

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, April 7, 2008

Present: Ron Estes, Charles Fletcher, U.L. Gooch, Dwight Greenlee, Willis Heck, John Hennessy, Kevin Myles, Tom Pryor, Dr. Thom Rosenberg and Bill Ward

Absent: Robert Beattie, David Murfin, Jay Russell

Airport Staff: Victor White, Sandy Coykendall, Shannon Feltes, Traci Nichols, John Oswald, Valerie Wise, Jean Zoglman

City Staff: Joe Allen Lang, First Assistant City Attorney

Others: Mike Carter, DMJM Aviation

Chairman Fletcher called the meeting to order.

Approval of Minutes

Motion by Ward to approve the minutes of the March 3, 2008 Wichita Airport Advisory Board meeting. Rosenberg Seconded. Motion carried unanimously.

Director's Report

Chairman Fletcher thanked airport staff for all of the hard work in getting the incentive package together for the proposal to Cessna. On behalf of the staff, Victor White thanked Chairman Fletcher and said that as the Board knows from the three executive sessions, there was a lot of work that went into the proposal, however it was well worth it and not only Wichita, but the State of Kansas is thrilled about the announcement that Cessna will build the Citation Columbus in Wichita.

Mr. White provided an update on Chairman Fletcher and his visit to Washington D.C. for the Joint ACI-AAAE Spring Legislative Conference during which time they met with Senator Brownback and Congressmen Moran and Tiahrt and their staffs to discuss the two Airport items that have been submitted for the Federal Legislative Agenda. One of the requests is to obtain the maximum amount of discretionary funding from the FAA for the ramp and apron pavements associated with the new terminal. The second item is for the in-line explosive detection security screening system for checked baggage. Chairman Fletcher stated that instead of doing an earmark, a plan was developed where all of the Congressmen and Senators from the State of Kansas are going to sign letters to the FAA to request funding for those projects. Mr. White advised that as soon as those letters become available copies will be sent to the Board.

Mr. White reported that Congress has not yet taken any action on the FAA Funding Reauthorization Bill. However, the bill signed by the President at the end of February is a nine month bill which means there is 75% of federal grants available to airports. The FAA has decided to start issuing those grants and has asked airport staff to determine how the ramp project can be split up to obtain the maximum amount of discretionary funding this fiscal year.

Mr. White advised that in early March the airport parking study was presented to the City Council in a workshop. The good news is that the Council is now very supportive of the parking garage project. HNTB has been asked to prepare a scope of services in order to draft either a contract amendment or a new contract to hire them to prepare the architectural and engineering design of the parking garage. As soon as that is negotiated, the next step is to take it back to the Airport Authority so it can be approved.

Mr. White advised the Board that Councilmember Jim Skelton has expressed a strong interest in the Wildlife Management Program at the airport. The Councilmember has requested to meet with airport staff and learn about the various kinds of wildlife that are present and the impact on aviation safety. The Councilmember will also be introduced to the airport's full-time USDA wildlife biologist who is at the airport four days a week and works with staff on creating the program to identify wildlife hazards.

A Request for Qualifications ("RFQ") was done for an advertising concessionaire for the terminal. For many years, airport staff has been running the advertising program internally, however, staff has been trying to think about the future and how advertising will be incorporated into the new terminal building. The RFQ was advertised nationally and three statements of interests were received from firms that provide airport advertising around the country. The Selection Committee chose a firm that is the largest in the business. Mr. White showed the Board an example one of the firm's ideas for the hotel/motel board in the new terminal as well as an idea for the Baggage Claim area. The task now is to try and negotiate a contract where the airport will bring in more net revenue with advertising than it currently does today.

Victor White provided the Board an update on the Hawker Beechcraft fixed base operator sale to Signature. Airport staff has talked to the company a number of times since the last Board meeting and is trying to be as flexible as possible, without doing something that will jeopardize the minimum standards that are in the process of being developed.

Mr. White advised that Hawker Beechcraft has been maintaining and operating the Bulk Aviation Fuel Farm for a long time. However, since the fixed base operator is being sold, Hawker is going to assign their maintenance contract over to Signature to maintain the fuel farm. The airport has decided to do a Request for Qualifications advertisement and will solicit someone to find the best way to maintain the fuel farm. This will be an agenda item next month to provide the Board a background of how the fuel farm operates in general, who maintains it and how it affects the business at the airport. The price of fuel is a significant concern, prices have doubled in the last year for airline jet fuel and this airport wants to make sure that there is not something it is or is not doing that could affect the price of gas for the airlines and general aviation.

