



City of Sierra Vista

April 12, 2002

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OST-02-11590-19

DEPT. OF TRANSPORTATION
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02 APR 16 AM 11:51

The Honorable Norman Y. Mineta
Secretary of Transportation
US Department of Transportation
400 Seventh Street, SW, Suite 10200
Washington, DC 20590

Dear Secretary Mineta:

On behalf of the City of Sierra Vista and the Sierra Vista Municipal Airport, we respectfully request your consideration of our application for funding under the Small Community Air Service Development Program.

Like other small airports in the country, Sierra Vista has experiences a significant drop in service since the tragic events of September 11, 2001. An air service study contracted through the Boyd Group/Aviation Consulting Researching and Forecasting, Inc. last year for the City of Sierra Vista demonstrated that the region has approximately 75,000 air travelers per year. Less than 8% are utilizing the Sierra Vista Municipal Airport, and yet a 1999 survey of local business travelers indicated a 94% preference to fly to and from Sierra Vista.

The attached grant application requests a total of \$498,564 in federal funds, matching \$60,000 in local funds, to develop a program which would provide incentives to the commercial air carrier(s) on a per passenger basis, increase marketing and advertising, and offer other incentives to increase flights and ultimately usage of the Sierra Vista Municipal Airport. We are confident that our three-year plan will result in successful, self-sustaining air service to and from Sierra Vista by year four.

We appreciate your consideration of this request. If you need additional information, please do not hesitate to contact me at (520) 458-3315 or mjacobs@ci.sierra-vista.az.us.

Sincerely,

Mary Jacobs
Assistant City Manager

MJ/mlj

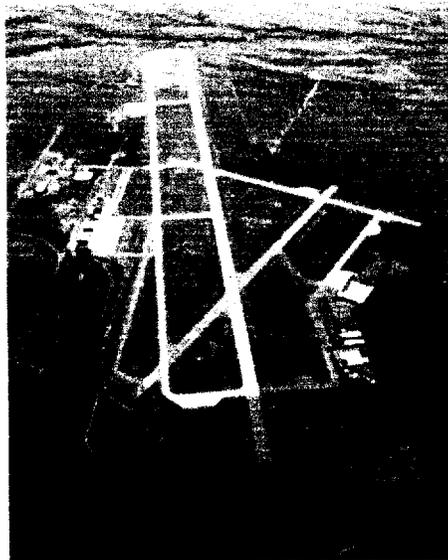
Enclosure

DEPT. OF TRANSPORTATION
DOCKET 18

02 APR 16 AM 11:51

Proposal Under the Small Community Air Service Development Pilot Program

Docket OST-2002-11590



Submitted by:

City of Sierra Vista – Sierra Vista Municipal Airport
Sierra Vista, Arizona



April 12, 2002





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GRANT APPLICATION CHECKLIST Sierra Vista (Arizona) Municipal Airport

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PROJECT PROPOSAL

PROJECT BUDGET

AIRPORT OPERATING BUDGET

REVENUE & EXPENDITURES, Two Year History

LETTERS OF SUPPORT



SMALL COMMUNITY AIR SERVICE PROPOSAL

History

Sierra Vista, Arizona, located 70 miles southeast of Tucson, is a thriving community of approximately 37,775, is the regional center of southeastern Arizona, and the home of historic Fort Huachuca. Fort Huachuca's major asset is Libby Army Airfield, which consists of three (3) runways on more than 900 acres of military land. The Airfield is surrounded by military reservation land, owned by the Department of Defense, United States Army, and the main 12,000-foot long runway extends principally east-west over Army-owned property, which makes it ideal for training and aviation related activities.

The City of Sierra Vista became an aviation partner with the US Army when it approached the military in 1970 and negotiated a lease agreement for 29 acres of land adjacent to one of the two main runways. The City moved a single-wide mobile home to the site to serve as its Airport Terminal and chip sealed a small apron area and taxiway to the main 5,600-foot long runway, at that time. Since the property was being leased from the US Army, it was not eligible for Federal Aviation Administration (FAA) or Arizona Department of Transportation (ADOT) grant funding. In 1982, to alleviate this challenge, the City requested, and the Army agreed to deed the initial 29 acres to the City through the FAA Airports and Airways Development Act of 1970. In conjunction with the initial deed of acreage, the US Army granted joint use of the Libby Airfields runways and taxiways to the City for use by civilian aircraft. Today, the Libby Army Airfield/Sierra Vista Municipal Airport is one of eighteen joint use airports in the United States and one of two in Arizona (Yuma/USMC).

In 1989, the Army deeded an additional 43 acres of land to the City under the Airport and Airway's Development Act of 1982, which permitted the City to secure FAA and ADOT airport development grants to develop the airside and landside infrastructure at Sierra Vista Municipal Airport. The partnership between the City and the US Army has allowed the City to improve Navigation Aid Systems and infrastructure on Libby Army Airfield.

The most recent partnering effort that the City and US Army have undertaken is the transfer of approximately 203 acres of US Army property immediately adjacent to the 75 acres of Sierra Vista Municipal Airport property. Again, under the "Public Benefit Transfer" option of Section 516 of the Airport and Airways Improvement Act of 1982, the City and Army are working together to affect this land transfer which will allow the City to develop an Air Park/Aerospace Center for generating revenue and creating jobs that will support aviation related industries. The land transfer deed is currently being processed through the Department of Defense, United States Army, and a deed for this property is anticipated by fall of 2002.

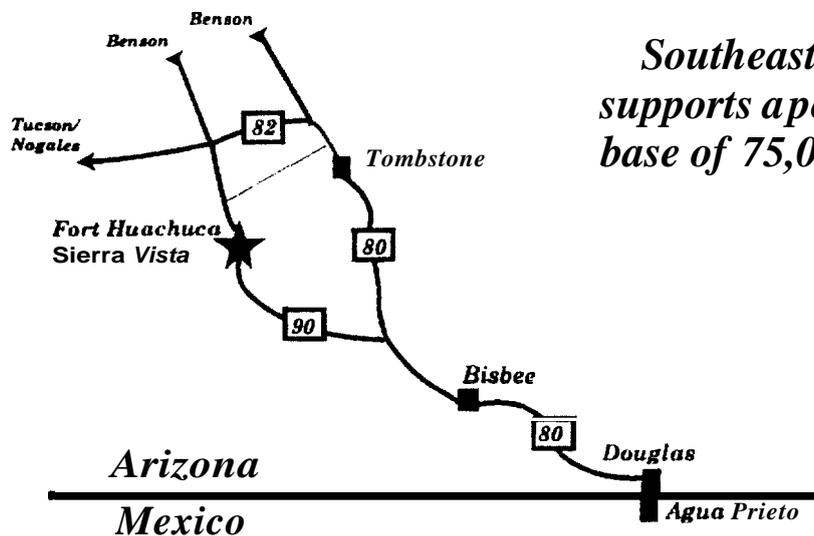
In the 1987, Sierra Vista partnered with Mesa Airlines, to provide regularly scheduled Commercial Air Service to Sierra Vista Municipal/Fort Huachuca. This partnership merged into a larger partnership with America West in 1992. Passenger enplanements increased with four flights per day flying into and out of Sierra Vista. In 1995 Mesa Air Group entered into a code share agreement with America West which made it more expensive to fly "in state" than anywhere else in the Country. This arrangement combined with the tragic events of September 11th, 2001, reduced the number of flight into Sierra Vista/Fort Huachuca to one flight per day



and increased ticket prices to the point where passengers have elected to not fly from our rural Airport.

Enplanements

In accordance with Federal Aviation Administration (FAA) guidelines as well as number of enplanements, the Sierra Vista Municipal Airport was, in Fiscal Year 1997, considered a small non-hub airport by the US Department of Transportation, Airport Improvement Program. The passenger boardings for the past six years have decreased from 12,983¹ in 1993 to 7,559 as of calendar year 2000. The Sierra Vista Municipal Airport was ranked 17th in enplanements in 2000². The City of Sierra Vista has estimated 6,026 enplanements for 2001, with only 25% of this amount occurring after September 11, 2001. The City's enplanements are averaging 250 enplanements a month since September 11th and America West reduced their schedule to one flight per day to Sierra Vista. In a report prepared by the Boyd Group/Aviation Consulting Researching and Forecasting, Inc (Appendix C) in the early part of 2001, it stated the Sierra Vista/Fort Huachuca area is responsible for generating, both directly and indirectly, over 21,000 passenger trips annually. The US Garrison Commander at Fort Huachuca estimates that from October 1, 2001 through February 28, 2002, the Fort averaged 1,324 official travelers per month. The Boyd Groups forecasts that a traffic base of 75,000 potential passengers are available in the Fort Huachuca / Sierra Vista service area.



Population Profile

According to information received from the US Census Bureau, Sierra Vista is the 13th largest city out of 87 incorporated cities in Arizona. Sierra Vista was the 57th fastest growing

¹ FAA/DOT Airport Improvement Program, FY 1996 report.

² FAA DOT/TSC V10 report of Non-Primary Commercial Service Airports dated 10/11/2001



incorporated city during the 1990's. In the past decade, Cochise County has grown by 20.4 percent, with the majority of the population growth being in the unincorporated areas.

