

CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, June 3, 2002 - 2:06 p.m.

Present: Dion Avello, Charles Bouilly, Bill Calloway, Mitch Faroh, Beth Garrison, Dave Murfin, Don Slawson, Carrie Williams

Absent: Tim Austin, Carl Harris, Dorothy McKay, Jay Swanson

City Staff: Ernie Garcia, Doug Moshier

Airport Staff: Bailis Bell, Jean Zoglman, Valerie Wise

Chairman Avello called the meeting to order.

Approval of Minutes

Faroh moved to approve the minutes of the May 6, 2002 Wichita Airport Advisory Board meeting. Motion passed unanimously.

Financial/Budget Review

The Wichita Airport Advisory Board is charged with review of policies and general operation of the airport. Jean Zoglman, Airport Finance Manager, presented and reviewed the financial statements of the airport. Discussion on the balance sheet covered restricted assets, leases, and airfield.

The Airport financials are a separate fund within the City of Wichita. The Airport's audit is done as part of the City's general external audit. Airport staff very closely monitors the expenditures.

Operating revenues are at 30% of budget, which is slightly less than normal but better than expected due to the September 11 event. Operating expenses are a little higher than last year due to security expenditures. Federal reimbursement for some of these expenses is anticipated, however, increased security expenditures are being budgeted for the long-term.

The costs to operate the airfield are offset by the revenue from the airfield. Under Federal law, the airport is not allowed to make a profit on the airfield. It was suggested that the charges be reallocated to help the low fare airlines. The airport can only assist airlines with advertising dollars. The airlines' contracts include a most favored nation clause, which state that the airport must treat each airline equally. The contracts expire the end of 2002.

Discussion ensued regarding aviation fuel, natural gas, and contractual services. A revenue comparison showing eight months prior to September 11 and eight months after September 11 was reviewed. Passengers are down 21%; therefore, the associated revenues are down by a similar percentage. However, there has been a sloped improvement since September 11. It is expected that AirTran service will enhance revenues. The concessionaire's sales are up 38% since May 8. Over Memorial Day weekend, there were only 50 empty stalls in the long-term parking lot.

Airport cash and debt are in the best positions ever. The airport is in a position to start borrowing money if necessary. The Capital Improvement Program is forthcoming. At the next WAAB meeting, the future contractual arrangements with the airlines will be discussed.

The airport traditionally submits a budget to the Budget Review Cabinet of the City of Wichita. This Cabinet then makes its recommendations to the City Manager. The only area in which the operating revenue budget was increased was for the inspection of vehicles. The Budget Review Cabinet added to the airport budget a public safety fee of \$277,000 per year. This traditionally has been paid for by the Water and Sewer Department. The City feels that the airport benefits from police and fire response from the City although there is no property tax revenue from the airport. There is no revenue source for the airport to cover the \$277,000.

Discussion ensued regarding the cost of the airfield, landing fees, fuel flowage fees, and passenger traffic.

The Budget Review Cabinet also added to the airport budget \$250,000 per year to replace the gate room furniture. The airlines are responsible for the gates and the furniture in them. The Cabinet recommended that the airport replace the furniture and charge the cost back to the airlines. This will have to be addressed contractually with the airlines.

On the operating expense side, there were 15 new positions added for airport security officers. Those salaries caused a 15% increase to the budget. However, a portion of that will be reimbursed with federal funds through September of this year. Air service contingency, public safety fees and gate room furniture added to the expense budget. This budget will determine the airline rates for the next year.

There are facilities that will come on-line in 2003 for facility rental due to the payoff of airport special facility revenue bonds. These are a Pratt & Whitney facility, an Air Midwest hangar and a Midwest Corporate Aviation hangar.

A breakdown of revenue sources shows that 30% is based on passenger activity, 20% is based on aircraft activity, 40% is fixed rentals, and 10% is demand.

The airport fund is unique in that it is not subject to cash basis law or budget law, as opposed to municipal operations being tied to those laws. This allows the airport to spend its funds as necessary, regardless of the budget.

Discussion ensued regarding funds for marketing. There are various amounts in contractual services and other areas for marketing activities.

Schedule of Fees and Charges for Use of Wichita Mid-Continent Airport

Allegiant Air, an air carrier, has proposed to fly three flights per week on an MD-80 direct to Las Vegas. This operation would be classified as a scheduled service. Typically when an airline signs a contract with the airport, the airport charges a reduced fuel flowage fee. Usually this amounts to 2-3¢/gallon. Any airline that is not under a contract pays 12¢/gallon. At 12¢/gallon on an MD-80, this airline would not be able to afford to offer its service. It has been proposed to offer this airline the 3¢/gallon rate. Also, there is a 50% surcharge to those who do not lease facilities; however, for this scheduled service that does not lease any space, a 25% surcharge has been proposed.

Avello moved to approve the schedule of fees and charges and recommend it to the City Council for approval. Motion passed unanimously.

Alternative Methods for Increasing Revenue

Wichita Mid-Continent Airport is limited by Kansas law to doing business with aviation-related businesses or government. If it strays from this law, the airport would lose its tax exemption. It would be a matter of policy to determine if the airport should be involved in businesses that are not aviation related.

Off-Agenda Item – Land Acquisition

Ernie Garcia stated that the City Manager has requested the Wichita Airport Advisory Board discuss an off-agenda item concerning a potential land acquisition. The Board consented to the discussion. In February the City Council considered proposals from City staff to acquire necessary land for industrial usage and to protect areas surrounding the airport. The land commonly referred to as the “Dugan parcel” has been identified as land necessary to protect the airport for future development. The land is for sale and there are developers interested in buying it. The owners of the land are considering the City’s proposal for the acquisition of this land. The City Manager has requested the board’s positive recommendation to move forward with the purchase of this land for an aviation industrial park.

Discussion ensued which involved the long-range availability of land for airport purposes, tax exemptions on airport land, potential for development, zoning restrictions, use of airport land for non-aeronautical purposes, the availability and applicability of FAA funding, the proper process for purchasing land with the expectation of being reimbursed in part by the FAA and area utilities.

Slawson made the motion that the Wichita Airport Advisory Board recommends that the City of Wichita enter into negotiations for the acquisition of the Dugan land. Motion seconded by Bouly. Motion carried unanimously.

WAAB Travel

The ACI-NA 11th Annual Conference and Exhibition will be held November 11-14, 2002 in Salt Lake City. Avello will request permission from the City Manager if board members wish to attend.

April 2002 Statistical/Project Reports

Total passengers were down 6.27% for the month of April compared to 2001. Upcoming airline service changes were discussed.

Notice of Election of Officers/Meeting Schedule

At the July WAAB meeting, the by-laws call for an election of officers. Also, the board is required to set the meeting schedule for the coming year. Williams volunteered to serve as the nominating committee.

Executive Session – Security Matters

Bouly moved to recess the regular meeting and reconvene in executive session for five minutes to discuss security matters. Motion passed unanimously.

4:00 p.m. – Regular meeting recessed – executive session

4:05 p.m. – Regular meeting reconvened; no action taken as a result of the executive session.

Other Business

Plans are underway to renovate a vacant room in the west concourse and turn it into a lounge with food and beverages. The room is about 1,500 sq. ft. and was formerly used as a news conference room. On the east concourse it is planned to take a portion of gate 4 and turn it into a lounge. Snack bar sales have increased 800%. HMSHost, the airport concessionaire, will finance the improvements. Host has five years remaining on its contract.

Meeting adjourned at 4:10 p.m.