Passenger Facility Charge Application

Jean Zoglman informed the Board that the Passenger Facility Charge "PFC" process is a federally designed process where an application is put together, the airport has a consultation with the airlines to discuss the project and the application is then submitted to the FAA. If the application has the correct justification and support and has eligible projects in it, then the FAA approves it and the airlines collect the funds on the airport's behalf. This airport has had a PFC since 1994. Originally it was \$3 and then was increased to \$4.50 in 2005. The current application requests that the \$4.50 rate be continued. The air carrier consultation was held on March 31st and three letters of agreement from the airlines have already been received. The project involves the replacement of the closed circuit television access control system that exists campus wide. This system would need replaced whether the new terminal is constructed or not. This will be a bridge application between when the current program expires in September of this year and when an application will be needed for the new terminal. It is worth about \$3.6 million, which may change as the project continues to be refined. The airport has been approved for \$29.5 million in PFC collections, and has currently collected about \$27.5 million of that so it has been a good funding source for the airport's capital projects.

Mr. Estes mentioned that when the PFC's were discussed in the past, he did not remember the money that is collected being tied to a particular project. He asked if that meant the airport is about to complete collecting all the funds that have been approved through August 2008. Mrs. Zoglman said the airport is requesting the right to continue to collect PFC's. All prior PFC applications have had projects listed in them and very specifically states the projects. Typically the projects have been groups of items such as airfield pavement, airport security or land acquisitions. The applications are always very specific about what they are going to fund because that is how the airlines can review them and the FAA can ensure that the money will be used for an eligible purpose. The applications allow the airport to have the airlines collect on its behalf the PFC charges up to this amount. Since the airport is almost done collecting the allotted amount, the application asks for the right to have the airlines continue collecting on the airport's behalf and the money has to be spent on that project. Mr. Estes asked if that meant the airport was requesting to extend its ability to collect the \$4.50 through September of 2009. Mrs. Zoglman said that was correct.

Mr. Estes said when it was approved to increase the amount to \$4.50 one of the discussions was that it was to help lay the foundation for the funding for the new terminal project. Mr. Estes asked if this project is part of that or is it a new project that could potentially impact funding that was supposed to be available for the terminal. Mrs. Zoglman stated this project has always been in the line-up and is included in the design contract with HNTB Design Team. It would not redirect the funds to another place to make less available for the terminal. The terminal project has not moved as quickly as anticipated therefore the airport has collected a little faster than was needed and that is what necessitates the need to have this bridge application. Mr. White also stated that the more passengers there are, the more money will be collected so the limit can be reached much more quickly than planned for.

Mr. Hennessy asked if the PFC is extended by filing a new application with new items the airport wants to fund. Mrs. Zoglman said that was correct. Mr. Hennessy asked if the application is submitted ahead of time in order to stay in front of it. Mrs. Zoglman said the FAA has 120 days

to approve the application once it is received and the application will be submitted far in enough in advance to allow for that.

Motion by Chairman Fletcher to recommend the Airport Authority move forward with submittal of the PFC application. Estes Seconded. Motion carried unanimously.

Air Service Report

Valerie Wise presented to the Board a PowerPoint presentation that was presented to the Affordable Air Fares Coalition on March 28th. The presentation included charts showing the significant increases this airport has seen in air passenger traffic. In 2007 Mid-Continent had a record year of 1.6 million passengers. That is 12,000 more passengers per month than in 2006. February marked 17 consecutive months of increased passenger traffic. Mrs. Wise also showed slides of the long-term parking lot and how the increased passenger traffic has put a strain on the facilities. Mrs. Wise then discussed the air service enhancements the airport has seen over the past year. With the addition of Detroit, Wichita will have 13 non-stop destinations, 141 one-stop international destinations, and 289 one-stop domestic destinations. Mrs. Wise then showed a slide comparing passenger traffic from 2001 with 2008, to illustrate the effect the low cost carriers have had on this airport.