POPULATION PROFILE				
	County	%Change	Sierra Vista	%Change
1960	55,039	74.8%	3,121	0.0%
1970	62,800	14.1%	6,689	114.3%
1980	86,300	37.4%	24,937	272.8%
1990	97,800	13.3%	32,983	32.3%
2000	117,755	20.4%	37,775	14.5%

Source: US Census Bureau & Sierra Vista Economic Focus 2001-2002

The median age group of Sierra Vista was 28.7 in 1990 and by 2000, the median age group had changed to 32 years of age. Cochise County's median age is 36.9 years old. Sierra Vista, like many rural communities throughout the United States, has found that its population base is growing older with each passing year. As that base ages, the maturing residents are looking for more leisure activities, with an easy way to fly in and out of the top destinations.

AGE GROUP		
Age Group	Sierra Vista	Cochise County
5 and under	2,906	7,966
5-19	8,381	26,700
20-34	9,203	21,272
35-54	9,348	31,970
55-64	3,363	12,482
65 and over	4,575	17,365
Median Age	32	36.9

Source: US Census Bureau & Sierra Vista Economic Focus 2001-2002

Current Air Service

Prior to the tragic events of September 11, 2001, the commercial airline carrier serving the airport, America West Airlines, was providing three daily flights on a Beech 1900 aircraft (19 seats each) from Sierra Vista Municipal Airport to Phoenix Sky Harbor Airport. After September 11, America West decreased the number of flights to one incoming and one outgoing per day. Therefore, the majority of the military personnel, government defense contractors, and other business travelers are driving to other airports to access airline service. This decrease in flights has resulted in insufficient air carrier service for the Sierra Vista Municipal Airport. The extended ground travel between Sierra Vista/Fort Huachuca and Tucson International Airport or Phoenix Sky Harbor Airport is an additional burden in terms of cost and lost time for passengers traveling on business with the largest employer in all of southern Arizona, the US Government.

A survey of tickets issued in the Sierra Vista region during 2000 shows that 73 percent of all



passengers boarded flights at the Tucson International Airport (TUS). Another 20 percent drove to Phoenix Sky Harbor (PHX), and less than 8 percent of all passengers originated on flights to/from Sierra Vista (FHU)³.

The cost to passengers to depart from Sierra Vista Municipal Airport is significantly higher than the cost of departing from Phoenix. For example, the cost to travel round trip from Sierra Vista to Phoenix is currently \$259.00 (as of April 9, 2002); to drive to Phoenix, at the federal per diem rate, and park your car for five days would cost approximately \$106.

Community Needs/Deficiencies

Before September 11, 2001, the Boyd Groups study revealed that critical issues were already in existence, identifying the issues through a survey of Fort Huachuca and business travelers. Those critical issues included:

- Seats not being available on peak travel days
- High number of delayed flights
- High number of cancelled flights
- Inconvenient connections (2+) at Phoenix Sky Harbor
- Three daily flights inadequately sustained the existing market

A survey completed by Cochise Community College in December 1999 showed 94 percent of business travelers would fly to/from Sierra Vista Municipal Airport if basic airline services were improved. The Boyd Group strongly believes that dependable service at Sierra Vista Municipal Airport with four daily flights to Phoenix, operated with Dash 8 aircraft (37 passenger seats) would provide strong contributory revenues to any commercial airline carrier domestic route system.

BUSINESS TRAVELERS

Considerations	Rank	Percent of Responses
Flight Times	1	85.4%
Airline Reliability	2	82.7%
Airline Connections	3	80.5%
Flight Price	4	69.7%
Airport Ease/Free Parking	5	29.7%

Cochise College Survey: December 15, 1999

Since September 11, the reduction in flights from the Sierra Vista Municipal Airport to one per day has significantly hampered the ability to use the airport for either business or personal travel. This is particularly the case with travel to and from the east coast, where much of the travel occurs for local business travelers associated with the Fort. Out of the top ten destinations for regional travelers, almost half of those could not accommodate return travel. The one flight per day departs Phoenix Sky Harbor Airport for Sierra Vista at 9:00 a.m., and returns to Phoenix at 10:30. Military and defense contractors travel a great deal to Washington, D.C., a destination no longer able to be served for round-trip travel from Sierra Vista.

³ Air Traffic and Revenue Analysis The Boyd Group/ASRC, Inc. March 2001.



Appendix A provides a detailed schedule of comparison airfares from Sierra Vista and other similarly served airports in the state. For out of state travel, Sierra Vista compares reasonably well on the survey conducted for the top ten destinations. In refundable travel, Sierra Vista is higher than one or more of the comparable Arizona cities 20 percent of the time. For non-refundable travel, the percentage goes up to 30 percent. Again, the primary problem is the inability for travelers to make round-trips work from Sierra Vista because of the one flight per day, not necessarily the cost of the ticket as is demonstrated in the table above. Although not included in Appendix A, in-state travel between the comparison cities in Arizona shows an exact match in flight costs to one another.

Public-Private Partnerships

The City of Sierra Vista will be the local sponsor and serve as the clearinghouse to submit reimbursement requests and receive program funding from the Department of Transportation, if the grant is awarded. The City of Sierra Vista has a very strong record of compliance with federal, state and private foundation grantors. In addition, there is annual financial and compliance audits are performed by an external auditing agency. This will ensure that funds intended for this project will not be diverted to other programs. These audits are performed to ensure revenues and expenditures are completed in accordance with Generally Accepted Accounting Principles (GAAP) and in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

The City of Sierra Vista has a long history of successful Public-Private Partnerships. Strong support has been received from the US Army Garrison Commander at Fort Huachuca, the Sierra Vista Chamber of Commerce and copious business and defense contractors in southeastern Arizona. The City has been in discussions with several air carriers, including America West and the Mesa Air Group, two air carriers already establishing a presence in the western United States. This Grant would allow us to foster a Partnership that has served the Sierra Vista/Fort Huachuca Community for the past 30 years.

Assurances

If the grant is awarded by the US Department of Transportation, the City of Sierra Vista will pass a public resolution that commits the city's shares provided by the residents to the airport project. Funds will be monitored to ensure that they are being spent in accordance with the grant requirements and are allowable and allocable to the project.

Internal controls have been implemented throughout the city government to ensure compliance with grantor requirements. These controls include a controlled environment in which:

- The tone of the organization is set to ensure integrity, ethical values, and competence;
- Risk assessment are conducted to identify and analyze areas of relevant risk to assure the achievement of organizational objectives;
- Control activities are in place, including policies and procedures relating to the approvals, authorizations, verifications, reconciliations, review of operations, and segregation of duties;
- Information is communicated to those parties who should be informed; and



- Internal controls in place are continually monitored to determine quality of the system's performance.

Strategic Plan

The main goals of this project are:

- 1) Increase the number of flights into and out of Sierra Vista Municipal Airport in order to maximize connections with other Airline flights in Phoenix which will improve the Air Service and encourage local passengers to use Sierra Vista for in and out of state travel;
- 2) Establish affordable and reliable Air Service which will increase the number of passengers flying from Sierra Vista Municipal Airport to Phoenix Sky Harbor;
- 3) Launch an intensive marketing and advertising campaign; and
- 4) Offer an incentive to the commercial air carrier(s) on a per passenger basis in order to keep the passenger costs reasonable and encourage greater local usage.

The City of Sierra Vista does not expect that this project will be an overnight success. Realistic goals have been implemented over a three-year period to ensure the program is a success. With a gradual increase in the load factor built into each flight, the goal is readily attainable and the project will be self-sustaining in year four with a standard marketing and advertising campaign that can be absorbed within the City's annual budget.

Discussions have taken place with several commercial air carriers who are currently providing service to communities of similar size and demographics in the western United States. If this project is awarded, the City of Sierra Vista will solicit proposals from commercial air carriers interested in providing service to Sierra Vista.

There are currently no plans on hiring any full-time equivalent positions within the next three to four years to implement this project. Current airport staff will fulfill the anticipated needs and requirements. Ticket counter positions will be the responsibility of the commercial air carrier awarded the bid to fulfill the service.

Marketing and advertising plans during the first year include promotions on the local television station, radio stations, and newspapers published throughout the County. Advertising banners and articles regarding the new and improved service the Sierra Vista Municipal airport will be placed on the City of Sierra Vista's weekly "City Page" and web site as well as the commercial carrier's web sites. Incentive programs for local travel agencies who book passengers through the local airport will be offered on a quarterly basis. The City of Sierra Vista currently has a contract with a public relations firm who will be participating in launching the marketing campaign. The Chamber of Commerce and the Convention and Visitor's Bureau are strong promoters of this project and willing to assist in whatever way is necessary to ensure the success of the proposed project.

The Sierra Vista Convention and Visitors Bureau will be launching an extensive campaign in conjunction with the Arizona State Office of Tourism within the next twelve months to encourage tourism in the local area.



