to submit any such attempt to binding arbitration.

Thus, while the Charter does not prohibit utilization of the Airport's net revenues for non Airport purposes, the City's ability to accrue significant net revenues is limited by the requirement that airport charges not be more than what is reasonable compensation for the use of the field and its equipment. In addition, current contracts would prohibit non Airport utilization of Airport Revenues.
II. Federal Law.

The other impediment to using Airport revenues for other city purposes is federal law.

In 1982, Congress enacted the Airport and Airway Improvement Act of 1982 (the AAIA) P.L. 97-248 (Sept. 3, 1982). Intended to replace an earlier enactment, the AAIA (and its predecessor) makes federal grant funds available to qualifying airports to promote long term capital improvements in aid of air transportation. City of Los Angeles v. Coleman, 397 F. Supp. 547, 554 (D.D.C., 1975). Airports are encouraged to participate in the funding program. To be considered for the monies, an airport must submit a master plan, detailing the capital improvements the airport desires to undertake, "for approval by" the federal government. Thereafter, for each grant, the airport must submit an application, some details of which are discussed below, and set aside or commit to set aside a required minimum amount of revenues for capital improvement purposes. This "local share" is necessary first as a show of good faith or commitment by the airport, and second because combined federal-state funding does not fully cover all project costs. By example, in the current fiscal year the Airport was required to set aside $75,000 of its revenues to insure its entitlement to $30,000 in federal funds. This fact alone contributes markedly to the abundance or elimination of net revenues at the Airport. Beyond this requirement, however, the application for grant moneys itself places restraints upon the availability of Airport revenues for non-airport uses. In its application, a "public airport" (which the Airport is by definition) must certify that:

(12) all revenues generated by the airport, if it is a public airport, will be expanded for the capital or operating costs of the airport, the local airport system, or the other local facilities which are owned or operated by the owner or operator of the airport and directly related to the actual transportation of passengers or property;

P.L. 97-248, §511(a)(12). Aside from a provision permitting the Airport to continue to use revenues to service outstanding general obligation debt, the above quote of subsection (12) is complete. Its plain and sole purpose is to make the recipient a self sustaining entity, the revenue of which is devoted to operating, maintaining, improving and bettering the facility. This purpose is evident throughout section 511(a), most particularly in subsection (9) thereof wherein the applicant is again required to certify that the airport will maintain a fee schedule and rental structure which will make the airport as self-sustaining as possible under
the circumstances existing at that particular airport. Id., §511(a)(9). No distinction is made in section 511 or elsewhere in the AAAA between revenues from air carriers and revenues from other sources. As yet, there have been no regulations or Court decisions to definitively qualify the issue, nor to define “revenues generated by the airport.” {A case entitled Indianapolis Airport Authority v. American Airlines, et al. now pending before the 7th Circuit Court of Appeals may ultimately shed some light on this question}. Given the qualification in section 511(a)(12) that it apply only to “public airports”, and the general requirement that the airports receiving funds be self-sustaining, it is most logical to presume that the phrase “all revenues” is intended to encompass all air carrier related revenues and all revenues received from functions or uses of an airport which are intimately related to the services provided by an airport. Nonetheless, it remains to be determined whether the revenues accruing to an airport from fringe services such as hotels, etc., would necessarily have to be devoted to airport uses. In the instant case, however, the factual setting and evidence both dictate that for the Airport, any diversion of current revenues could seriously jeopardize AAAA eligibility, the continued availability of which is critical to the Airport. At present, the Airport receives grants for capital improvements from both the State of Vermont and the federal government which, in the aggregate, exceed 90% of the Airport’s capital improvement budget. Without these grants, the Airport would be at a substantial disadvantage with regard to needed capital improvements, which would no doubt be reflected either in the cost charged by air carriers or a reduction in the number of carriers serving the facility.

In summary, the Airport depends almost entirely upon these grants to finance needed capital expenditures for runway, navigation, taxiway and apron improvements. An inability to certify as required by section 511(a)(12) that all revenues of the Airport are devoted to airport purposes would disqualify the Airport from receiving a substantial and much needed influx of dollars. Presumably, capital improvements would, in such circumstances, then have to be funded by the issuance of general obligation debt.

