

**CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD**

**Monday, March 6, 2000
2:00 p.m.**

Present: Gary Adamson, Robert Alford, Dion Avello, Charles Bouilly, Beth Garrison, Jim Gregory, Elizabeth Kinch, Dorothy McKay, Jay Swanson

Absent: Larry Fleming, Jeffrey Roberts

Staff: Chris Cherches, Bailis Bell, Doug Moshier, Valerie Wise, Clerk

Bob Alford called the meeting to order.

Approval of Minutes

Adamson moved to approve the February 7, 2000 minutes of the Wichita Airport Advisory Board. Motion carried, 9-0.

Election of Officers

The Bylaws call for a Chair and a Chair pro tem. Alford called for nominations for the office of Chair.

Swanson nominated Charles Bouilly for the office of Chair and was seconded by Kinch. There being no further nominations, the board voted to cease the nominations and a unanimous vote was cast for Charles Bouilly for office of Chair.

Chairman Bouilly called for nominations for the office of Chair pro tem. Kinch nominated Dion Avello for the office of Chair pro tem, and was seconded by Garrison. There being no further nominations, the board voted to cease the nominations and a unanimous vote was cast for Dion Avello for the office of Chair pro tem.

Review/Approval of Bylaws

The City Manager stated that the City policies dealing with advisory boards would be made available if requested. The policy regarding attendance at board meetings states that if three consecutive meetings are missed, or if fifty per cent of meetings are missed in a calendar year, a member's name is given back to the District Council Member or Commission Member to appoint a replacement. There was discussion pertaining to terms which states: *"The term of all members shall be two years, commencing July 1, 1999, or until a successor has been duly appointed and qualified, but in no event shall such term extend beyond the sunset date of said Wichita Airport Advisory Board."* The Airport Advisory Board is similar to all advisory boards, except for those statutorily required, in

that it does sunset. At the end of 2000, it can be extended for one year. City Council action is required to extend a board. There will be an election of officers at the July 2000 meeting to coincide with the terms of all board and commission members for the City.

Swanson moved to approve the Bylaws; motion carried 9-0.

Presentation – Management Partners, Inc.

When City Council changed the organizational structure of the Wichita Airport Authority, it retained the services of Management Partners, Inc. to conduct interviews with various airport personnel, including tenants and board members, for their view of the airport operations. Wayne Chapman, who was the principal in charge of that study, presented his findings from this study.

Chapman conducted interviews in September and October 1999 with several board members and a selected group of tenants based on recommendations of the board members interviewed. They were interested in finding out what issues the board members saw were appropriate for the focus of the new advisory board. They were also interested in finding out from the tenants their level of satisfaction on various issues. The tenants interviewed received a mix of airport services: security, emergency response services, water, electric, use of taxiways and runways, telephone service and building maintenance. All of the tenants leased land, buildings, or both from the airport. Tenants were asked their level of satisfaction based on their experience and how they would rate some of the following issues:

- Overall quality of airport services provided;
- Overall quality of airport physical facilities;
- Responsiveness of airport staff;
- Whether the tenants had any expansion plans;
- What services they thought were the best provided by the airport;
- What new services should be provided;
- What services needed improvement;
- Their thoughts on relationship of commercial development to airport operations;
- Their suggestions for performance measurement, or how they felt the success of the airport should be evaluated.

Most of the tenants ranked airport services between 4-5 on a 5-point scale, with 5 meaning extremely satisfied, and 4 meaning highly satisfied. The tenants provided good feedback, and felt they received a high quality of day-to-day service from the airport. A significant majority of the tenants interviewed rate the facilities at Mid-Continent between a 4-5 on a 5-point scale of quality, with 5 meaning excellent and 4 meaning very good. There was not enough experience among the tenants with Jabara Airport to rate those facilities.