Project Budget

During Year 1 of the planned project, it is the goal of the Sierra Vista Municipal Airport that the commercial carrier increases the current load factor to 50 percent or 10,374 passengers with three flights per day using the Beech 1900 aircraft. Calculations are based upon the contingency that during year 1, a base of 5,000 passengers would be consistently maintained by the carrier. The City would subsidize the commercial air carrier by \$32.00 per vacant passenger seats over the 5,000-passenger base. This would amount to approximately \$171,968 during the first year of service. A very strong marketing and advertising campaign (\$45,000) would be launched to ensure the potential passenger base is aware of the frequent flights to/from Phoenix Sky Harbor Airport (***why drive when you can fly***) and with a reduction in the cost of the round-trip to Sierra Vista Municipal Airport. The city would contribute \$20,000 of the \$45,000 for the public relations phase.

Year 2 budget, continues the three flights per day, however, the aircraft would change on one flight per day to a Dash 8 with 35 passenger seats, and two flights remaining on the Beech 1900 with 19 passenger seats. The load factor would remain at 50 percent or 13,286 passengers, with a 7,500-passenger base, and a subsidy of \$26.00 per vacant seat over the base requirement. The second year subsidy, at \$26.00 per vacant seats over a 7,500-passenger base, would be approximately \$150,436 with the marketing and advertising campaign still going strong with a budget of \$45,000; again, \$20,000 would be from the local agency.

During year 3, the program would move into the final phase, of four flights a day, three of them utilizing the Beech 1900, seven days per week, and one flight per day using the Dash 8, five days per week. The third year subsidy will be set at \$15.00 per vacant seat over a 10,000-passenger base, which would amount to approximately \$101,160. The marketing and advertising campaign will continue at \$45,000 for year three, and then level off to a budget of approximately \$20,000 annually from the Sierra Vista's general fund.

It should be noted that the City has not yet finalized an agreement with a commercial carrier. The concept of providing per-seat subsidies as outlined above is an integral part of this proposal, but some flexibility may be needed as we negotiate with the individual carrier(s). This may include lowering the non-subsidized threshold of passengers; increasing the per-passenger subsidy for a fewer number; modifying flight numbers for weekday versus weekend travel; modifying the type of aircraft provided by the carrier; or other adjustments in the concept.



Project Budget

ITEM	GRANTOR AMOUNT	LOCAL AMOUNT	TOTAL
YEAR 1			
Subsidy, 3 flights per day, 7 days per week Beech 1900 aircraft	\$ 171,968	\$ -	\$ 171,968
Increase Marketing and Advertising	25,000	20,000	45,000
YEAR 2			
Subsidy, 2 flights per day, 7 days per week Beech 1900 aircraft	82,316		82,316
Subsidy, 1 flight per day, 5 days per week Dash 8 aircraft	68,120	-	68,120
Increase Marketing and Advertising	25,000	20,000	45,000
YEAR 3			
Subsidy, 3 flights per day, 7 days per week Beech 1900 aircraft	80,610		80,610
Subsidy, 1 flight per day, 5 days per week Dash 8 aircraft	20,550		20,550
Increase Marketing and Advertising	25,000	20,000	45,000
TOTALS	\$ 498,564	\$ 60,000	\$ 558,564



Funding Analysis

The federal share for this program is \$498,564; the City will commit \$20,000 annually, from the general fund, to sustain the Marketing and advertising portion of the strategic plan to increase the number of flights to/from Sierra Vista. The Arizona Legislature is in the process of developing an in-state Rural Air Service funding program that could be used to augment the Federal program. Once adopted and if we are a successful recipient of the Federal program, we intend to apply for funding thru the State Department of Transportation (ADOT) Aeronautics Division to enhance our proposal. This is a new funding commitment and does not continue an already existing program. The City of Sierra Vista currently provides numerous benefits to the passengers and commercial air carrier utilizing the Sierra Vista Municipal Airport. These benefits include free long and short term parking to the passengers. The commercial air carrier benefits with subsidized terminal and ticket counter rental space based on square footage. These benefits are not calculated into the proposed project since they are existing programs.

Program Monitoring

During the course of the project, the Sierra Vista Municipal Airport will monitor daily enplanements to assess the success of the marketing and advertising campaign to increase the passenger load from the local airport. The enplanements will be measured against the load factor goal of fifty percent during the first year. The program will be constantly monitored to ensure the program is working as projected. The goal and objective of this program is very realistic and the possibility of success is very high.

Stimulate New Demand

This project proposal is not deterring passengers from other airports, just encouraging them to use the airport most convenient to their location, not only cost wise, but also time wise. Through an intensive marketing and advertising campaign, the goal is to bring about new demand by attracting potential passengers in the local area, which would alleviate the need of passengers having to make the extended drive to another airport. The initial goal for the marketing and advertising campaign in the first year is to target business passengers who are currently driving to Tucson International Airport.

Sierra Vista is home to Fort Huachuca, which houses one of the largest communication commands worldwide. Fort Huachuca is the single largest employer in Sierra Vista and all of southern Arizona with 11,375 employees⁴ during 2001. Fort Huachuca also requires numerous defense contractors for projects running simultaneously on a continual basis.

Tourism has increased with the opening of Kartchner Caverns State Park during the fall of 1999. The Caverns, located 15 mile north of Sierra Vista, have received international media attention. The Caverns accounted for 41.3 percent of all park visits in Cochise County during 2001. In 2000, the Sierra Vista Chamber of Commerce, and the Sierra Vista Convention and Visitors Bureau received 178,756 inquiries, compared to 36,173 the prior year. This interest from national and international tourist in the Sierra Vista, Cochise County region will not be overlooked in the marketing and advertising campaign scheduled for the second year of the

⁴ Sierra Vista Economic Focus, 2001-2002. Cochise College.



project implementation. Currently tourists fly into Tucson International Airport, where they have to spend the night, rent a car, and make the hour and a half drive to Sierra Vista. The goal is to eliminate the needless drive and extra two days required, and enable them to fly into Sierra Vista and stay at one of the twenty-seven lodging establishments in the local area.

Summary

Statistical data and historical service shows the City of Sierra Vista and surrounding areas would support an increase in the number of daily flights. Business leaders and defense contractors have indicated in their letters of support, included in Appendix B, that the extra cost, in hard dollars and employees time has created an extraneous hardship on their organization because of the large quantity of employees traveling on a monthly basis.

Sierra Vista created a Comprehensive Airport Master Plan to guide the development of the Municipal Airport in 1989. In 1996, Sierra Vista, updated the Airport Layout Plan and Master Plan to meet anticipated airport needs over the next twenty-year period. This plan has been reviewed and accepted by the Arizona Department of Transportation – Aeronautics Division (ADOT) and the Federal Aviation Administration (FAA) as conforming to FAA Airport Master Plan requirements outlined in FAA Advisory Circular 150/5070-6A. Sierra Vista is in a position to ensure that the program established under the Small Community Air Service Development Pilot Program will succeed, ultimately without subsidy following the expiration of the grant.



AIRPORT OPERATING BUDGET

	FY 1998/1999 Actuals	FY 1999/2000 Actuals	FY 2000/2001 Budgeted	FY 2001/2002 Budgeted
Salaries - Regular	\$ 23,802	\$ 30,158		-
Salaries - Overtime	2,906	4,766		-
Salaries - Part Time	26,722	-	-	-
Benefits	11,241	5,756	-	
Total Personnel	64,672	40,680	-	
Professional Services	22,926	177,130	\$ 538,620	\$ 19,807
Electricity	28,936	26,344	26,000	30,000
Telephone	4,244	4,701	5,150	5,150
Natural Gas	-		500	500
Building Maintenance	24,805	9,146	26,000	10,097
Infrastructure Maintenance	4,660	23,078	72,100	13,125
Vehicle & Equipment Maint		5,843	55,000	756
Equipment Rentals	10,744	-	17,500	1,000
Advertising	9,019	8,437	16,700	-
Travel & Training	177			
Office Supplies	4,977		-	-
Specialized Supplies	19,229	19,309	20,420	8,095
Fuel	178,467	286,253	600,000	600,000
Books & Periodicals	177	-	-	-
Total O&M	308,362	560,242	1,377,990	688,530
Machinery & Equipment	1,771			-
Total Capital	1,771	-	-	-
Totals	\$ 374,805	\$ 600,922	\$ 1,377,990	\$ 688,530



REVENUES & EXPENDITURES – FISCAL YEAR ENDING JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	1,783,850	715,828	(1,068,022)
Charges for Services	898,375	266,126	(632,249)
Fines	-	-	-
Interest	-	-	-
Contributions	-	-	-
Other Revenues	7,500	397	(7,103)
Total Revenues	2,689,725	982,351	(1,707,374)
Expenditures			
Current--	-	-	-
General Government	-	-	-
Public Safety	-	-	-
Public Works	2,929,490	975,899	1,953,591
Culture & Recreation	-	-	-
Community Development	-	-	-
Debt Service --	-	-	-
Principal retirement	61,525	61,521	4
Interest and fiscal charges	68,710	68,707	3
Total Expenditures	3,059,725	1,106,127	1,953,598
Excess (deficiency) of revenues over expenditures	-	-	246,224
Other financing sources (uses):			
Operating transfers in	370,000	124,000	(246,000)
Operating transfers out	-	-	-
Proceeds from installment purchase	-	-	-
Total other financing sources (uses)	370,000	124,000	(246,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	224	224
Fund balances, July 1	-	-	-
Fund balances (deficits), June 30	\$ -	\$ 224	\$ 224



