

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, March 7, 2011

Present: Charles Fletcher, U.L. Gooch, Dwight Greenlee, Willis Heck, John Hennessy, Kevin Myles, Rebecca Pilshaw, Thomas Pryor, Dr. Thom Rosenberg, Bill Ward, Brent Wooten, Kurt Yowell

Absent: Steve Dunne

Airport Staff: Victor White, Kathryn Keathley, Traci Nichols, John Oswald, Jean Zoglman

City Staff: Jay Hinkel, Deputy City Attorney

Others: Michael Carter, AECOM
Molly McMillin, Journalist, *Wichita Eagle*

Chairman Greenlee called the meeting to order at 2:30 p.m.

Approval of Minutes

Motion by Wooten to approve the minutes of the February 7, 2011, Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

Victor White, Director of Airports, recognized Kurt Yowell who was recently appointed by Sedgwick County Commissioner Dave Unruh to serve on the Wichita Airport Advisory Board (Board).

Mr. White reported that the FAA reauthorization bill has not yet been passed by Congress. There have been several hearings in both the U. S. House of Representatives and the Senate. The current FAA reauthorization bill is good until the end of March. It is anticipated that a multi-year extension of the FAA funding programs will be approved by the end of March.

Mr. White provided an update on recent and current promotional activities. There were 674 entries into the "We Love Our Travelers" contest that gave away flowers once a month for a year to one entrant. This promotion was publicized on Facebook through the month of February and in the Mid-Continent terminal on February 14th. As a result of the contest entries, 300 subscribers to the Mid-Continent e-mail list were gained. Based on the response of the contest

winner and the feedback from the Courtesy Crew that handed out contest-promoting candy bars in the terminal, this campaign was well-received by the public.

The Airport sent Valerie Wise to Jump Start, an industry conference in Austin, TX. Ms. Wise will have an opportunity to meet with several airlines, both existing service providers and potential additions to Mid-Continent, to promote Mid-Continent, to build business relationships, and to ultimately improve air service for our travelers. The Airport sends a representative every year.

Contract negotiations continue with the newly selected advertising agency. The contract term is for one year, with the option to be extended annually. The Airport has stipulated in the contract that the advertising agency is required to produce results at certain defined, measurable levels. If the stated benchmarks are not met, the Airport will be able to cancel the contract. It is expected that the contract will be finalized and presented to the Wichita Airport Authority by the first week in April, and the new agency will begin their work for the Airport in May. Mr. White expects there will be some changes in Airport promotions and advertisements with the change in advertising agency. The contract with the current advertising agency is in effect through the end of April.

Beginning March 9th, the Airport will unveil a March Madness campaign in conjunction with Frontier Airlines. Frontier will be giving away Fly Bucks, worth \$250, to 6 winners. The campaign will be publicized on several radio networks: the KU Sports Network, the K-State Sports Network, the WSU radio network, and Entercom radio stations. It will be advertised on Digital Outdoor billboards at Kellogg and Rock and Kellogg and Edgemoor, and also on the Internet through Facebook and Website advertisements. The desired outcome of this campaign is to increase awareness of Mid-Continent Airport, and gain more subscribers to our e-mail list. Bill Ward asked if the Airport will continue to do promotions with WSU through the baseball season. Victor answered that the Airport has contracts with the three universities that will continue through the end of the baseball season, but in future years the college affinity program will either be scaled back considerably or eliminated entirely once the new advertising agency comes on board. One of the Airport's main advertising strategies involves promotions at the KU, K-State, and WSU sports events, which includes baseball, basketball, and football. These promotions have been very successful in allowing us to reach statewide with our advertising messages, but they are also quite expensive. The Airport will be evaluating the college affinity program to determine in what capacity it should continue.

There is potential for some new hangar developments at Mid-Continent Airport and at Jabara Airport. Those opportunities will be explored more fully with the prospective tenants in the next weeks, and more information will be provided to the Board in a future meeting once details can be firmed up.

Mr. White then directed the Board's attention to an article highlighting Kansas aviation, "Kansas Airports Impact State, Local Community", that appeared in the November/December 2010 issue of the *State Aviation Journal*. The *State Aviation Journal* is a publication of the National

Association of State Aviation Officials (NASAO), which has members in every state. The reporter that wrote the article was in Wichita in the fall for a NASAO conference.

