Creating a Regional Airport Authority

Lynchburg Regional Airport

February 2020

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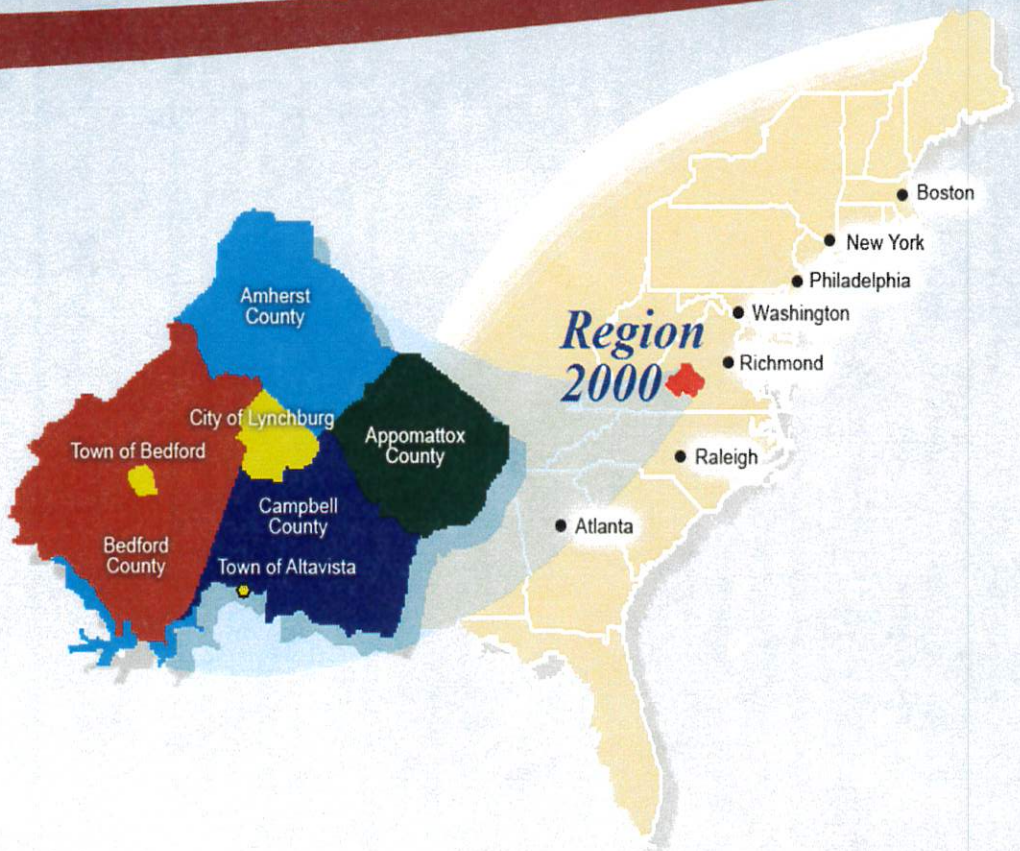
Why we are here...

- On October 8, 2019, Lynchburg City Council approved the Lynchburg Regional Airport Commission's recommendation to form and independent airport authority as the governing body of Lynchburg Regional Airport.
- Council further directed City Administration to compile and present a plan to City Council to form such an authority as authorized by the enabling legislation passed by the General Assembly in March 2007 and effective July 1, 2007.
- Prior to presenting a plan to City Council, City Administration needs to understand which, if any, surrounding counties are interested in exploring membership in a regional airport authority.
- Today, we are here to present some background and ask that you inform the City of your interest or not in exploring membership in a regional airport authority.

Introduction

- LYH is the primary commercial service airport serving the City of Lynchburg and the four-county area surrounding Lynchburg
- Owned & operated by the City…but located in Campbell County
- Annual operating budget $2.8 million/Capital budget $3 million (avg)
- LYH financially healthy…generated a $226,000 operating surplus in FY 2019
- Airline service growing…passenger traffic up 27% in October vs. last October
- Airport represents an economic impact to the region of $180 million and is responsible for a total of 1,770 jobs
- Bottom Line: LYH is a major ***regional*** transportation asset

Air Service Metrics



- **LYH's Primary Service Area consists of:**
  - **The City of Lynchburg and the counties of Amherst, Appomattox, Bedford and Campbell, covering approximately 2,000 square miles**

Air Service Profile (October 2019)

- One airline: American Airlines
- Seven daily departures
- 4 CRJ-700s, 3 ERJ 145s
- Charlotte hub served non-stop

- **Total Airline Departure Seats up 25% over Oct. 2018**
- **Seats up 57% over Oct. 2017**

Why an Airport Authority?