REVENUES & EXPENDITURES – FISCAL YEAR ENDING JUNE 30,2000

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	1,858,035	1,268,968	(589,067)
Charges for Services	3,686,003	427,263	(3,258,740)
Fines	-	-	-
Interest	-	-	-
Contributions	-	-	-
Other Revenues	8,200	43,363	35,163
Total Revenues	5,552,238	1,739,594	(3,812,644)
Expenditures			
Current--	-	-	-
General Government	49,148	-	49,148
Public Safety	-	-	-
Public Works	6,750,426	2,471,871	4,278,555
Culture & Recreation	-	-	-
Community Development	-	-	-
Debt Service --	-	-	-
Principal retirement	83,630	58,178	25,452
Interest and fiscal charges	109,034	72,050	36,984
Total Expenditures	6,992,238	2,602,099	4,390,139
Excess (deficiency) of revenues over expenditures	- (1,440,000)	- (862,505)	- 577,495
Other financing sources (uses):			
Operating transfers in	190,000	685,880	495,880
Operating transfers out	-	-	-
Proceeds from installment purchase	-	-	-
	1,250,000	500,000	(750,000)
Total other financing sources (uses)	1,440,000	1,185,880	(254,120)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	323,375	323,375
Fund balances, July 1		(323,375)	(323,375)
Fund balances (deficits), June 30	\$ -	\$ -	\$ -



APPENDIX A

Airfare Comparison Table

AIRFARE COMPARISON TABLES
Top 10 Destinations for Sierra Vista Business Travelers

REFUNDABLE

Sierra Vista	1108	640	168	178	170	474	526	1258	1194	1296
Lake Havasu	2154	824	352	362	356	650	636	928	2386	1522
Flagstaff	1994	664	192	202	196	490	476	768	2226	1362
Tucson	1108	606	166	178	170	474	486	948	1194	1296

NON-REFUNDABLE

Sierra Vista	263	246	92	92	92	195	187	244	263	187
Lake Havasu	351	288	182	182	182	300	378	288	380	254
Flagstaff	281	218	112	112	112	230	308	218	310	184
Prescott	298	298	132	132	132	300	378	288	380	254
Tucson	263	198	92	92	92	194	166	244	263	187

Denotes inability to return without an overnight stay in Phoenix

Note: Data as of March 20, 2002



APPENDIX B - LETTERS OF SUPPORT



Arizona Department of Transportation

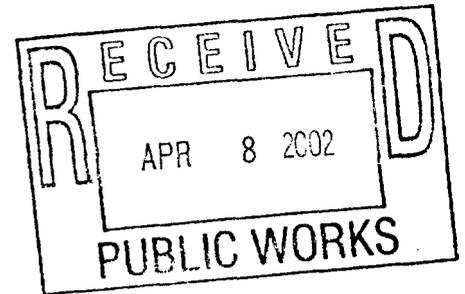
Aeronautics Division

Post Office Box 13588 Phoenix, Arizona 85002-3588

Gary Adams
Division Director

Victor M. Mendez
Director

April 3, 2002



Mr. Norman Y. Mineta
U.S. Secretary of Transportation
U.S. Dept. of Transportation
400 W. 7th Street, S.W.
Washington, D.C. 20590

Dear Secretary Mineta:

Subject: Letter of Support for Sierra Vista Municipal Airport/Libby Army Airfield
Funding Proposal Through the Federal Aviation Administration, Small
Community Air Service Development Program

Small rural airports, throughout the Country, are important to the overall success of the intermodal transportation goals established by the U.S. Department of Transportation. The recent terrorist attacks on September 11, 2001, have heightened security at our airports and adversely impacted the commercial air service industry's ability to provide affordable and reliable air service to smaller communities.

Sierra Vista Municipal Airport is a small rural, general aviation/commercial reliever airport, which exists with the Libby Army Airfield on Fort Huachuca, in Southeastern Arizona. Commercial air service was initiated in 1987 and with the efforts of Mesa Air Group and America West Airlines, increased enplanements to more than 13,000 in 1993, by offering four flights per day. Since the terrorist attacks on September 11, 2001, the airline industry has gone into a tailspin and America West has reduced commercial air service to Sierra Vista/Fort Huachuca to one flight per day.

Sierra Vista has prepared a proposal, requesting funding assistance through the Federal Aviation Administration, AIR-21, "Small Community Air Service Development Pilot Program." I believe the Sierra Vista Municipal Airport/Libby Army Airfield is one of the State's rural commercial airports that would be best suited for this program. The City's proposal provides incentives to existing commercial Airline(s) to increase enplanements, increase load factors, increase frequency of flights; assists the Airline with advertising and marketing air service; and offers reduced lease rates for terminal space. ADOT supports the City's



Mr. Norman Y. Mineta
April 1, 2002
Page 2

efforts and proposal to work with Arizona's Airline, America West, and the Mesa Air Group in providing enhanced air service to **business/defense** contractors, military personnel, and the general public of the Sierra Vista/Fort Huachuca community.

I ask that you favorably consider the City's proposal for funding assistance under the AIR-21 "Small Community Air Service Development Pilot Program" and allow them the opportunity to improve upon the private-public partnership they have with America West/Mesa Air Group to ensure enhanced air service to the Sierra Vista/Fort Huachuca community and southeastern Arizona. Thank you.

Best regards,



GARY ADAMS, DIRECTOR
Arizona Department of Transportation
Aeronautics Division

Copy: City of Sierra Vista
America West Airlines
Mesa Air Group



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
UNITED STATES ARMY INTELLIGENCE CENTER AND FORT HUACHUCA
FORT HUACHUCA, ARIZONA 85613-6000

09 APR 2002

Office of the Garrison Commander

Mary Jacobs, Assistant City Manager
City of Sierra Vista
1011 N. Coronado Dr.
Sierra Vista, AZ

Dear Ms. Jacobs:

Fort Huachuca has experienced some of the same concerns that you stated in your letter regarding use of the Sierra Vista Airport versus the Tucson or Phoenix airports. Our concerns are cost, number of scheduled flights, and connecting flights.

From October **1,2001**, through February **28,2002**, Fort Huachuca averaged **1,324** official travelers per month at a travel cost of **\$2,879,431.53**. Use of Contract City Pair Fares saved **\$9,547,937.58** over normal coach class fares, which would have cost Fort Huachuca travelers **\$12,427,369.11**.

The percentage of passengers traveling from Tucson, Phoenix, and Sierra Vista, is **98%**, **1.5%** and **0.05%**, respectively. Government travelers must use City Pairs when available. The lack of City Pairs flights from Sierra Vista accounts for the low usage. If more flights were available and the fares were comparable to contract City Pairs, then there would be more travelers using Sierra Vista.

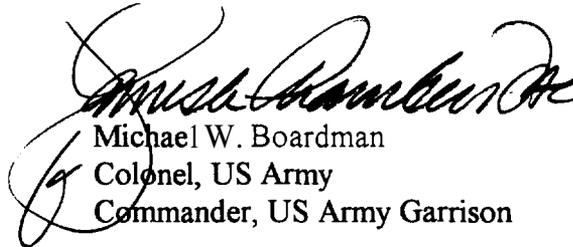
The impediments of government employees from using the Sierra Vista airport for business travel are:

- a. In mid-September **2001**, America West Express airlines reduced the flights in and out of the Sierra Vista Airport to only one incoming flight from Phoenix and one departing flight for Phoenix per day. This change made the same day return connections from Phoenix impossible for most official travelers, resulting in overnight layovers.
- b. The majority of government business travelers depart Fort Huachuca on Sundays and return on Fridays.
- c. Student graduations are on Thursdays at **2:00 PM**. Because it is too late to fly out of Sierra Vista after graduation, most students choose to fly out of Tucson rather than wait for the next day's flight.

d. Scheduling and cost are major concerns of travelers traveling from Sierra Vista. Normally, the cost of travel from Sierra Vista to other cities is two or three times the cost of flying from Tucson or Phoenix airports. The cost to travel round trip from Sierra Vista to Phoenix is \$452.00. The travel cost of a government employee flying from the Tucson airport is \$70.20, which includes \$55.20 for mileage and \$15 for five days of parking.

Hopefully, this information will be of assistance to you. It is our belief that official government travelers would prefer flying out of the Sierra Vista Airport if there were comparable airfares and a more flexible arrival and departure schedule.