Chairman Greenlee then opened the floor for questions from the Board. Chairman Greenlee asked Mr. White if there were any developments in regard to the approval of the new terminal building. Mr. White answered that no new decisions had been made, and the topic would most likely be revisited by the City Council in June.

Mr. Yowell asked if the Airport participated in the Fair Fares hearing last week in Topeka. Mr. White replied that the staff of the Airport did not participate, because Federal Aviation Administration (FAA) regulations prohibit the Airport from providing subsidies to airlines. Other government entities, such as the city, county, or state, or private entities, can develop airline subsidy programs, but the Airport cannot under federal law. The Airport Authority does have an airline incentive program that has been approved by the FAA that offers free or reduced rents and landing fees, and marketing assistance, to airlines meeting certain criteria for up to two years. In the case of the Affordable Air Fares program, in order to maintain an arms-length distance from the program, the Airport limits its involvement to providing statistics to the Regional Economic Area Partnership (REAP) and the county for their program reports and records, but that is the extent of its involvement.

Mr. White reviewed the status of federal grants that the Airport has received or expects to receive for the funding of the Air Capital Terminal 3 Project (ACT 3). The Airport has received approximately \$23 million in federal airport improvement grants to date from the FAA. An additional grant of approximately \$7 million has been awarded by the Transportation Security Administration (TSA). The majority of the FAA funds received to date have been used for project planning and management services, in addition to the completion of Apron Phases 1 and 2, and the Landside Utilities Phase 1 and Mid-Continent Road Relocation projects. The TSA grant will be used for the installation of an inline explosives detection baggage handling system, which will be completed during the construction of the new terminal building. This system separates bags that exhibit signs of explosives from other baggage, and prevents it from being loaded onto aircraft. Mr. Yowell asked what the total cost of the baggage handling system would be. Mr. White estimated that it would be about twice the amount of the grant. The grant award does not include the expense of the explosives detection machines, which the TSA will provide. There will be three or four explosives detection machines, which cost around \$1 million each, and the conveyors will run through those.

Dr. Thom Rosenberg asked for further explanation of the collection of the Passenger Facility Charge (PFC) funds, and how the money would be used in the building of the terminal. Mr. White explained that the airlines collect the \$4.50 PFC from each passenger on our behalf. The airline keeps \$0.11 of the \$4.50 as an administrative charge for handling the money. The Airport receives the remainder of the money. Jean Zoglman, Finance Manager, added that the PFC funds are kept in an investment account to be spent on the terminal, or any FAA-approved project. For example, a couple of new pieces of equipment have been approved and will be purchased out of that account.

ACT 3 Project Update

Michael Carter, AECOM, presented the ACT 3 Program Monthly Report for February. The drainage system planned for the new terminal site will be reviewed for compliance with the storm water management regulations recently enacted by the City. Mr. Carter and Mr. White met with City Manager Robert Layton to discuss the status of the ACT 3 Project. Commencement of Package 6C is planned for March, to be completed in April. The project will be presented to the City Council for approval on March 22nd, there will be a pre-construction meeting on the 23rd, and a notice to proceed is planned for the 29th. The next construction project will be the second of the two Landside Utilities Packages, which is planned for late 2011, or early 2012.

Mike Carter then made a presentation summarizing the design and construction plans for the new terminal building ACT 3 Project. The design capacity is 2,000,000 passengers annually. In addition, there is a second phase that could be implemented at any time that would raise the capacity by another 20 percent. The PowerPoint presented graphics of what the public will experience when visiting the terminal. Mr. Carter included images of the apron and roadway realignment work that has been completed in preparation for the construction of the new terminal.

Dr. Rosenberg asked if the plans provided to contractors on CD will be copy protected, for security purposes. Mr. Carter answered that they are protected to the extent possible, so they cannot be mass produced, and that the TSA has approved the document control measures in place.