Regarding staff responsiveness, nearly all of the tenants interviewed rated staff responsiveness high. Many of the respondents were very complimentary to the airport

staff. They described the Executive Director and senior staff as professional, knowledgeable, and skilled managers of the airport facilities. Many tenants commented that the Executive Director had been very responsive to requests for assistance. Most of those who were interviewed commented that the monthly meetings with members of the airport staff are useful, provide good opportunities for contact, interaction, updates, feedback and problem solving. A majority of the tenants interviewed have no near or long-term expansion plans. However, Cessna and FlightSafety International representatives did report preliminary plans for expansion at Mid-Continent.

In terms of what services were felt to be the best at Mid-Continent, most tenants reported the highest level of satisfaction with emergency response and safety and security services. Other services mentioned frequently by tenants to be of consistently high quality include helpfulness of Airport Engineering staff, snow removal service, publicity and tenant relations, and customer relations.

The two areas most often mentioned as needing attention were facility maintenance and janitorial services for the terminal building. Tenants noted that cleanliness and appearance of the facility is satisfactory, but not of the highest quality. The appearance of the terminal facility was also a concern, and many tenants commented that it needs updating or remodeling.

Cargo business tenants noted that the cargo facility is no longer supportive of efficient freight handling, i.e., size of doors, age of facility, etc. The doors were sized for different types of cargo handling when built. Many times it is difficult to maneuver in through the cargo doors. Also, the apron used to haul cargo in and out is small, and the lift trucks and equipment used today have a hard time maneuvering on that apron.

Bird control was mentioned by two tenants as an area of concern.

Tenants described the need to assess the intermodal transportation issues at the airport. They noted the need for weather protection for passengers arriving and departing the airport. Better transportation between the airport and off-airport locations, such as hotels, was identified as a problem, particularly for late flights.

Most tenants did not express a sense of urgency regarding commercial development on or around the airport. Most did not feel that it is important to make special efforts to induce development in the vicinity of the airport. On this issue, there was a split among the board members interviewed, with some feeling it was very important, but others feeling that the issue would take care of itself.

Most tenants interviewed had no opinion of “through-the-fence” operations. Board members identified this issue. A “through-the-fence” operation is one where an off-airport operator that is not a lessee has direct access within a secure perimeter to runway and taxiway facilities and the airport does not receive fees and charges. A few tenants commented that the airport should strive to accommodate through-the-fence operations for lessees.

Tenants and board members were asked to identify areas to be included to evaluate performance of the airport. Some suggestions include: revenue generation and growth; competitive landing fees; amount of federal funds acquired; adherence to approved budgets; profit margins; growth of passenger usage; growth of freight and cargo usage; tenant satisfaction indicators; passenger evaluation of services and facilities; growth of general and commercial landings.

Chapman summarized by saying the feedback from the tenants was very positive, very complimentary, and very much of the feeling that the airport was meeting their needs in a substantial number of ways. With a few minor exceptions, it was mentioned fairly routinely that landing fees at Mid-Continent are a little higher compared to other airports. On a whole, a significant majority of tenants feel the day-to-day operations of the airport are very satisfactory and that the airport staff is responsive. From a board point of view, the feedback was much less of one mind.

As a result of interviews with board members and tenants, several issues of focus for the advisory board were recommended. Issues related to a vision of the future of the airport, both in terms of operations and physical planning, should be a key focus for the advisory board. Several areas of recommendations relating to the advisory board's focus were made, including:

- The board should be familiar with Mid-Continent and Jabara Airports' master plans, and review those master plans for updates.
- Review and update the five-year major improvement maintenance plan. Also, review the description of current maintenance standards, and determine what an appropriate maintenance standard should be.
- Development of a formal and articulated facility leasing strategy. This strategy would be primarily focused on general aviation, and to a smaller degree, the lease space in the terminal building, particularly from an opportunity point of view. The airport has an unusually high number of leases compared to the City. It was suggested that a commercial leasing company in Wichita be utilized to develop an articulated leasing strategy over a long period of time. Chapman commented that leasing of facilities would be an area of controversy. There were some comments from tenants that they experienced many difficulties before entering into a lease, issues about competitive pricing, and issues about competition. The Airport Authority owns all airport property and controls the use of it, which is where the controversy is, and not in the cost. Particularly in the general aviation area, it is a controlled, economic environment, and this is what generates most discussion. It was suggested that there needs to be flexibility in leases to meet changing demands.
- Prepare a strategic financial plan consistent with the level of services and the capital plan that has been identified. This would take into account those items in the master plan in terms of acquisitions, renovations, new facility constructions, five-year improvement plans, level of maintenance standards, and leasing strategy, and would show the financial path to implement them.

