

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, January 9, 2006 – 3:00 p.m.

Present: Tim Austin, Dion Avello, Ron Estes, Charles Fletcher, U.L. Gooch, Willis Heck, Jeff St. Clair, Jay Swanson and Bill Ward

Absent: Bill Calloway, Dwight Greenlee, David Murfin, Jay Russell

City Staff: Doug Moshier

Airport Staff: Victor White, John Oswald, Sandy Coykendall, Jean Zoglman, Mike Carter, Valerie Wise

Others: Peter Gustaf, Executive Director of Kansas Technical Training Institute (KTTI), Bob Taylor, President of Executive Aircraft Corporation, Jamie Pegg, President of Eaglejet Aviation, Randy Lair and K.C. Carlson with Koch Aviation, Dave Dewhurst with Sabris, and James Mendenhall, public

Chairman Fletcher called the meeting to order.

Approval of Minutes

Motion by Swanson to approve the minutes of the December 5, 2005 Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

Mr. White provided an update on the Affordable Airfares for Kansans initiative. Mr. Heck stated that the REAP organization has unanimously adopted a position in support of the plan.

The Board was briefed on the items appearing on the upcoming City Council agenda.

U.S. Air Race Inc. has approached Airport staff about having the Wichita 300 Air Race start at Mid-Continent Airport. This event will run July 16 – 23, 2006. Mr. White stated it might fit better at Jabara Airport as this is a general aviation event and there would be less security issues. The sponsorship costs \$5,000 plus paying for six trophies. Mr. Gooch suggested that these types of events could stimulate tourism, and perhaps the \$5,000 could be funded by several organizations. Mr. White will also pass the information to the Convention & Visitors Bureau and Chamber of Commerce. Details need to be finalized by next month so that the event can be promoted.

Proposals for the airport advertising campaign are due Friday, January 13, 2006. Formal presentations will be made February 8. The selection committee will consist of a widespread group including Charlie Fletcher and Bill Ward from the WAAB.

The City Council has approved the Wichita Flight Festival to be held at Jabara Airport next August. However, the City's contribution to this event has been cut in half. There is a possibility that this event will be moved to McConnell AFB.

KTTI Project Update

Peter Gustaf, Executive Director of Kansas Technical Training Institute (KTTI), stated that there is a concern about the size of the manufacturing facility. It was originally planned for 56,000 sq.ft. Over 60 companies have had input in the aviation, assessment and manufacturing facilities. The business plan draft is completed and the financial plan is being worked. Informational packets will be ready at the next WAAB meeting. Mr. Gustaf will be meeting with the FAA Facilities personnel in Kansas City. After the February WAAB meeting, the plan will be presented to the City and County. It is hoped to have everything completed by the end of February.

The Sedgwick County Training Authority will be the entity steering this project. Interviews are underway to hire a Director. Gustaf stated that the goal is to have a public entity, which is the Authority, move this forward and KTTI will eventually go away. The Board of Education is an ad hoc member of the Authority Board.

Discussion ensued regarding the aging work force.

Executive Aircraft Corporation Sublease and Assignment

Robert Taylor, President of Wichita Executive Aircraft Corporation, addressed the Board. Taylor is one of the two owners who have decided to sell the fixed-base operator business. The fixed-base operator (FBO) assets of WEAC have been sold to Eaglejet Aviation, Inc., who will assume the FBO privileges, rights, responsibilities and public service obligations that WEAC has been providing. As part of the deal, Eaglejet will sublease Hangars 17 and 19 directly from WEAC. Hangar 28, which is currently vacant, will be subleased by WEAC to Eaglejet on an as-needed basis whenever Eaglejet has need for additional storage space. However, the hangar is still being marketed by WEAC for lease on a long-term basis.

Mr. White stated that the deals between WEAC and Eaglejet have recently been negotiated, and Airport staff has not yet had an opportunity to examine the terms of the sublease agreements between the two parties.

Mr. White stated that the Wichita Airport Authority's lease remains in place with Executive Aircraft Corporation, which expires in 2013. Mr. Taylor will be subleasing those facilities to Eaglejet Aviation, Inc. and Eaglejet will take over the FBO operations.

Mr. Taylor explained that the leasing rate being charged to Eaglejet is identical to what WEAC is paying for the lease with the Airport Authority. One entity holds the lease with the Airport Authority and the sublease to the other entity. The sublease terms are the same as those approved after the WEAC bankruptcy. Also, bonds were voluntarily paid off about 1 ½ years ago, therefore, the lease payment needs to return the principal and interest back to the repayment of those bonds. According to Taylor, the sublease terms are identical to those when Stan Roth

acquired the property from Ryan International Airlines, and when EAC's group acquired the property from Jan Roth.

Mr. White stated that the Airport Authority is not exposed to any additional risk because of this transaction. Doug Moshier stated that Eaglejet's rights are derivative from EAC. If there was a breach of contract, the Airport Authority would take action against EAC and the subtenant would have no rights. Although the Airport Authority would not be able to take action against the sublessee, it can force the sublessee out for failure to perform. Insurance requirements are set forth in the lease. The liability of the Airport requires negligence on the part of the Airport. Since the Airport Authority is the owner of the land leased to another party, the Airport Authority is not liable. Mr. Taylor stated that WEAC has the insurance obligations under the master lease, which, in turn, have been passed on to the sublessee, plus additional requirements.

Estes moved that the Wichita Airport Advisory Board approve the sublease agreement between WEAC and Eaglejet Aviation provided appropriate legal review of the terms.