The parking lot management company did a survey of the tags over the Thanksgiving Holiday which shows that this airport is attracting people from all over the state of Kansas. 525 of the cars were from other Kansas counties. In 2005 a market assessment was done by Sabre and at that time this airport had 37% leakage, which means over 200 passengers every day were using out of state airports. Since then there has been an increased demand for travel from this airport. Wichita's growth to the top 25 markets was 40%. To low fare destinations the growth was 78%, however even without low fares there has been 8% growth to those destinations.

Mrs. Wise then discussed how in the airline industry today fuel costs are what is driving every decision the airlines make. Fuel is 40% of their costs. According to Delta fuel prices are up 85% since the beginning of 2007. This means airlines are slowing expansion plans, and there will be more mergers and consolidations. Airlines are also charging ancillary fees such as extra fees for additional luggage or leg room. Airlines are raising fares as much as demand will allow, but are aware that there is only a certain level those fares can be raised until passenger traffic falls.

Airlines do not have additional funds for marketing so the airport is trying to do all it can. The air service incentive program was adopted in February 2007 and discussions have commenced with the State of Kansas Tourism and Economic Development Divisions to establish partnerships to increase fly-in traffic to Wichita. An affinity marketing strategy is being developed to identify frequent flyers to gain their support and loyalty as well as gain information as far as the air market and travel needs. Plans are in place to continue efforts with corporations in the service area to explore new means of utilizing and leveraging their travel volumes to secure the goals of maintaining the existing air service. The goal is to identify where the top corporations are traveling and see if that volume can be leveraged and act as a broker between the airlines and those corporations. This should benefit the corporations by lowering their travel costs, and yet it should maintain and possibly enhance the air service here. This strategy will be used to increase

passenger loads on the low cost airlines as well as enhance the underserved markets. Mrs. Wise then showed examples of advertisements and promotions that are currently being run or are upcoming. She also showed pictures from and discussed the recent all Kansas Air Tour.

Chairman Fletcher asked if AirTran would still be committed to staying in Wichita even if the subsidies were to go away. Mr. White said he that he does not know, AirTran's yearly contract expires June 30th and every year about this time is when the negotiations start. The Airport Authority cannot have a role in the negotiations, however does provide statistical data and background information. Sedgwick County takes the lead in the negotiations and Allen Bell, the City's Economic Development Director has also been negotiating this contract for years.

Chairman Fletcher asked if the Sedgwick County representatives were aware of the economic impact and how much Wichita is saving. Valerie Wise said that at the Affordable Air Fares Coalition meeting Janet Hara did discuss the economic impact of having the low fare carriers in Wichita. The overall return on the dollar is \$3.64 for every dollar that has been invested. The County Manager and Finance Director were at the meeting as well and they will be the primary negotiators with AirTran. Sedgwick County also put together a package to present to the legislature.

Mr. Fletcher asked if the airport has any figures from AirTran as to whether profits were made in the past year. Mr. White said every week AirTran sends a flight by flight analysis of how many passengers, how many dollars were sold and what the cost was and unfortunately money is being lost on almost every flight. Even when the load factor is 95% full airplanes, money is still being lost due to the high fuel prices.

Mr. Hennessy asked what is being done on the legislative front on a personal basis to emphasize how important this is to the Wichita delegation. Mr. Estes said that it is on the County's legislative agenda and the County lobbyists track it every week and keep the visibility in front of the legislature emphasizing that it is not just a way to save money and keep lower fares, it also carries a significant economic impact for the State of Kansas.

Mr. Myles asked that although it was mentioned that Frontier has not yet asked for any guaranteed funds, is there any expectation that Frontier may expect to receive something in the future. Mrs. Wise said that she did not think Frontier would need it at this point because the Q400 is cost-efficient and keeps costs low, Frontier was also given an incentive program when they first began service that waives fees and charges which also helps to keep costs low. Mr. White said that Frontier is authorized to get revenue guaranteed if it is needed because the County entered into a separate contract with them last fall. The Regional Economic Area Partnership ("REAP") is going through their annual process right now of distributing the money which allows for applications to come in from communities who want to get into the affordable airfares program. Last year Salina and Topeka submitted a joint application, however their proposal was turned down. Even though the \$7 million has always been for this community, the law does allow for competing applications and there is a possibility that other communities could receive a portion of the money.