- Establish a regular customer survey. Topics covered would be customer satisfaction with air service, frequency, destination, cost, quality, facilities, tenant satisfaction with services, etc.
- Prepare a list of recommended performance measures and standards for the board, the Executive Director, the City Council, and the City Manager, to use to evaluate the performance of the airport on an ongoing basis.

Airline Use and Lease Agreement

Bell reviewed policies used in operating the airport. The number one policy is that there will be no local tax dollars used on this airport. The airport was built with proceeds from a friendly condemnation when the Air Force took over McConnell Air Force Base. The Park Board at that time was given \$9 million to build this airport. Therefore, there was no debt service for the airport for a long time, which resulted in cheap rates and charges. No money was set aside to redevelop the airport until the early 1980s. One-third of all airport revenue comes from the airlines. The standard practice in the U.S. is that airlines pay for the use of facilities. Mid-Continent Airport ranks the 92nd busiest airport in the U.S. in terms of passengers. This airport has been supported strictly by proceeds from leases and revenues from concessions, and proceeds from the Federal Government's Aviation Trust Fund.

Most airports, including Mid-Continent, do business with airlines by lease and by contract. The State of Kansas gives the airport the freedom to charge whatever amount it needs to do business, but the Federal Government has required the airport to have "reasonable" rates and charges. In addition, the DOT policy states that on an airfield, the airport cannot make a profit. Profits are allowed in the terminal area.

The use and lease agreement utilizes a formula that was developed 15 years ago. The airlines, through their use and lease agreement, shall guarantee that this airport will be paid 66%, or up to two-thirds of its cost of the airfield. The other sources of revenue for the airfield, general aviation fuel flowage fees and cargo landing fees, make up the difference. When there is increased activity in general aviation or cargo operations, in consideration for the guarantee given by the passenger airlines, those extra fees reduce the airlines' landing fees. It costs about \$3.2 million per year for the operations and the debt service on runways and taxiways at Mid-Continent Airport, of which the passenger airlines pay \$2 million. General aviation and cargo airlines pay the remainder. Landing fees are based on the weight of the aircraft. At Mid-Continent, landing fees currently are \$1.73 per thousand pounds maximum gross landed weight, which is on the high side of average compared to other airports. This was reduced this year from \$1.83 due to the pay-down in debt service.

Regarding the terminal building, a compensatory method is used wherein the airlines are charged for the cost of being here. The total cost to run the terminal building, which includes maintenance, operations and debt service, amounts to about \$4.1 million per year. The airlines use about 50% of the terminal building and, therefore, pay 50% of the

cost of the terminal building. The other half of the terminal building costs are paid for with parking revenue, rental car revenue and revenue from concessions. The rental rate for the terminal building, which includes 24-hour, on the spot police service, is about \$32.00/sq.ft.

There is a residual or single cash register method that is used often at airports with large hubs or large concentrations of one airline. In this case, where bonds are issued, it is required that the airline guarantee those bonds, and not just the community. This gives the airline control, and it votes on all capital improvements of the airport. This method is not used at Mid-Continent Airport.

The rate-setting methods used at Mid-Continent are standard practice in the industry. Bell stated it is good business to have discussions with the airlines. Budgets and capital improvement plans are shown to the airlines before they are passed in order to receive feedback, but they have no voting power.

Bell pointed out that last year the airlines charged the passengers going in and out of Mid-Continent Airport \$225 million; the airport charged the airlines \$4 million to do business.

A three-year agreement is being proposed, beginning April 1, 2000, and will soon be presented to City Council for approval. Included in the agreement is an adjustment on all the rates based upon costs. The airlines are in agreement to the terms. It is advantageous to have a three-year agreement in that it cuts down on the cost of negotiating a contract every year, plus the revenues can be counted on for three years. Bell requested the endorsement of the board of the concepts presented.