Sincerely,



Michael W. Boardman
Colonel, US Army
Commander, US Army Garrison

Enclosure

Sierra Vista Municipal Airport
Market Study-Fare
Comparison Data

The first three round trip cost comparisons are our three most frequent travel destinations

Tucson-Washington, DC (Dulles) Sierra Vista	\$543.50 \$1,027.00	United America West (+ \$483.50)	5hr 4min Present sch
Tucson-Washington, DC (Reagan) Sierra Vista	\$447.00 \$970.50	Delta America West (+ \$523.50)	5hr 14min Present sch
Tucson-Augusta, GA Sierra Vista	\$798.00 \$1,279.00	Delta America West/ Delta + \$481.00	5hr 32min Present sch
Tucson-Los Angeles Sierra Vista	\$119.00 \$641.00	Southwest Airlines America West (+ \$522.00)	1hr 35min 3hr 4min
Tucson-Norfolk Sierra Vista	\$642.00 \$830.00	American America West (+ \$188.00)	5hr 7min 6hr 33min Present schedule requires overnight stay in Pho
Tucson-Baltimore, MD Sierra Vista	\$504.00 \$787.00	United America West (+ \$283.00)	5hr 5hr 22min Present schedule requires overnight stay in Pho
Tucson-Atlanta Sierra Vista	\$387.50 \$1,437.00	American America West America West (+ \$1,049.50)	4hr 31min 4hr 35min
Tucson-Killeen, TX Sierra Vista	\$637.50 \$786.00	American America West (+ \$148.50)	2hr 57min 4hr Present schedule requires overnight stay in Pho
Tucson-Austin, TX Sierra Vista	\$320.00 \$861.00	American America West (+ \$541.00)	3hr 3hr 12min
Tucson-Colorado Springs Sierra Vista	\$293.00 \$989.00	United America West (+ \$696.00)	2hr 24min 2hr 32min
Tucson-Orlando, FL Sierra Vista	\$544.00 \$784.00	United America West (+ \$240.00)	6hr 7min 5hr 33min Present schedule requires overnight stay in Pho
Tucson-Seattle Sierra Vista	\$256.50 \$670.50	Alaska America West (+ \$414.00)	2hr 57min 3hr
Tucson-Augusta, GA Sierra Vista	\$798.50 \$1,279.00	Delta America West/Delta (+ \$480.50)	5hr 32min Present schedule requires overnight stay in Pho

Flight times do not include ground time



April 5, 2002

Mary Jacobs, Assistant City Manager
City of Sierra Vista
1011 North Coronado Drive
Sierra Vista, Arizona 85635

Dear Ms. Jacobs:

The Greater Sierra Vista Chamber of Commerce would like to offer its support for efforts to improve commercial air service to our community. The continued growth of our area, even during this time of recession, and its importance to national security highlights the need for affordable and accessible air transportation that meets the needs of business: tourism and private individuals.

Commuting costs are climbing and it makes sense to serve the Sierra Vista area with convenient air service to cut down on traffic and parking congestion in Tucson and Phoenix. This would greatly reduce the total travel time for consumers as well as giving travelers greater access to available flights at the airports serving these areas. This creates a win-win solution for travelers, airlines and the environment. At a time when our economy is sorely in need of a boost, let's try and do everything possible to facilitate easy, affordable and relevant flights that encourage travel both to and from this vital area of Arizona.

We do want to insert a word of caution, however. Success of commercial flights from this area is predicated on relevant flight availability, reasonable layover times, adequate aircraft size and appropriate ticket cost. Grant funds would be instrumental in making the transition from a much needed start-up service to a successful business venture with increasing revenue for the airline carrier. Building consumer support and confidence in such a service by understanding and addressing consumer needs is a vital part of the planning and implementation that will result in long-term viability for air service to Sierra Vista and the surrounding area.

We realize that this is a considerable undertaking that involves a great deal of preliminary as well as long term work to reach such a beneficial goal for our community, but cannot overstate the importance to the growth and continued viability of the local economy.

Sincerely,

Susan Tegmeyer
Executive Director

Sierra Vista Airport Commission
1011 North Coronado Drive
Sierra Vista, Arizona 85635

Monday, April 08, 2002

Ms. Mary Jacobs, Assistant City Manager
City of Sierra Vista
101 N Coronado Dr.
Sierra Vista AZ. 85635

RE: Support for Grant Request for Air Service

Dear Ms. Jacobs:

The Sierra Vista Airport Commission strongly supports the City's efforts to secure a FAA Grant to enhance our Air Service. As you are well aware, this Commission has been championing improved Air Service for several years even before the FAA imposed new rules on commuter airline Part 135 carriers that required them to meet, essentially, the same safety standards as larger Part 121 carriers.

While that effort has indeed enhanced Commuter carrier safety, our current airline has entered a vicious spiral which surely will end with NO commercial air service to our community unless there is intervention by all governmental agencies involved. We have gone from 5 flights per day of 19 seats and over 10,000 annual enplanements and even then we had a need for enhanced service; we have degenerated to today's 1 flight per day- maybe- and +/- 200 enplanements per month.

Our Community health requires that we operate an airport that is business friendly. IF we do not support business needs, we will suffer reduced City income and enter a declining phase vice being a vibrant City. Having such limited commercial air service is not conducive to businessmen flying in for a business meeting in the morning and flying on to other meetings in the evening. The Airlines spiral has shown ever less service for ever higher fares, with reduced options and has been rewarded by less use.

Today one of our residents must either drive to Tucson the night before his travels to ensure arriving either on the east or west coast in time for business or arrive late and lose full days of ~~work~~ coming and going from our airport.

We appreciate the Boyd report and concur with its findings as they are compatible with the survey results accomplished for this Commission by Cochise College some 3 years ago.

Our Army contacts advise us that in addition to our business and tourist oriented passenger flights there is a NEVER filled need for larger aircraft at least 3 times per month as Army trainee drafts move in and out of the Fort Huachuca community. Due to the current wartime demand, this 3 times per month figure may be increased.

Thank you for the opportunity to comment on this proposal.

Sincerely,

//ELECTRONIC SIGNATURE//
Joseph C. Gill
Chairman



March 29, 2002

Ms. Mary Jacobs
Assistant City Manager
City of Sierra Vista
101 N. Coronado Dr.
Sierra Vista AZ 85635

Dear Ms. Jacobs:

Thank you for the opportunity to comment on commercial air service in the Sierra Vista community.

Interop Joint Venture is an information solutions which operates solely in support of a federal government testing agency at Fort Huachuca Arizona and at Indian Head Maryland. This agency's clients come from all levels of the U.S. government, and from the civilian vendor sector, and are located throughout the world. In 2001 alone, Interop personnel conducted nearly 50 business travel events each month, to locations as near as Tucson Arizona and as far as Riga, Latvia and Bangkok, Thailand.

Travel to most of these locations normally starts at Tucson AZ International Airport. Sierra Vista's regional air carrier normally flew only to/from Phoenix Arizona, which has not always offer the most attractive fares for our employees. Travel to Tucson airport requires privately owned vehicles or commercial taxi. With the events of September 11, 2001, the distance requires an inordinate amount of pre-departure time spent just in getting to the airport. And, in the past, numerous flights have been cancelled without warning.

We would strongly encourage (and take advantage of) regional air service into Sierra Vista that consistently meets its schedules, and that connects in both Tucson and Phoenix.

Thank you again for this opportunity.

Sincerely,

Michael A. Davidson
Program Manager



communications

ILEX Systems
1838 Paseo San Luis
Sierra Vista, AZ 85635-4612
520-458-9759 Fax: 520-458-3013

RECEIVED

MAR 21 2002

ASSISTANT CITY MANAGER
19 March 2002

Mary Jacobs, Assistant City Manager
City of Sierra Vista
1011 N. Coronado Dr.
Sierra Vista, AZ 85635

Dear Ms. Jacobs:

This letter addresses ILEX Systems' support of improving commercial air service for Sierra Vista.

ILEX Systems employs 240 people in the local community and another 200 worldwide. We are the 10th largest employer in Sierra Vista and the 16th largest in Cochise County, based on ILEX Systems' local employment numbers, and our employees frequently travel to and from Sierra Vista.

Presently, most ILEX Systems employees and visitors fly to and from Phoenix or Tucson then rent a car for the trip to and from Sierra Vista. ILEX Systems' employees made 124 airline trips to and from the Tucson airport in the last year. Using the Tucson airport currently costs less and is more flexible and reliable than flying directly to and from Sierra Vista. The lack of air service between Sierra Vista and Tucson and the high airfare price to fly between Phoenix and Sierra Vista is costly in terms of time, parking fees, and rental car fees.

Expanded, reasonably priced, reliable air service to and from Sierra Vista would be welcomed and utilized. This would also bring revenue to Sierra Vista in terms of rental car fees, hotel and restaurant patronage, and meeting facility use. Business meetings are often scheduled in Tucson, due to the inconvenience of traveling to Sierra Vista. Also, many travelers drive to Tucson the evening before their outbound flight where they stay in Tucson hotels and patronize Tucson businesses.

If commercial air service is improved to and from Sierra Vista, ILEX Systems would also suggest a rental car agency be located at Sierra Vista Municipal Airport. The availability of rental cars at the airport would make it more attractive for travelers to utilize this service.

ILEX Systems hopes the City of Sierra Vista is successful is applying for U.S. Department of Transportation grant funds to augment commercial air service for our community. Improved air service can only improve the economy of Sierra Vista.

Sincerely,

John H. Black,
Vice President

WICK COMMUNICATIONS CO.

333 W. WILCOX DRIVE, SUITE 302
SIERRA VISTA, AZ 85635-1756

DIRECT DIAL: 520/515-5982
FAX: 702/975-7195

2874 EAST LONG LAKE ROAD
DANBURY, WI 54830-9553
PHONE: 715/259-7102 FAX: 715/259-7322

E-MAIL: john.mathew@wickcommunications.com
WEB SITE www.wickcommunications.com

JOHN M. MATHEW
CHIEF EXECUTIVE OFFICER

Friday, March 22, 2002

Mary Jacobs
Assistant City Manager
City of Sierra Vista
1011 N. Coronado Drive
Sierra Vista, AZ 85635

Dear Ms. Jacobs:

I am writing in support of the City of Sierra Vista's attempts to secure better, more affordable commercial airline service from the Sierra Vista airport.

