

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, April 4, 2011

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

Absent: Kevin Myles, Kurt Yowell

Airport Staff: Victor White, Brad Christopher, Kathryn Keathley, Traci Nichols, John Oswald, Valerie Wise, Jean Zoglman

City Staff: Jay Hinkel, Deputy City Attorney

Others: Michael Carter, AECOM
Ryan Brown, Signature Flight Support

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

Approval of Minutes

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

Director's Report

Victor White, Director of Airports, advised the Board of recent developments in aviation-related topics. Last week, Secretary of Transportation Ray LaHood came to Wichita for the General Aviation Manufacturers Association (GAMA) rally. It was held in one of Cessna Aircraft's hangars at Mid-Continent Airport. Several thousand people attended, from all sectors of the general aviation community and government leaders. Employees from Bombardier-Learjet, Cessna Aircraft, and Hawker Beechcraft were there. There were planes manufactured by each company on display inside the hangar. Mayor Carl Brewer, Governor Sam Brownback, Senator Jerry Moran, and Congressman Mike Pompeo attended. Representatives from each of the manufacturers spoke and Secretary LaHood spoke as well. The rally was recorded and can be viewed on the GAMA Website, www.gama.aero. There was much enthusiasm at the rally, and the speakers emphasized the importance of general aviation to the economy for employment and a strong export market. Responding to Mayor Brewer's invitation, Secretary LaHood indicated that President Obama would be coming to Wichita next year to visit the aircraft manufacturers personally.

U. L. Gooch invited the Board to attend an event at the Kansas Aviation Museum on April 16 that honors his career in aviation. Mr. Gooch will share his life story and his contributions to the aviation industry.

The U. S. House of Representatives passed its Federal Aviation Administration (FAA) reauthorization bill, which provides FAA funding for four years. The Senate has also passed their version of the reauthorization bill. It will now be in the hands of a conference committee for a few months to resolve the differences between the two bills. The Congress passed another extension of current FAA funding, which is the eighteenth extension in the last two and a half years. The extension provides funding through the end of May, so it is hoped that the reauthorization bill will be finalized by that time.

The Sedgwick County Commission approved the continuation of the Affordable Airfares Program in a four to one vote. The subsidy program allows Frontier Airlines to receive up to \$334,000 in assistance through the end of June 2011.

The Regional Economic Area Partnership (REAP) issued a request for proposals for the Kansas Affordable Airfares Program (KAAP) for fiscal year 2011. At this point, the legislature has not made a decision about the continuation of funding for KAAP. There has been recent controversy regarding the KAAP audit, and several legislators have made public statements against the program. Governor Brownback included KAAP in his 2011 budget recommendations, and it will be several weeks before the legislature addresses the budget for the coming fiscal year.

Mr. White informed the Board that the Airport Authority will vote April 5th on the acceptance of an Airport advertising contract with a new firm, Stucky Nolte LLC. Stucky Nolte was chosen through the City of Wichita Staff Screening Selection Committee, made up of representatives from other City departments, Go Wichita Convention and Visitors Bureau, Airport staff, and the Airport Advisory Board. The previous advertising contract with Armstrong|Shank will terminate at the end of April, and Stucky Nolte will take over in May pending Airport Authority approval. The Airport brand campaign will not change, but new methods of disseminating the brand message will likely be employed. Stucky Nolte has some new ideas for the advertising program, especially in the areas of social and electronic media. Significant changes to, or elimination of, the college affinity marketing program are expected. Discussion continued about the selection committee process and the effect of a new agency of record on the Airport's brand.

Related to the Airport's marketing and social media campaign, Charles Fletcher mentioned that the Airport provided a water cannon salute to the arriving plane of the WSU Shockers basketball team after winning the National Invitation Tournament. Mr. White added that Valerie Wise, Air Service and Business Development Manager, posted pictures of the arrival event on the Mid-Continent Airport *Facebook* page, which included the water salute.