Motion by Swanson to approve the recommendation of the Director of Airports; motion carried 8-0. (Gregory absent).

Update on Airport Business

The business entity of Yingling Aircraft, a fixed-base operator owned by Jerry Vanier of Salina, was purchased by Mr. Lynn Nichols of Wichita. The leasehold is with Cessna Aircraft Company. There are two leases associated, one that expires in June and one in December. Cessna Aircraft Company is backing Mr. Nichols in his efforts to make improvements.

Cessna is in the planning process for a 50% expansion of its Citation Service Center, west of the Wallace Plant, which is owned by the Airport Authority. This will take place next year and will remain the world's largest business jet service center.

The terminal concourse remodel project has been remanded from the Art and Design Board to the architect to come up with more enhancement concepts. The budget has grown from \$750,000 to \$6.5 million. The objective is to look at all the possibilities and

find out what the cost would be. It could be a phased improvement plan, but City Council wants to see all options to make it an outstanding facility.

Midwest Corporate Aviation, located at Jabara Airport, has approached airport staff to build two, 15,000 sq.ft. hangars. There is a possibility of building more.

Staff is working on the development of the west side of Mid-Continent Airport with Cessna Aircraft Company. Cessna is a partner with Executive Jet Aviation of Columbus, Ohio, and will build one, and possibly two, 45,000 sq.ft. hangars. Cessna will do maintenance on Executive Jet Aviation's airplanes. This development will open up a 60-acre tract of raw land.

The controlling interest of Executive Aircraft Corporation is being sold to Central Missouri Aviation of Columbia, Missouri. Bob Taylor, the current manager, will stay with the business. The FBO and aircraft refurbishing businesses will continue.

Office space on the second floor of the terminal building was recently leased to Air Midwest for pilot training.

On June 7, 2000, service to Denver on Air Wisconsin, d/b/a United Express will be replaced by United Airlines. Air Wisconsin operated three British Aerospace 146 aircraft. United Airlines will replace those three British Aerospace aircraft with 737 aircraft.

Comair, a Delta Connection, which makes four daily trips from Wichita to Cincinnati on regional jets, will cease ground-handling operations at the end of March. However, Atlantic Southeast Airlines, another Delta Connection, will ground-handle Comair's flights. This will create a revenue loss, as Comair's lease expires the end of March and will not be renewed.

Work continues with Learjet on the ground water pollution remediation project. Thirty years ago a barrel of contaminated liquid seeped into the ground water, and the pollution runs from the Learjet factory to the terminal building. Learjet has been testing in the terminal building to see if the airport's deep well that is no longer operated might be used to pull the water from the ground and run through the storm drainage pipes and the ditches to the Cowskin Creek. Hopefully, this process will aerate the water enough to remediate the pollution. Learjet's preliminary estimates show that about 700 gallons of water per minute will have to be pulled out of the ground and aerated for twenty years.

Bids will be accepted this week for a parking lot operator. The current contract with AMPCO expires March 31, 2000 and it is necessary to take bids from other operators.

A new limousine service and executive car service will be coming soon.

Congress may soon be reauthorizing funds from the Aviation Trust Fund for airports. There may be a 74% increase in federal funds available to all airports in the United

States. At Mid-Continent Airport, the annual entitlement money from the Aviation Trust Fund is \$2,021,000, and will increase to \$3,627,000. This is a three-year reauthorization. Also, a \$3.00 passenger facility charge is assessed to departing passengers at Mid-Continent Airport. The airlines collect this fee and send it to the Airport Authority. There will be forthcoming the option to raise that charge to \$4.50.

Other Business

Kinch requested to know the cost of services provided by Management Partners and who paid for those services. This firm did not contact her when their survey was conducted. The Director was asked to check with some of the tenants to see if they actually were contacted.

Meeting adjourned at 4:00 p.m.

Valerie A. Wise
Airport Advisory Board Clerk