I moved to Sierra Vista in April 2001 as chief executive officer of Wick Communications Co. Wick publishes newspapers in 40 locations in 12 states across the country.

I travel extensively in my work and fly an average of 15 commercial flights per month.

Having reliable, affordable commercial service from the Sierra Vista airport would greatly enhance my ability to get to our locations and save considerable time. I now fly exclusively from Tucson as a result of the cutbacks in America West Express services following September 11. I find that driving to and from Tucson greatly reduces my productivity and adds considerable cost to doing business.

Please feel free to contact me at 515-5982 if you have questions.

Sincerely,



John M. Mathew

RECEIVED

MAR 25 2002

ASSISTANT CITY MANAGER

TRW Systems

Information & Technical Services Division
JITC Building 57305
Ft. Huachuca, AZ 85613-7020
Tel 520.538.5146
Fax 520.538.4340

TRW/FHU-TBW-20301

March 26, 2002



Ms. Mary Jacobs, Assistant City Manager
City of Sierra Vista
1011 N. Coronado Dr.
Sierra Vista, Arizona 85635

Subject: TRW Systems Travel

Dear Ms. Jacobs,

I am the Program Manager for TRW Systems at the Joint Interoperability Test Command on Fort Huachuca, Arizona. We have over 150 employees supporting the Government from this location and another 50 employees at Indian Head, Maryland. We have between 20 and 30 employees traveling at any point in time. Currently, our employees must drive to Tucson for travel rather than use the Sierra Vista Airport. Most of our travel is to and from the east coast, though we travel all over the country.

It would be much more convenient for our employees to travel from Sierra Vista rather than drive to Tucson. For most connections in Tucson, employees must leave Sierra Vista before 5:00 **AM** to check-in and go through security. Departing from Sierra Vista would save considerable time for the employee and save money for the Government.

We are precluded from using the Sierra Vista Airport because of the lack of flights to and from Phoenix that correspond with arrival times in Phoenix from other flights. We cannot get connections in Phoenix that will return our employees to Sierra Vista on the same day. Additionally, the cost of airfare from Sierra Vista is prohibitive. We can drive to Tucson, store a car in the long-term parking lot and fly to and from our destinations cheaper than using the Sierra Vista Airport.

If the cost of travel and more convenient schedules can be made available to our travelers, we would rather begin and end our travel from the Sierra Vista Airport. We support any initiative that will ease the burden of business travel from a time and cost perspective.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry B. Wilson'. The signature is fluid and cursive, written over a horizontal line.

Terry B. Wilson
TRW Team Program Manager

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APR - 2 2002

ASSISTANT CITY MANAGER



APPENDIX C - THE BOYD REPORT

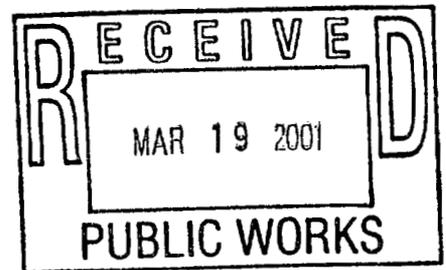
Service Proposal

Air Traffic and Revenue Analysis

For



At



Prepared for: Senator John McCain

Prepared By:

The Boyd Group/ASRC, Inc

Aviation Consulting, Research and Forecasting

73 Beaver Brook Canyon Road Evergreen, Colorado 80439
(303) 674-2000 Fax (303) 674-9995 www.aviationplanning.com
March 2001



Note:

This document is prepared for the exclusive use of Sierra Vista, **AZ** and America West Airlines. The data and analyses contained herein were obtained from sources deemed reliable as of February **2001**, however, they cannot be guaranteed. Further, due to the dynamic nature of the air service industry, actual operational results cannot be and are not guaranteed.

I. The Southeastern Arizona Opportunity

Fort Huachuca/Sierra Vista Airport, serving all of southeastern Arizona, offers an excellent opportunity for America West to increase revenue. The majority of airline passengers originating in this area, particularly military and business travelers currently drive to the Tucson International Airport for flight departures.

Ninety percent (90%) of all military traffic currently uses the Tucson airport for airline access.

Fort Huachuca, a high-tech military base, is operationally dependent on commercial air travel and is responsible for generating, both directly and indirectly, well over 21,000 annual passenger trips. Unfortunately, this joint use airport located at the base is going unused by military personnel, government contractors, and other local business travelers because of the poor airline service provided by America West. Today, the majority of passenger traffic is driving to Tucson for airline access. The extended ground travel between Fort Huachuca and Tucson is an additional burden in terms of cost and time loss for anyone traveling to conduct business with the region's number one employer, the U.S. Government. Baltimore/Washington D.C. is the number one destination for military personnel and government contractors alike.

Critical service issues that have been identified by both officers at Fort Huachuca and civilian business travelers include:

- Seats not being available on peak travel days.
- High number of delayed flights
- High number of cancelled flights
 - Inconvenient connections (2+ online HP) at PHX

Relatively risk free airline service upgrades, proposed herein, **will** conservatively generate an additional \$3,000,000 in new revenue for America West. Factors or contributors for this market include:

- ➔ A traffic base of 75,000 potential passengers is available to America West in the Fort Huachuca/Sierra Vista airport service area.
- ➔ Current service of three daily flights with 19 seats each does not support the existing market. Seats are not available on peak travel days.

- ➔ Capturing **35%** of the existing market, primarily military and business travelers will support larger equipment and increased service.
- ➔ Today, **90% of** all official military travel from Fort Huachuca departs **from** Tucson – approximately 16,000 military business-only annual trips.
- ➔ Ninety-two percent (92%) of all passengers (military, business, and leisure) depart on flights either at TUS or PHX.
- ➔ Ninety-five percent (**95%**) of all business travel from all of southeastern Arizona originates on flights at TUS and PHX.
- ➔ Ticket surveys show that only 20% of all passengers from the Fort Huachuca/Sierra Vista catchment area board America West flights at FHU, TUS or PHX.
- ➔ America West, based on a local ticket survey of over 7,000 tickets, serves FHU's top 25 destinations.

America West captures no more than 20% of all passengers originating in the Sierra Vista catchment area.

The Opportunity for America West

America West's present schedule and service level at FHU does not take advantage of the existing passenger potential. Minimal service upgrades could produce significantly higher revenue contributions to the America West system.

America West can quickly build passenger traffic by taking the following actions:

- Upgrading FHU service with Dash 8 aircraft
- Adding an additional departure (**4** per day vs. **3** per day)
- Improving HP to HP connecting times at PHX
- Improving schedule reliability (98% completion factor).

Interviews and a recent travel survey within the Fort Huachuca/Sierra Vista area show a willingness to support the regional airport if basic service requirements are met. Travelers

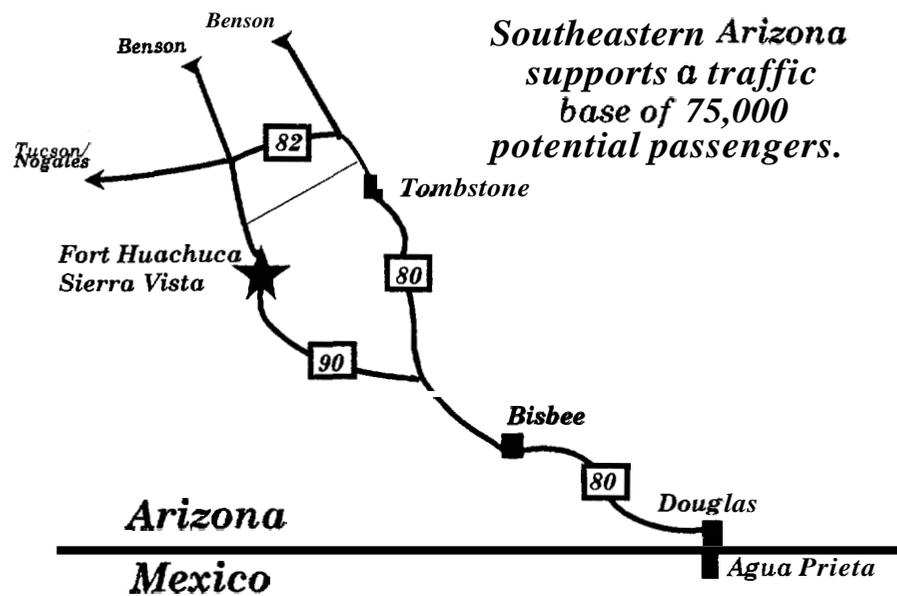
identify the overall convenience of FHU, drive time and cost of ground transportation to TUS as reasons they are predisposed to originate air travel at FHU. However, it should be noted that future airline operating and service performance is strategic to success in this market.

We believe these upgrades will be revenue-positive in capturing traffic now using other airlines at TUS.

Fort Huachuca/Sierra Vista is the major population center of southeastern Arizona, and serves as the main commercial and recreational focus for the region. The Boyd Group believes that dependable service at FHU with four daily flights to Phoenix, operated with Dash 8 aircraft, and would provide strong contributory revenues to the America West domestic U.S. route system.