III. State Law.

As noted earlier, the appropriateness of utilizing net revenues of an enterprise department for other city purposes is often a function of statutory or constitutional interpretation. Having discussed the Charter of the City, and the provisions of the AAAA, it remains to be asked whether there is any state statute which should properly be factored into the analysis.
Title 5 of the Vermont Statutes Annotated embodies the applicable state law in the area of aeronautics. Aside from state aid monies available to municipal airports discussed above in connection with federal funding for local airports, the statutes authorizing establishment of a municipal airfield contain language relating to the expenses of operating and maintaining an airfield. More specifically, section 296 provides that a municipality may use and expend all income derived from the operation of such airport or landing field for maintenance and upkeep thereof, § 5 V.S.A. §296 (1972). Without going into a lengthy discussion of the principles of statutory construction and the intent of the legislature, it seems most probable that the use of the term "may" as opposed to "shall" is indicative of a legislative desire to accord to the municipality some flexibility in its provision for airport expenses. In other words, the above quoted language conveys an option rather than a direction as regards to the income derived from airport operations. Thus, there is no specific state statutory proscription against using airport revenues for other governmental purposes.

CONCLUSION

It can be said with certainty that as a general rule, the diversion of enterprise revenue prior to the payment of necessary operating expenses is not countenanced by the law except where specific legislation otherwise permits the same. In this instances, section 157 implies but does not require funds sufficient to cover the operating expenses of the Airport be appropriated prior to diversion of net revenues, if any. Neither is there a Charter section which specifically prohibits or permits such a diversion. However, by not specifying that Airport revenues be held in a segregated fashion, and by considering such revenues a part of the general city revenues from which annual appropriations to all departments are made, it is our opinion that the Charter does not bar the appropriation of Airport net revenues for other city purposes.

As to net revenues, there is a constraint thereon in the terms of section 411.1 of the Charter, as well as the budget process currently followed by the Airport. To the extent that any effort is made to collect revenues in excess of "reasonable compensation", there may be justification for a challenge thereto from those from whom the amounts are to be collected. Further, existing contractual arrangements do not permit any use of Airport revenue for non-airport purposes. Finally, to continue to be entitled to much needed federal funding of capital improvements the Airport must not only set aside a portion of its revenues, but it must certify in writing that all revenues generated by the
Airport will be devoted to airport purposes. Although the term "all revenues generated by the airport" is undefined by the federal law and not as yet definitively in the courts, the general intent and language of the federal law supports the proposition that all current revenues should be devoted to the purposes of providing airport services. To do otherwise could create a very substantial risk that significant on-going federal funding would be jeopardized.

REP: JEM/dmv
January 8, 1985

The Honorable Bernard Sanders
Mayor
Burlington Board of Airport Commissioners
Burlington, Vermont 05401

Dear Mr. Sanders:

This letter is in response to your proposal to divert revenues from Burlington International Airport (Airport) to the General Fund of the City of Burlington (City). You have submitted this proposal to the Federal Aviation Administration (FAA) for review because of our substantial interest in the Airport.

The justification for your proposal is contained in a report, dated August 30, 1984, prepared by the City Treasurer and entitled An Analysis of the Nature and Amount of Debt of the Burlington International Airport to the City of Burlington (hereinafter referred to as the Financial Report). In general, the Financial Report is an attempt to characterize City's past support of the Airport as a debt which, now that the Airport is generating positive revenue, must be repaid. The interest of the FAA in how airport revenues are utilized arises because of the substantial grants given for the development of the Airport under the Airport and Airway Improvement Act of 1982 (AAIA), the Airport and Airway Development Act of 1970 (AADA), and the Federal Airport Act of 1946 (Airport Act). In implementing these statutes, the FAA's long-standing policy has been to include assurances in the grant agreements limiting how revenues generated by airports receiving funding could be spent.

The City's proposal to divert Airport revenues raises a variety of issues of state and Federal law. While the state law issues raise serious doubts as to City's ability to transfer revenues from the Airport to its General Fund, these questions are beyond the FAA's expertise. (Instead, they should be raised with the State Attorney General's office.) This response will be restricted to the questions presented by the applicable Federal law. Under Federal law, the FAA cannot approve of the City's proposed use of Airport revenues for non-airport purposes.
The basis for the FAA's disapproval lies primarily in § 511(a)(12) of the AAIA, 49 U.S.C. § 2210(a)(12) (1982). This provision restricts the use of revenues by airports receiving federal grants, stating that:

all revenues generated by the airport, if it is a public airport, will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport and directly related to the actual transportation of passengers or property ...