U. L. Gooch asked what types of facilities will be available in the new terminal for business travelers to maintain communications and conduct work. Mr. Carter replied that there are workstations incorporated into the seating, as well as a number of charging stations available for passengers. Internet access will continue to be free throughout the public area of the terminal. One important aspect of terminal design is making sure the passenger is happy and occupied, so it has been a priority to make those facilities available to them. Chairman Greenlee commented that the Dallas-Ft.Worth Airport and Chicago O'Hare have outlet stations in the gate seating areas, which is very convenient for passengers, so they are able to stay close to the boarding area and hear announcements.

Chairman Greenlee asked if the FAA had been advised of the status of the ACT 3 Project. Mr. White answered that he had spoken with the Central Region Office of the FAA, and informed them of the current situation. The FAA is concerned about the construction delays. If it appears that the construction will not begin this summer, the Airport will need to work with the FAA to maintain the availability of the federal grants already awarded. The FAA discretionary grants are awarded nationally, and also regionally, on a competitive basis with other airports that have anticipated projects. The funding schedule is planned for several years in advance. If the Airport does not utilize the funds within the schedule period, the availability of those funds is at risk. The Airport is closely monitoring the grant awards and doing what it can to maintain funding.

Mr. Ward commented on the reported increase in the price of steel, and asked how that might affect the terminal project. Mr. Carter answered that it may raise construction costs. There has been some cost deterioration over the last couple of years, which may reduce the impact of commodity price increases. Contractors have been absorbing much of the price increases to maintain competitiveness, but that is changing, and construction prices are beginning to level off. Anecdotally, it has been reported locally that contractors' bid prices are going up. National reports indicate that contractors are still under demand pressures to maintain their costs of services of construction, but that is likely to change. Mr. Ward asked if there might be more competition from out-of-state contractors as a result. Mr. Carter said there are national contractors that have an interest in the terminal project, but they employ local sub-contractors to keep construction costs as low as possible.

Charles Fletcher asked about the status of the AECOM program management services contract. Mr. White replied that a contract extension was approved at the March 1st City Council meeting, which will support continued services for about six months. There are some deliverables AECOM will provide to the Airport prior to bidding of the project, which is anticipated this summer.

Mr. Fletcher then asked how the existing terminal building is performing in its ability to maintain a good level of service, and if there were any anticipated needs that might need funding. Mr. White said that regular maintenance activities are being addressed, but capital improvement money is being spent only on limited projects, in expectation of the construction of the new terminal. For example, the food and beverage concessionaire HMSHost recently re-finished walls, put new floor tile in the food court, and upgraded ceiling fans to extend the life of that facility, since it will continue to be in use for another three to four years before the new terminal opens. The Airport made many roof repairs as a result of the damage caused by the hail storm last fall, instead of replacing the roof for the whole terminal. The airlines would like to see new loading bridges, which would be a capital improvement that would be done over the remaining life of the building. A consultant will be doing an engineering study of the structural analysis of the concrete to make sure the existing loading bridges will last four more years, and also evaluate electrical loads to determine if additional loading bridges could be supported. The Airport would consider purchasing used, reconditioned bridges for the gates that don't have them if it would improve airline service. The longer the terminal project is delayed, the more money the Airport will need to spend to maintain the facility. The Airport is weighing many such decisions to make sure money is not spent unnecessarily, but airlines and passengers are still being served well.

Chairman Greenlee asked for an update on the expected AirTran/Southwest merger. Mr. White said the FAA approved the merger plan between AirTran and Southwest from an operational standpoint. The shareholders of AirTran will vote on the merger on March 23rd. The Southwest shareholders do not need to vote. If the AirTran shareholders approve the merger, which is the expected outcome, then the federal government will review the plan, and approvals will be required from the Justice Department, the Federal Trade Commission, and the Securities and Exchange Commission. After that come the final Department of Transportation and FAA approvals. The approval process is expected to be completed by the end of the second quarter, which would be the end of June. At that time, Southwest will publicize their merger plans. We

do not know anything specific at this time about what may happen to the current AirTran service, as both airlines are prohibited from jointly discussing routes prior to the closure of the merger.

Other Business

The next WAAB meeting will be Monday, April 4, 2011 at 2:30 p.m.

Meeting adjourned at 3:45 p.m.

Kathryn Keathley, Clerk