



Legislation Text

File #: 15-00659, **Version:** 1

A resolution authorizing the City of Colorado Springs, by and through its enterprise, the Colorado Springs Municipal Airport, to accept charitable funds from the Pikes Peak Community Foundation, deposited by private foundations and others for the purpose of lessening the City's burden by way of significantly and tangibly developing, promoting and accommodating air commerce, air travel and air transportation at Colorado Springs Airport.

From:

Dan Gallagher, Aviation Director

Summary:

Attached is a resolution to authorize the City of Colorado Springs, by and through its enterprise, the Colorado Springs Municipal Airport, to accept charitable funds from private foundations and others to be deposited into and held by the Pikes Peak Community Foundation, for the purpose of lessening the City's burden by way of significantly and tangibly developing, promoting and accommodating air commerce, air travel and air transportation at Colorado Springs Airport. Additionally, the resolution authorizes the City of Colorado Springs to accept charitable funds from any foundation, organization, person, group or entity for the purpose of lessening the City's burden, as long as there are no unacceptable conditions.

Previous Council Action:

N/A

Background:

The Internal Revenue Service ("IRS") permits tax exempt charitable donations to governmental entities so long as such grants lessen the burdens of the particular government. The City of Colorado Springs Municipal Airport ("Airport") is a governmental function that provides public air transportation. The enterprise is intended to be a self-sustaining governmental-owned business supporting that public purpose and may issue its own revenue bonds. Accordingly, the City is responsible for the Airport and has taken on the burden to ensure it is financially viable and effective for the benefit of community. With the support of charitable foundations the burdens of the City would be lessened.

Charitable donations that lessen the burden of government are generally tax exempt under IRC 501 (c)(3). See 26 CFR 1.501(c)(3)-1(d)(2). There are two requirements that must be satisfied when determining whether a charitable organization's activities lessen a burden of government. First, the governmental entity must consider the activities to be a burden. The IRS deems an activity to be a burden of the government if, under an "objective manifestation" test, the government or one of its entities considers its activities to be a burden. See Rev. Rul. 85-1, 1985-1 C.B. 177. A statute that specifically creates an enterprise and clearly defines the enterprise's structure and purposes is the

clearest way to demonstrate the requisite objective manifestation. Here, the City is conducting aeronautical activities, through the Airport as authorized under Chapter 14, article 1, part 2 of the City Code.

Second, the charitable organization's activity must actually lessen the burden of the government. See Rev. Rul. 85-2, 1985-1 C.B. 178. Whether a charitable organization actually lessens the burden of the government is determined by all relevant facts and circumstances. That is, whether a charitable organization's funding of economic development activities at the airport relieves the burdens that the City otherwise would have to perform. Charitable grants would lessen the City's burden by reducing economic development drains on Airport revenues and by supporting a healthy economy. This has positive effects on community through a trickle-down effect which serves traditional charitable purposes.

a. Support for an underserved community:

Economic development would create economic activity for the City's poorest neighborhoods. Zip codes 80910 and 80916 form an area known as Southeast Colorado Springs. The Airport is immediately adjacent to zip code 80910. Poverty levels in Southeast Colorado Springs are twice those in El Paso County as a whole. Economic stability is at the core of individual and family success.

In the case of several key indicators measuring poverty levels, employment status, and workforce, Southeast Colorado Springs has lower rates of economic stability compared to the state of Colorado or El Paso County. For example:

- 25% of individuals in Southeast Colorado Springs are living in poverty, compared to 12.4% in El Paso County and 13.2% statewide;
- the number of children living in households with Supplemental Security Income, cash public assistance income or Food Stamp/SNAP benefits (37.9%) is considerably higher in Southeast Colorado Springs than in El Paso County (19.3%) and the rest of the state (19.6%);
- unemployment rates are considerably higher than other parts of El Paso County and the state;
- limited high quality jobs are available; and
- local individuals often aren't equipped with the skills to fill the available quality jobs; and

Southeast Colorado Springs shows higher rates of health risk indicators than the rest of the state and El Paso County. For example:

- 25.52% of mothers in Southeast Colorado Springs are late in receiving prenatal care, compared to 19.6% statewide;
- the number of 10-19 year old mothers is considerably higher in Southeast Colorado Springs than in the rest of the state;
- the childhood obesity rate in 80916 and 80910 is between 17.6-19%, whereas El Paso County childhood obesity rates fall between 13.8-15.7%;
- 80910 and 80916 have the highest enrollment in Medicaid and the greatest Emergency room utilization in El Paso County; and