Mr. White then referred the Board to several online articles summarizing the findings of the 2010 Airline Quality Rating (AQR) report, which is co-authored by Wichita State University professor Dr. Dean Headley and Dr. Brent Bowen of Purdue University. 2010 marks the 20th annual AQR, which is released every spring. The AQR evaluates the airlines in terms of such measures as

performance, passenger complaints, and cancellations. According to several news reports, AirTran was ranked best in terms of all quality factors. Southwest Airlines had the lowest customer complaint rate. Delta Airlines had the highest customer complaint rate. The full AQR can be read on the Website www.aqr.aero.

Mr. White introduced the topic of Advisory Board terms of office, in response to a request from Chairman Greenlee in light of possible membership changes due to recent elections. Mr. White provided the Board with copies of the Wichita Airport Advisory Board Bylaws and applicable sections of the Code of Ordinances of the City of Wichita that govern terms of appointments. Chairman Greenlee asked how a Board member's term of service would be affected if his or her appointing council member or commissioner was replaced by another elected official. Jay Hinkel, Deputy City Attorney, answered that the Board member would continue to serve until his or her original term of appointment expires, and for as long after the appointment expires until a replacement is appointed. Wichita Airport Advisory Board terms are for two years, and the ending date of a term is always June 30th. Rebecca Pilshaw asked about the ending date of her term, as a replacement for Advisory Board member Henry Helgerson, appointed by former Sedgwick County Commissioner Gwen Welshimer. Ms. Pilshaw began her service in March of 2010. Mr. Hinkel said Ms. Pilshaw's term would end on June 30th, two years after Mr. Helgerson was originally appointed. Willis Heck asked about the term rules for his position, as an appointee of REAP, because the City Code does not directly address REAP appointees. Mr. White added that the REAP position on the Board does not have to be approved by City Council, whereas the Board appointees selected by City Council members and Sedgwick County commissioners must be approved by the City Council. Mr. Hinkel said that Mr. Heck could continue to serve until REAP chooses to nominate another appointee. There is an eight year term limit requirement, but a Board member can continue to serve until a replacement is qualified.

Dr. Thom Rosenberg suggested that the Board contact new Council members or commissioners so they are aware of who is currently serving. Chairman Greenlee replied that it would be more appropriate for individual Board members to introduce themselves to the newly elected official that replaced his or her appointee. Then, the elected official can take the initiative to contact the Board about renewing or replacing the appointee. Ms. Pilshaw added that the relationship that a Board member has with the elected official is part of the value that is brought to his or her position, and it would be fair in her opinion that the newly elected official would want to appoint someone with whom he or she has rapport.

Chairman Greenlee returned to the topic of the FAA reauthorization bill. He asked Mr. White to discuss the differences between the House bill and the Senate bill and if either called for taking money out of the Airport and Airway Trust Fund (AATF) for the FAA. Mr. White said the federal government is considering cutting the FAA budget, and therefore the Airport Improvement Program (AIP), by a significant amount to try to reduce the federal budget in general. The House bill proposes to reduce airport funding to \$3 billion per year, down from the existing budget of \$3.5 billion, while the Senate proposes an increase to \$4.1 billion. The House wants to phase out the Essential Air Service (EAS) program, which provides funding for airline service for rural communities. The Senate, on the other hand, includes the EAS in their funding

bill. Chairman Greenlee said he believed the AATF should not be administered under the federal budget, because it is made up of user fees, not taxpayer dollars, and funding reductions to the AATF programs are not reducing federal spending. Mr. White said that the Passenger Facility Charge Program will also not be changing under either version of the bill. The issue that may cause the most delay in ratification is a provision in the House bill that restricts the ability of certain airline employees to unionize. President Obama said he will veto the bill if that provision is included.