With this provision, Congress unequivocally expressed the intention that federally assisted airports should utilize "all locally generated revenue for the systems which they operate." S. Rep. No. 494, 97th Cong., 2d Sess. 712 (1982). Thus the proposed transfer of any airport revenues to the General Fund of the City of Burlington would violate both the letter and the intent of this statute and impose the type of hidden tax on airport users which the provision was explicitly meant to prevent. Id.

In prohibiting the use of airport revenues for non-airport purposes, the statute reaches all the transfers of revenue proposed in the Financial Report. The statute goes on to expressly limit the use of airport revenues to repay only certain types of previously incurred airport debt obligations, focusing on those debt obligations whose terms specifically require the use of airport revenues for repayment. This provision prohibits the utilization of revenues for the repayment of other types of previously incurred debt, including the accounting "adjustments" proposed by your financial report. Parenthetically we would note that these adjustments appear to be a complete reversal of prior accounting policies regarding the airport rather than the correction of accounting errors. In our view, § 511(a)(12) prevents not only prospective transfers of airport revenues for non-airport purposes, but it also prohibits retroactive "adjustments" in order to achieve the same shift of funds from the Airport to the General Fund of the City.

You have also proposed, in your letter of August 2, 1984, utilizing the portion of the car rental revenues equal to the revenue from rentals not associated with the use of airport facilities for airport purposes. Such diversions of revenue were anticipated and are prohibited by § 511(a)(12). The relevant legislative history states that the provision applies to "such facilities as terminal concessions ... serving the
terminal or other air transportation purposes." S. Rep. No. 494, 97th Cong., 2d Sess. 712 (1982). This language indicates that Congress intended that revenues from airport concessions--such as car rental concessions--be associated with the use of airport facilities for airport purposes. The use of these revenues must be limited to the Airport; segregation of revenues received from Airport concessions in the manner proposed by you is not permitted. The fundamental principle of § 511(a)(12) is that all activities which generate revenue at an airport do so because of the airport. Therefore, these revenues must be applied to the airport which made them possible.

A similar analysis of § 511(a)(12), to which you should refer, is contained in the discussion of Federal law issues included in the 1983 Opinion No. 25 from the City Attorney's Office to your office. That analysis of § 511(a)(12) also indicates that the actions you have proposed are prohibited by Federal law, and that implementation of them could jeopardize the award of future grants as well as result in additional sanctions.

An additional basis for our disapproval for your plan lies in § 511(a)(3) of the AAMA, 49 U.S.C. § 2216(a)(3) (1982). This provision obligates the recipients of Federal airport grants to operate and maintain the airport and its connected facilities. This requirement was first included in the Federal Airports Act of 1946 at § 11(b) and later, in 1970, in the AAMA at § 18(2). Under this provision, the City of Burlington, as owner and operator of the Airport, obligated itself to spend its own funds to operate and maintain the Airport when it began receiving Federal assistance in 1948. In this regard, the term "operate and maintain" refers not only to costs associated with the airport's physical plant, but also any personnel costs associated with the running of the physical plant. Since the costs which you seek to recover through the transfer of Airport revenues to the General Fund all fall within one of these categories, they are expenditures which Burlington was required to make. They are not "debts" owed by the Airport to the City.

Finally, there is a fundamental inequity in your proposed transfer of Airport revenues. Over the past thirty-four years, the Federal assistance grants awarded out of the Airport and Airway Trust Fund (Trust Fund) and received by the City for its Airport have totaled nearly $6.5 million dollars. The development financed by this assistance has in turn allowed the Airport to generate the substantial revenues which you now propose to divert. This diversion of Airport revenues would, however, be unfair to the users of aviation, who finance the Trust Fund through user taxes. The purpose of the Trust Fund was to place the primary burden of airport and airway development on the direct users of the systems. H.R. Rep.
No. 601, 91st Cong., 1st Sess. 3 (1969). To allow Burlington to directly reap the benefits of development financed by aviation users while at the same time diverting the revenues generated by that development would be unfair to the aviation community.

Moreover, by diverting Airport revenues to the General Fund, the City would indirectly be using the monies of the Trust Fund, which caused the revenue to be generated in the first place, to finance municipal activities. The use of the Trust Fund in this manner was not intended by Congress. The intent in creating the Trust Fund was "to insure that the air user taxes are expended only for the expansion, improvement, and maintenance of the air transportation system." Id. at 41.

Your proposed diversion of Airport revenues would be in contravention of this clearly stated intent. In general, the overall purpose of the Airport Trust Fund, as in any trust fund, is to use the funds held in trust for a designated beneficiary, which, in this case, is the aviation community. Your proposal would improperly undermine this purpose.