Taking a broad look at Southeast Colorado Springs in comparison to the City as a whole, there is a large Hispanic and African-American population. From the census:

- 33% of Southeast Colorado Springs residents are Hispanic in comparison to 16.1% of the greater Colorado Springs area;

- 15.5% of Southeast Colorado Springs residents are African American, and 6.3% of Colorado Springs residents are African American;
- Southeast Colorado Springs is divided between older, more permanent residents and younger, “transient” residents, many of whom are in the military; and

b. Charitable Funding Directed at Enhanced Air Service Has A Direct, Positive Effect on the Economy:

Colorado Springs enjoys a balanced, diverse economic base. Aerospace and military defense are the leading industries supporting the local economy. The area also has countless producers of high-quality products such as electronic equipment, semiconductors, precision parts, medical devices and plastics manufactured and shipped to national and international markets from within our region. Information technology and data storage operations are flourishing in the community as well as a strong base of financial services/customer support/back office operations. Amateur sports are prominent and feature the Olympic Training Center and the headquarters of the United States Olympic Committee. Many other national nonprofit organizations, such as Junior Achievement and the Space Foundation, have also located their headquarters in the Pikes Peak region.

The military and their families need affordable air service. Colorado Springs’ five military installations host many commands including the North American Aerospace Defense Command, U.S. Northern Command, Air Force Space Command, U.S. Army Space and Missile Defense Command/Army Strategic Command, the Missile Defense Integrated Operations Center, the Joint Functional Component Command-Integrated Missile Defense, the 310 SW (AFRES), the 302nd AW (AFRES) and the U.S. Army 4th Infantry Division. Military members and their families are transient and require sound air service for both mission related reasons and for morale and welfare; and

As America’s Olympic City, the City requires affordable air service to support amateur sports and national governing bodies. Colorado Springs is the hub for amateur sports with more than 57 national and international sports organizations based in the region. Led by the United States Olympic Committee, the sports organizations, manufacturers and companies based here generate more than \$400 million of economic activity to the region each year. Many national governing bodies are headquartered here, such as USA Basketball, U.S. Figure Skating, USA Hockey, USA Swimming, and USA Volleyball. Other leading sports organizations include the National Strength and Conditioning Association, the Mountain West Conference, the Professional Rodeo Cowboys Association, and the Women’s Professional Rodeo Association.

Amateur sport athletes, their leadership and family members associated with them require diverse air service connecting to points throughout the nation for both mission related reasons and for morale and welfare.

The City also has a large retired population that needs affordable air service. Reduced cost of air travel allows out-of-town family members to visit Colorado Springs and allows the retirees to visit their out-of-town relatives.

c. Charitable Funding May Lessen the City’s Burden by Reducing the Airport’s Debt Obligations:

Charitable funding may offset and thereby lessen the burden of government by reducing its debt obligations. By way of example, in 1992, a bond ordinance was enacted by City Council to fund the

airport's new terminal. The outstanding bonded indebtedness is \$18,600,000 and is dependent upon sufficient air service generated revenues to provide for repayment. If a charitable organization were to reduce the City's repayment costs, it would lessen the City's burden.

d. The Burden of Fostering the Growth of the Airport May be Reduced by Charitable Funding.

The City along with El Paso County and Pikes Peak Rural Transportation Authority created a Commercial Aeronautical Zone which provides significant tax advantages for aeronautical businesses. Moreover, Resolution No. 73-05, provides for economic development at the airport by extending lease terms up to ninety-nine (99) years, which is a "catalyst and magnet for economic development" intended to support long-term investment, planning, and development. Charitable funding is capable of offsetting real estate absorption burdens or burdens associated with procuring the capital necessary for attracting or growing airport services. Funding may provide incentives which will give the airport a competitive edge. The effect of relieving the Airport of such burdens has a positive impact on marketing, improved ground transportation, improved and increased ground services, the number of strategic non-stop flights, and overall business expansion leading to job growth. Booking in-bound flights also increases tourism dollars and therefore increases general fund revenue.

Financial Implications:

Since this is a charitable grant and therefore the funds would not be repaid, there are no financial implications to the City or the Airport.

Board/Commission Recommendation:

The Airport Advisory Commission has been briefed on the proposed resolution and voted unanimously to offer a letter of support (attached).

Stakeholder Process:

N/A

Alternatives:

Without accepting charitable grants, the City will continued to, alone, bear the burden of operating an airport. This may have negative impacts on Airport reserves, cash ratios, capital improvement funds, and bond coverage.

Proposed Motion:

Move approval of the resolution.

N/A