Mr. White advised the Board of potential developments at the Airport. Next week, the Airport Authority will vote on approval of a lease agreement with Fugate Enterprises. Fugate Enterprises plans to build a corporate hangar at Mid-Continent Airport, which will be the first of this type of construction at the Airport since the Minimum Standards were adopted. The Airport and Fugate have been negotiating for several years about the construction of a corporate hangar, and an agreement has now been reached that will allow Fugate to rent several acres of land at Pueblo and Airport Road to build a 16,000 sq.ft. hangar to house their corporate planes. Chairman Greenlee asked if the hangar would be strictly for Fugate aircraft. Mr. White said the hangar will be a private non-commercial hangar solely for Fugate. Fugate has been a lessee of the Fixed Base Operators (FBOs) at Mid-Continent since 1994, so the Airport is looking forward to this expansion of business. Mr. Fletcher asked if Fugate Enterprises would continue to use the FBOs' fueling services. Mr. White said that Fugate has not asked for fueling privileges, and will purchase fuel from one of the FBOs. Chairman Greenlee asked how the construction would be financed. Mr. White said it is tenant financing only. Chairman Greenlee then asked if Fugate would receive a sales tax exemption. Jean Zoglman, Finance Manager, said once the lease agreement is approved, Fugate will sign their construction contract, and then the Airport will submit an application for sales tax exemption. Mr. White added that the sales tax exemption applies because the Airport will be the owner of the hangar, according to Airport development policy.

The Airport continues to work on the development of a policy on brokerage fees and commissions. The City Manager's office and some members of City Council have joined the discussion on the policy. This issue continues to be in the forefront since the Airport is in negotiations with an existing tenant that is being represented by a broker, as mentioned in the January 2011 Board meeting. According to the tenant's company policy, a broker was hired to represent them in negotiations for a new lease, as the lease they are currently under expires in August. The broker has requested payment from the Airport for his work in negotiating the lease. The Airport does not believe this is proper because the broker would be receiving a fee to represent the lessee's interests. In other negotiations, potential tenants have been represented by lawyers, CPAs, or other representatives, but the Airport has never been asked to pay a fee for representatives chosen by a potential tenant or an existing tenant. In discussions with other airports around the country, it was found that it is not standard practice in the airport industry to pay brokers representing potential tenants or existing tenants. The issue has not been fully resolved, but the Airport maintains that the fee should not be paid, and is waiting for confirmation of this position from the City Manager's office. Discussion continued among the Board about establishing a brokerage fee policy.

ACT 3 Project Update

Michael Carter, AECOM, presented the ACT 3 Project WAAB Monthly Report for March 2011. The Notice to Proceed for Package 6C, TSA Surveillance System Head-end and Network Equipment Upgrade, was issued by the Airport Authority. This package is on schedule to be completed by June 6th. Representatives from the Airport Authority, the Law Department, and the City of Wichita risk management consultant met to discuss taking action on securing owner-controlled builders risk insurance, as this type of policy will cover the various contractors that will be working on projects at the Airport. Mr. Carter took questions from the Board related to the possible provisions of owner-controlled builders risk insurance and the affect on Airport liability. Mr. White added that the options for builders risk insurance are either owner-controlled or contractor provided. The trend over the last several years in the airport industry has been to have the owner, which in this case is the Airport, buy the insurance. There is more control over what is happening in that situation, and the costs are lower. Discussion continued about the Airport's responsibilities under an owner-controlled builders risk insurance policy. Mr. Hinkel said that this coverage primarily covers losses as a result of damage to construction materials and catastrophic loss. In either, or all of those events, the Airport Authority and the City of Wichita is the covered entity. The discussion of the insurance policy ended with several questions from the Board related to policy coverage.

Mr. White followed the presentation with the comment that, as a result of the construction delay, some of the terminal design elements will need to be re-evaluated to address the new stormwater quality regulations adopted by the City. The Airport will amend the design team contract and request approval of additional spending from the Airport Authority for a study of the drainage requirements as they apply to the terminal construction. The actual design changes to accommodate the water quality rules will be a second phase. The stormwater quality rules will affect the development of the Fugate Enterprises hangar and additional adjustments will need to be made to the recent expansion of the Park & Ride Parking Lot.

Other Business

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

Meeting adjourned at 4:09 p.m.

Kathryn Keathley, Clerk