The Trust Fund has financed a great deal of development at the Airport, which in turn has directly fostered the economic development of Burlington and the surrounding area. It is appropriate that airport revenues not be diverted away from use in the air transportation system, but rather be applied to the improvement and enhancement of that system.

I hope that you understand and accept the reasons for FAA's disapproval of your plan. The applicable statutes, the implementation of which the FAA has been charged with, clearly prohibit such proposals. In addition, your proposal conflicts with long-standing FAA policy, since, if like proposals were adopted by municipalities nationwide, the development and operation of the entire airport and airway system would be severely disrupted.

I appreciate your cooperation and patience in this matter, and hope that this agency can be of assistance to you in the future.

Sincerely,

J.W. Murdock III
Chief Counsel
BURLINGTON INTERNATIONAL AIRPORT

Information Update
Spring 1993

Conducted by:

The Greater Burlington Industrial Corporation
7 Burlington Square
Burlington, Vermont

and

The Lake Champlain Regional Chamber of Commerce
209 Battery Street
Burlington, Vermont
Introduction:

In the fall of 1991, as comments began circulating about the high business cost of flying into Burlington’s International Airport (BTV), GBIC and the LCRCC took a quick look at BTV, as it compared to neighboring regional airports in New England, in both passenger load and landing fees. At that time it was learned that BTV ranked fifth out of seven in both those categories.

Now as concerns are raised about the impact that decreased jet service will have on the regional business community, GBIC and the LCRCC again have taken a quick look at the level of enplanements and the types of planes that currently service the airport. That information has been collected for Portland, Maine and Providence, Rhode Island for comparative purposes.

Enplanements:

Between ’91 and ’92 enplanements at BTV increased 5%. Figures for this year-to-date indicate that, overall, air travel remains fairly even with last year.

This gradual improvement is also reflected in at least two other New England airports which were quickly surveyed. Portland, ME and Providence, RI reported enplanement increases of 5% and 8%, respectively, during that same time period.

According to representatives at these three airports, the increase in air passengers is due, in part, to the improvement in the economy rather than an actual increase in the number of flights into these airports.

Type of Aircraft:

As the regional and national economy worsened, businesses cut back on a variety of operating expenses including employee air travel. With the decrease in demand, airlines implemented cost efficiency measures by switching from the larger capacity jets to smaller, regional commuter planes.

The economics of geography has also played an important role in determining the type of plane used within New England. Jets are most economical when servicing airports that are at least 400 miles apart. The proximity of airports in New England (roughly 200 miles from each other) makes this an expensive trip for jets. Consequently, airlines are opting to deploy regional commuter planes to maintain the level of service necessary, while offering business greater frequency of flights and flexibility in schedules.

At BTV, roughly 80 to 90 flights (total arrivals and departures) occur daily. Overall, the number of jets has decreased but, there have also been upgrades in the types of commuter services provided.
Northwest has increased the size of its turbo props;
United is adding a second jet;
United Express has increased the majority of its flights from 25 to 40 passenger capacity;
Mohawk has added a new line of flights, and;
Roadair flies between Burlington and Montreal four round trips daily into Mirabelle, Dorval and Bromont.

Approximately 25% to 30% of the passenger traffic out of BTV is on commuter services.

Portland has been experiencing a similar phenomenon. A slight decrease in jet service has been compensated for with an increase in regional commuter service. Roughly 26% of their passengers ride commuter planes. The chief obstacle for this airport seems to be the size of its terminal - it cannot accommodate anymore jets until they expand their facility.

Providence has 39 jet departures and 69 regional commuter departures daily. That airport has experienced a slight decrease in jet service in recent years, due to the recessionary climate. They are serviced by United, Northwest, USAir, Delta, Continental and American airlines.

Summary:
The recent decrease in jet service to Burlington’s International Airport is not unlike experiences at neighboring airports. A traumatic regional recession and the resultant decrease in consumer demand, combined with the geographic proximity of New England’s airports, have resulted in a change in the way the airlines industry services this part of the country. A decline in expensive jet service has, however, resulted in some other opportunities for business travelers.

The airlines industry has increased and upgraded the kinds of regional commuter services among these three airports. A steady number of departures and more flexible schedules have provided business with greater choice about air travel in this area. With the gradually increasing number of air passengers, it is not unlikely that further upgrades in business services could be realized.