Discussion regarding the City Council/Airport Authority's action, which will be to consent to the sublease from WEAC to Eaglejet Aviation.

Motion carried unanimously.

Mr. White stated that WEAC has no further need for hangar 16, which is actually comprised of two hangars (16A and 16B) that are attached to an office/shop area in between. Negotiations with Koch Industries have been ongoing for several months to find a way for Koch to acquire the lease for this hangar complex. The facility is in need of serious repair to its roof and possibly some related structural issues. The deal that is proposed is for WEAC to relinquish its lease on the facility back to the Airport Authority, and the Airport Authority will assign that lease to one of the Koch subsidiary companies under the same terms. In exchange for Koch providing reimbursement to the Authority of up to \$250,000 for the roof and structural repairs, a lease will be offered to Koch for an additional period ending in 2026.

There was discussion regarding the possibility of repairs exceeding \$250,000. Although there are other needed repairs, Koch's main concern is keeping the building dry.

Motion by Estes that the Wichita Airport Advisory Board recommends the lease assignment to Koch Business Holdings.

Discussion ensued. From the period 2013 to 2026, the rental rate will be adjusted to reflect the fair market value based upon an appraisal.

Motion carried unanimously.

Airlines' Rates and Charges

The draft schedules of fees and charges were distributed to the Board. Mr. White explained that it is necessary to meet with the airlines' representatives before the fees and charges can be finalized. Jean Zoglman stated that fees and charges to airlines having agreements with the

airport are adopted on an annual basis. It sets the rates to airlines that do not have airline agreements. The proposed landing fee rate is \$2.11, which this is the first time the rate has exceeded \$2.00. This represents about an 11% increase from the 2005 rate. Half of the increase is due to a decrease in landed weights. The rate is based on the cost to run the airfield divided by the landed weights of the airlines. The other half represents about a 5% increase in costs. The 2005 rates are a holdover from the 2004 rates that included a 5% cut, so actually the 5% increase is over a two-year period. The marketing program expenses are not recovered in the airline rates. The terminal building rate increases by about 4%. This schedule produces \$5.5 million in revenue per year, and 75% of that is based on airline and cargo contracts.

Discussion ensued. The airlines compare cost per enplaned passenger, and ICT's cost is not changing significantly. Ms. Zoglman stated that there were significant increases in utility costs. The fees that the Airport pays the City of Wichita have increased, such as application fees for Information Technology, and a public safety fee of \$750,000 per year. Also, the City Council increased liability insurance from \$50 million to \$100 million at the beginning of 2006. The rates are set a little higher than anticipated costs so that at the end of the year the airlines can be refunded any overpayment rather than asking the airlines for additional payment. In 2004, the Airport refunded the airlines about \$63,000.

There was a discussion regarding unleased gates in the terminal. Mr. White stated that it is a growing trend in airports across the country to not lease any gates, giving airports greater control of their facilities. Common-use gates are becoming more popular and the airlines prefer that arrangement because it eliminates their rent obligation. Under this arrangement, the airlines would pay on a per-use basis. The current airport/airline use agreement expires the end of 2006. It is anticipated that this agreement will be extended under the same terms up to two more years that would allow time to negotiate a longer-term lease for the new building.

Mr. Austin requested a summary of the past six years' rates. The settlement rate for landing fees was \$1.98 in 2004.

Terminal Project Update

Mike Carter, Program Manager with DMJM, stated that the scope of work for the design contract has recently been completed. Negotiations are underway on the price, which is taking longer than anticipated. A contract is anticipated in February. Design is expected to be complete in late 2007. Construction will take about 30 months and the new terminal should be open in late spring 2010. During the summer of 2010 the demolition of the old terminal will be completed.

This will be a traditional design, bid, build contract, with four contracts – terminal building, apron, roads and parking, and utilities. Boarding bridges will be a separate contract. In the past, conveyer systems were done separately because the contracts were so specialized. However, a conveyor specialist is on the design team who will develop prescription and performance type specifications. It is believed that this can be bid along with the major building contract.

It is anticipated that the Transportation Security Administration will provide funds for an in-line baggage screening system that has the latest technology for explosive detection.

A specialty firm will provide an independent fee estimate for the design and that estimate will be compared to that of the design team's to help with the negotiation process. The FAA requires an independent fee estimate be provided by a party not involved in the transaction in order to retain the airport's eligibility for grant funding.

Leigh Fisher & Associates is the sub-consultant that is providing a financial feasibility study. This study forecasts expected costs in the terminal and future capital improvement projects in the next ten years.

Also taking place during the schematic design is an independent cost estimate for the construction of the terminal. Two firms will work on this estimate independent of each other – one is hired by the architect and the other by the Airport through DMJM to cross-check the numbers.

Mr. Austin requested a flowchart depicting the process and schedule.

November 2005 Statistical/Project Reports

Total passengers were down 3.87% compared to November 2004. Mr. White reported that the December passenger numbers were just in, and total passengers for the year were down .81% for a total of 1,486,590.

Mr. Austin commented that the Airport advertising campaign was delayed last year and encouraged this year's campaign to begin earlier. Last year's campaign was kicked off in June. It was Austin's observation that passenger numbers may have been impacted because the advertising campaign was not timely.

Other Business

The ACI-NA and AAAE Spring Washington Conference will be held in March. Charles Fletcher and Tim Austin indicated that they might attend.

The next WAAB meeting will be Monday, February 6, 2006.

Meeting adjourned at 4:35 p.m.

Valerie Wise, Clerk