The Marketplace

Southeastern Arizona is a region with a healthy economy supporting a diverse traffic mix of business and leisure travelers. Fort Huachuca generates approximately 21,000 annual trips from officers traveling on business, personnel traveling to FHU for training, and military personnel traveling on leave. Government contractors working on projects at Fort Huachuca **are** in addition to this number.



Logical Gateway to Southeastern Arizona

Fort Huachuca/Sierra Vista is the major commercial center of southeastern Arizona encompassing most of Cochise County including Bisbee, Douglas, and cross-border traffic from Mexico. This region, which is easily accessible to Sierra Vista, is home to a strong base of approximately 75,000 potential customers,

America West Can Gain Net-New Traffic

As a result of a limited number of available seats and reliable service at Sierra Vista, the majority of passengers drive to other airports to board flights. A survey of tickets issued in the **FHU** catchment area **show** that **73%** of all passengers drive to Tucson International Airport. Another 20% drive to Phoenix and less than 8% of all passengers originate on flights to/from Sierra Vista. With this leakage to other airports, America West currently captures approximately 20% of all passengers generated in the Sierra Vista catchment area (boarding **HP** flights at **FHU**, **TUS**, and **PHX**).

Seventy-three percent (73%) of all passengers from Sierra Vista board flights at the Tucson airport where they may choose from ten different airlines serving 14 non-stop destinations.

<i>Percent of Tickets by Airport</i>				
Destination	FHU	PHX	TUS	Total
Domestic U.S.	8.1%	19.6%	72.3%	100.0%
International	2.3%	18.9%	78.8%	100.0%
Total	7.6%	19.6%	72.8%	100.0%

Once airline passengers drive to Tucson, they have a choice of ten different airlines offering non-stop service to **14** different destinations. Of the non-stop destinations served out of Tucson, ten are operated by airlines other than America West. Also, nine of the non-stop destinations serve large hub airports providing connecting flights to all major U.S. cities and many international destinations.

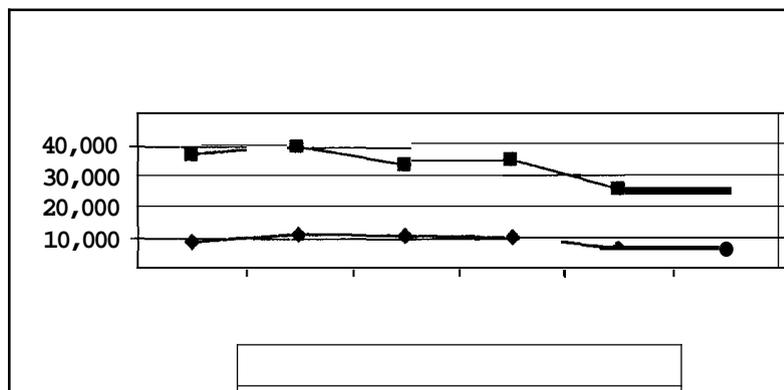
Consumers Will Support Improved Service

In a recent survey commissioned by the Sierra Vista Airport, **95%** of business travelers and **94%** of leisure travelers surveyed would fly out of **FHU**, provided their main service considerations were met. Key considerations for business travelers are as follows:

<i>Business Travelers</i>		
Consideration	Rank	Pct. of Response
Flight Times	1	85.4%
Airline Reliability	2	82.7%
Airline Connections	3	80.5%
Flight Price	4	69.7%
Airport Easy/Free Parking	5	29.7%

Cochise College Survey: December 15, 1999

Enplanements at FHU peaked in 1996 at 13,000 passengers and have dropped below 7,000 in 2000. During 1996, America West served FHU with 31 flights and 589 seats **per** week. This compares to 19 flights and 361 seats per week in the summer of 2000. (All flights operated with BE1 aircraft).



A proposed schedule of **4** weekday departures operated with Dash 8 aircraft would provide 50 flights and 1,850 seats per week between FHU and PHX. Business travelers would use service at FHU, provided flights are operated reliably and make reasonable connections at PHX.

Top 25 Markets to/from Sierra Vista

A review of the top 25 markets from FHU clearly indicates strong opportunity for America West to all major destinations for passengers from the Sierra Vista market. Currently the majority of this traffic is using other carriers by driving to TUS. Of the top 25 markets, seven are primary destinations for military business travel from Fort Huachuca.

Seventy-six percent (76%) of passengers traveling to the top 25 markets board flights at TUS.

Destination	Percent Boarding by Airport			Percent of Total
	FHU	PHX	TUS	
Baltimore/Washington	10.5%	10.9%	78.6%	9.6%
Los Angeles	1.4%	2.3%	96.3%	6.7%
Las Vegas	0.7%	5.3%	94.0%	6.2%
San Diego	4.0%	3.6%	92.3%	3.4%
Phoenix	66.2%	0.0%	33.8%	2.9%
Kansas City	13.6%	18.8%	67.5%	2.6%
Seattle	3.5%	17.4%	79.1%	2.4%
Orlando	4.8%	38.8%	56.4%	2.3%
New York	3.4%	16.1%	80.5%	2.0%
Dallas	0.7%	8.1%	91.2%	2.0%
Denver	6.9%	9.0%	84.1%	2.0%
Chicago	2.1%	31.2%	66.7%	1.9%
Indianapolis	18.8%	16.2%	65.0%	1.6%
Minneapolis	3.5%	52.2%	44.3%	1.6%
Atlanta	2.6%	31.6%	65.8%	1.6%
Tampa	1.9%	5.7%	92.4%	1.4%
Columbus, OH	23.1%	31.7%	45.2%	1.4%
Albuquerque	11.2%	7.1%	81.6%	1.3%
Austin	7.6%	15.2%	77.2%	1.3%
Reno	4.5%	6.7%	88.8%	1.2%
Salt Lake City	6.7%	25.8%	67.4%	1.2%
San Francisco	11.2%	18.0%	70.8%	1.2%
Portland	8.0%	25.0%	67.0%	1.2%
St Louis	2.3%	14.0%	83.7%	1.2%
Detroit	4.9%	48.8%	46.3%	1.1%
Top 25 Markets	8.9%	14.3%	76.8%	61.4%
All Other Markets	6.9%	28.1%	65.1%	38.5%
Total Domestic U.S.	8.1%	19.6%	72.3%	100.0%

Analysis and information from the Sierra Vista market show that with a reliable flight schedule operated with four Dash 8 aircraft between FHU and PHX, up to 50% of the potential business traffic to/from Sierra Vista could be directed over the America West PHX hub.

America West could capture passengers at FHU before they drive to TUS which is served by 10 airlines.

FHU is the only airport east of Tucson serving southeastern Arizona. As air service at FHU continues to decline, more passengers drive to the TUS airport where a choice of airlines exists. Ninety percent (90%) of the Officers at Fort Huachuca now drive to Tucson for flight departures. Once at TUS, passengers primarily chose airlines other than America West.

With basic airline service improvements, FHU could serve as the airport of choice for travel to/from southeastern Arizona. For America West, it would be strategically advantageous to grow the FHU-PHX route by diverting traffic away from TUS. Once at the TUS airport, data shows that passengers generally do not fly America West.

The Southeastern Arizona Economy

The Fort Huachuca/Sierra Vista marketplace will provide strong and diverse traffic for America West Airlines. This region now boasts a growing economy in tourism and a stable U. S. military based industry that supports year-round high yield traffic.

Sierra Vista serves as the major economic center of Southeastern Arizona.

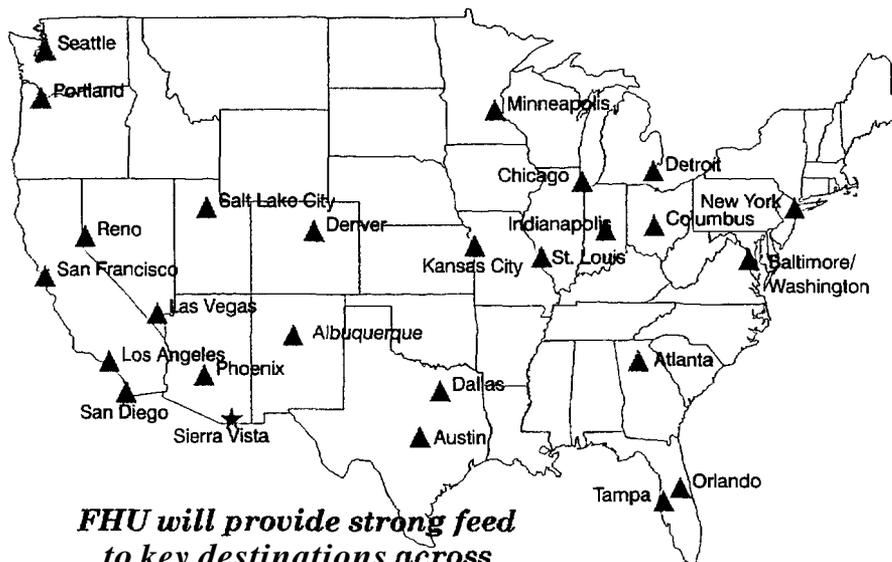
Both the state and federal government are the largest employers in the region, employing over 16,700 or **33%** of total employment. The U.S. Army Intelligence Center and Fort Huachuca works with a number of primary government contractors and sub-contractors, providing science, engineering, information systems, and technology systems support. Business passengers to and from Fort Huachuca provide a steady year-round flow of high yield airline traffic.