- Commercial service airports operate in a complex and competitive environment that requires being run like a business
- Industry professionals agree an airport authority governance model is the most effective & efficient form of governance for smaller commercial airports
- LYH is the ***only*** commercial airport in Virginia that is not an independent authority

Code	Commercial Service Airports	Governance	Enplanements
RIC	Richmond International Airport	Authority/Commission	1,822,486
ORF	Norfolk International Airport	Authority	1,694,329
CHO	Charlottesville–Albemarle Airport	Authority	334,347
ROA	Roanoke Regional Airport	Authority/Commission	309,341
PHF	Newport News/Williamsburg International Airport	Authority/Commission	197,994
LYH	**Lynchburg Regional Airport**	**City**	**82,489**
SHD	Shenandoah Valley Regional Airport	Authority/Commission	6,605

Authorities Reflect Governance of Regional Airport Services

- **Commercial Airports like LYH Represent a Unique Public Service**
  - LYH is a "one-of-a-kind" regional asset and key contributor to economic development
  - Provides public services that are not duplicated by any other local government entity
  - LYH is only airport with airline service within the Central Virginia geographical footprint
  - Is a regional asset that is optimized through a regional approach
- **Most Successful Airports are Governed by an Independent Airport Authority**
  - Most responsive airport model in a deregulated airline environment
  - Emphasizes private-sector business principles
  - Offers greater flexibility and single-focus on airport and aviation priorities
  - Numerous airports that have transferred to airport authorities in recent years have experienced significant growth in airline service

Key Benefits & Advantages

Overall, an Airport Authority Model for LYH Would Help Serve to:

- Form a more nimble operating and administrative environment
- Increase management efficiencies and prioritize better
- Improve decision making and establish clearer lines of authority
- Enhance management's ability to innovate
- Generate higher revenues and potentially lower direct/indirect costs
- Foster higher productivity
- Provide better focus on regionalism
- Compete better for airline service with other airports operated as independent authorities
- Provide more flexibility to offer airline incentives

Potential Challenge

No Financial "Backstop" in the Event of a Total Loss of Scheduled Airline Service

- Airport Fund has sufficient operating and capital reserves to operate in excess of one year or until conversion to a general aviation airport operating/financial structure (no Federal Aviation Regulation Part 139 air carrier operating requirements)

- Airport Fund has generated operating surplus every year since 2016. This is attributed to growing the airport's revenue base, managing expenses, minimizing the use of new debt while paying off existing debt

- If necessary, a "safety net" could be included in an authority agreement. A set amount of reserve can be maintained in the Airport Fund from capital reserves and retained earnings

Airport Authority Process

- Started in earnest in early 2000s with intention to include an "Air Commerce Park" with Campbell County
- Advisory Committee formed in 2003…later became Airport Authority Advisory Committee to pursue required General Assembly approval
- Enabling legislation (HB 2800 *Virginia's Region 2000 Airport Authority Act*) passed the General Assembly in 2007 and became law July 1, 2007
- Enables the City of Lynchburg and one or more of the four surrounding counties to form an independent airport authority to govern LYH
- Key: Powers of the authority are vested in directors appointed by each participating locality…"**each of which will have the power to remove at any time, without cause, any director and appoint a successor**"

So Why Become a Member of a Regional Airport Authority?

- LYH is a key contributor to economic development and business growth for the entire region
- As a member of the Airport Authority, Appomattox County will have a "seat at the table" and a voice regarding the growth and future development of this regional transportation and economic asset
- The airport is a unique part of the region's public infrastructure that is not duplicated by any of the surrounding localities
- Industry professionals agree an airport authority governance model is the most effective & efficient form of governance for smaller commercial airports

Interested in Exploring?

- Today we ask you of your interest in exploring participation in a regional airport authority so City Administration can begin to compile a timeline and plan for forming such an authority.

- Questions/Comments