Mr. Ward asked if Frontier flights to Phoenix were tracked to determine if they are holding the price down and if it is having any effect on the market. Ms. Wise said she should get the Department of Transportation statistics in another month and will pass on the information.

Mr. Estes requested the Board receive a copy of the presentation.

Terminal Area Redevelopment Program Update

Mike Carter, DMJM Aviation, presented to the Board a PowerPoint presentation providing an update on the current schedule. The completion of design development is rapidly approaching, however before entering into the next phase, which is the contract/document phase, a lot more details and specificity regarding the individual areas will be uncovered. Last month there was a meeting with the FAA, a Program Coordination Workshop and a Design Development Update. In April there will be another Design Development Update, a Security and Detention Area layout to review as well as a Schematic Design landscape and signage workshop. Also, the Spring Contractor's Forum will be held this Friday at the Hilton. This is the second Contractor's Forum and so far there have been about 55 registrants. The final Design Development presentation will be late this month and will be followed up with Value Engineering on the Design Development presentation in May.

Mr. Carter showed diagrams and pictures of updated designs for the new terminal building. He then discussed the various contract packages and the three apron packages. Mr. Carter then showed the current project schedule with the terminal building opening in late 2011 and packages finishing in mid-2012. Mr. Carter advised that the more detailed schedule is on the wall in the atrium if the Board Members would like to review it. The budget estimate remains at \$150 million.

Mr. White said one of the interesting things is the list of all of the different packages and items that are going to be bid out. A lot of people have assumed it would be one bid and one project, however the bids will be complicated and will extend over a period of time. Later this year the utility package will begin and construction will start and roads will start being closed. All of the construction will be taking place in the middle of an operating airport so it will present a challenge to keep the airport open for business while the terminal building is being constructed over the next few years. Mr. White said the airport will do everything it can to minimize the impact on the customers and the tenants during the next few years.

Chairman Fletcher asked about the progress of the Cargo Building bidding. Mr. Oswald advised the Cargo Building bid was several weeks ago and there were 9 bidders. Snodgrass Construction was the low bidder and work was started 2-3 weeks ago. Snodgrass is on site inspecting the utilities and foundations this week and is getting materials ordered. The contractual due date for substantial completion is February 2, 2009.

Chairman Fletcher also asked about the status of the satellite parking lot. Mr. Oswald said if the weather holds this week, it should be operational mid-month.

Mr. Greenlee asked if there was just going to be one up and one down escalator with each stair casing. Mr. Carter said yes, there will be one escalator and two public elevators.

Mr. Rosenberg asked if the contractors will be providing some ideas as far as newer options with heating and air conditioning due to increasing utilities costs. Mr. Carter said that the design team is very active in gathering information from the construction community on all of the different ways to make best use of energy savings and items that provide a payback. The team is also studying potential solar power on the garage roof, and is looking at all of the possibilities to make sure that the new terminal is an efficient and sustainable building.

Mr. White also stated that for energy efficiency there will be several skylights in the new terminal which will keep electricity usage down.

Mr. Greenlee asked if the FedEx building in Oakland, CA had been looked into as far as an example of the use of solar paneling. Mr. Carter said it had not, however the Design Team could look into that. Mr. White said the Fresno, CA airport is also putting solar panels on the cover of the rental car surface parking lot which is being done by company out of Austin, Texas.

Mr. Gooch asked if any of the airlines would have clubs in the new terminal building. Mr. White said airport staff recently had a meeting about that very issue. None of the airlines would like to have their own club, however, what is becoming more common at smaller airports is that the airport puts in some sort of private club and either sells memberships or has a daily fee to a membership only area where a traveler can come in and have access to a private area with lounge chairs, televisions, a reading area and a limited food and beverage service. A place to set aside for that type of area in the new terminal being is currently being looked into. Mr. White said he believes there would be a small demand for it here, if a location for it can be determined.

Mr. Hennessy pointed out that some larger airports also offer a concierge service and it is a great concept to give people, especially business travelers, an advantage to fly out of Wichita. The traveler could pull up to the curb, have their bags taken and then go on to the lounge. Mr. Hennessy said that even if it was scaled down so only selective services were offered, it would still be an advantage for this airport.

Other Business

The next WAAB meeting will be Monday, May 5, 2008 at 2:30 p.m.

Meeting adjourned at 4:40 p.m.

Kelly Fabrizius, Clerk