The southeastern Arizona region has a strong leisure market supported by the climate and the high number of retirees living in the area. While a recent study by Cochise College focused primarily on travelers living in the FHU catchment area, the survey revealed an additional source of travel. In an average year, respondents to the survey hosted an average of **4.8** visitors requiring flights into Arizona. The region continues to build on tourism as demonstrated by the development of new destination golf resorts near Tombstone.

III. Opportunities for America West

Additional seats and improved connections on America West through Phoenix will provide southeastern Arizona business travelers much needed access to key destination markets throughout the America West system.

Sierra Vista service can provide America West with 42,000 O&D passengers on an annual basis



FHU will provide strong feed to key destinations across the America West system.

In a traffic analysis conducted by The Boyd Group, it has been estimated that four daily flights reliably operated with Dash 8 aircraft has the ability to generate over 28,000 net new passengers for America West on an annual basis.

With competitive non-stop service offered by other airlines from Tucson International Airport and with 73% of all passengers from Sierra Vista currently using TUS for departure, America West could capture as much as 50% of the traffic at point of origin. All of these passengers are expected to be new to America West. In financial terms, these passengers represent over \$3,000,000 new revenue.

A recent survey completed by Cochise College showed that 94% of all business travelers would fly to/from FHU if basic airline service were improved (see table on page 6). Survey respondents cited ease of access at FHU as the primary reason for using the service.

FHU is a High Yield Market

For America West, business passengers traveling to destinations such as Atlanta and Washington/Baltimore provide a higher yield than many other markets. The current flight schedule operated with 19 passenger turboprop aircraft severely restricts access to the America West system. Low risk service improvements could quickly and successfully tap the potential of the southeastern Arizona high yield market.

America West will not need to resort to deep discounts to attract strong system traffic from FHU.

<i>Yield From FHU & PHX</i>		
Destination	FHU	PHX
Albuquerque	\$0.37	\$0.26
Atlanta	\$0.56	\$0.56
Austin	\$0.27	\$0.21
Baltimore/Washington	\$0.49	\$0.36
Chicago	\$0.20	\$0.20
Columbus, OH	\$0.21	\$0.20
Dallas/Ft. Worth	\$0.70	\$0.49
Indianapolis	\$0.24	\$0.19
Kansas City	\$0.26	\$0.21
Minneapolis	\$0.28	\$0.17
New York	\$0.49	\$0.49
Orlando	\$0.20	\$0.19
Seattle	\$0.23	\$0.18
Tampa	\$0.21	\$0.19

Based on past experience with similar markets, The Boyd Group estimates that America West will have the ability to capture 58% of the business market. Our analysis also indicates that providing connecting service four times a day will significantly reduce leakage to other airlines at TUS. It is estimated that America West service will be capable of attracting over 42,000 O&D annual passengers traveling to/from southeastern Arizona.

Sierra Vista Traffic Forecast

The Boyd Group has conducted an extensive analysis of America West's traffic potential in the Sierra Vista market. With conservative stimulation and capture rates, America West can be expected to see strong traffic within a reasonable period after initiating improved service with Dash 8 aircraft.

FHU traffic forecast is based on capturing 35% of the existing market comprised primarily of business travelers.

<i>FHU Potential O&D</i>	
To / From	Passengers
Baltimore/Washington	4,026
Los Angeles	2,800
Las Vegas	2,603
San Diego	1,435
Phoenix	1,232
Kansas City	1,105
Seattle	995
Orlando	954
New York	862
Dallas	856
Denver	839
Chicago	816
Indianapolis	677
Minneapolis	665
Atlanta	659
Tampa	607
Columbus, OH	602
Albuquerque	567
Austin	532
Reno	515
Salt Lake City	515
San Francisco	515
Portland	509
St Louis	497
Detroit	474
Key Markets	25,857
All Other Markets	16,208
Total Domestic U.S.	42,065

The passenger forecast is based on the assumption that 'America West will provide FHU with a dependable schedule (98% completion factor), convenient connections at PHX, and all flights operated with Dash 8 aircraft. Also, we have assumed that America West will further reduce leakage from the Sierra Vista market with reasonable PHX add-on pricing. Capture rates are conservative estimates based on America West's competitive strength in each market served.

Baltimore/Washington DC - A Particularly Strong Market

Of particular interest to America West is the significant amount of traffic generated between Sierra Vista and the Washington, DC area. BWI/DCA is the number one market to/from southeastern Arizona. Personnel at Fort Huachuca also identify the Baltimore/Washington area as the number one military destination.

The U.S. Army Intelligence Center and Fort Huachuca generate traffic from both the U.S. Military and from civilian contractors to the U.S. Government. Baltimore/Washington DC represents 16% of tickets issued in the Sierra Vista area.

Sierra Vista Supported America West at DCA

In May 2000, the City of Sierra Vista sent a letter to the Secretary of Transportation strongly supporting America West's application for some of the slots and exemptions to fly nonstop to its hub cities of Phoenix and Las Vegas from Washington's Ronald Reagan National Airport (DCA). The letter, signed by the mayor of Sierra Vista, based support on the need for single connection, on-line service for military personnel and defense contractor staffs traveling from/to Fort Huachuca, Washington DC, and other America West destinations.

Fort Huachuca/ Sierra Vista now respectfully ask America West's favorable consideration for improved single connection, on-line service between FHU, DCA, and the America West system. Without this support, the southeastern Arizona region will become air service blighted and future growth constrained.

Key Operating Projections

Projected Sierra Vista to Phoenix Operating Performance			
<i>Operating Data</i>	<i>Current</i>	<i>Proposed</i>	<i>Change</i>
FHU-PHX Mileage:	160	160	
Assumed Aircraft:	Beech 1900	Dash 8	
Passenger Seats:	19	37	18
Estimated Weekly Flights Scheduled:	38	50	0
Estimated Completion Factor:	98%	98%	
Estimated Weekly Flights Completed:	37.24	43	0
Projected Annual Flight Segments:	1,936	2,548	0
Projected Available Seat Miles (ASMs)	5,886,899	15,084,160	9,197,261
Projected Cost per Available Seat Mile (CASM)	\$0.2467	\$0.1605	\$ (0.0862)
Projected Annual Operating Expense	\$ 1,452,298	\$ 2,421,008	\$ 968,710
Revenue Analysis			
Projected Revenues			
Projected Local Passengers	398	398	0
Projected Local Revenue Passenger Miles (RPMs)	63,683	63,683	0
Projected Local Average Yield	\$ 0.4451	\$ 0.4451	0
Projected Connecting Passengers	13,202	41,667	28,465
Projected Connecting Revenue Passenger Miles:	2,112,317	6,666,763	4,554,447
Projected Connecting Average Yield:	\$ 0.1145	\$ 0.1145	0
Total Projected Passengers	13,600	42,065	28,465
Projected System Revenue Contribution			
Segment Traffic	\$ 270,206	\$ 791,690	\$ 521,484
Connect Traffic	\$ 1,371,015	\$ 4,244,098	\$ 2,873,083
Total System Revenue Contribution	\$ 1,641,221	\$ 5,035,788	\$ 3,394,567
Minus 10% PHX Originating Seat Spill/Diversion	\$ (137,102)	\$ (424,410)	\$ (287,308)
Adjusted System Revenue Contribution	\$ 1,504,119	\$ 4,611,378	\$ 3,107,259
Load Factor Data			
Projected Annual Available Seat Miles (ASM)	5,886,899	15,084,160	9,197,261
Projected Local Revenue Passenger Miles	63,683	63,683	
Projected Connecting Revenue Passenger Miles	2,112,317	6,666,763	4,554,447
Total Projected Revenue Passenger Miles	2,176,000	6,730,447	4,554,447
Projected Load Factor	37.00%	44.6%	7.7'

These figures are provided as independent estimates only. It is fully understood that America West will conduct its own analysis of traffic and revenue potential.

IV. Summary and Conclusion

The southeastern Arizona market gives America West the ability to attract substantial net-new revenue to its system. Sierra Vista Airport accesses a region that currently lacks dependable and competitively priced air service, such as what could be provided by America West.

The southeastern Arizona catchment area offers America West:

***FHU offers
America West
new revenues
with no
competitive
risk.***

- ➔ Over \$3,000,000 in annual net-new revenue.
- ➔ Thousands of passengers before they drive to TUS and fly other airlines.
- ➔ Over 42,000 O&D passengers feeding the America West system.
- ➔ A cost effective, user-friendly facility that caters both to America West and its passengers.
- ➔ A low competitive risk marketplace that will quickly produce additional feed to the America West system.
- ➔ **Air** service to a city, military base, and region that supported America West in its bid for DCA services.

The Boyd Group and Sierra Vista encourage America West to conduct an internal analysis of the opportunities presented in this analysis, and would welcome the opportunity to discuss the ideas presented in this document, or any other ideas, with America West at any time.