

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, February 6, 2006 – 3:00 p.m.

Present: Tim Austin, Dion Avello, Bill Calloway, Ron Estes, Charles Fletcher, U.L. Gooch, Dwight Greenlee, David Murfin, Jeff St. Clair, Jay Russell, Jay Swanson

Absent: Willis Heck and Bill Ward

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), Dan Poole - General Manager, HMS Host, Molly McMillin – Reporter, Wichita Eagle

Chairman Fletcher called the meeting to order.

Approval of Minutes

Austin requested a change in paragraph 5 of the last page regarding last year's airport advertising campaign.

Motion by Greenlee to approve the minutes of the January 9, 2006 Wichita Airport Advisory Board meeting as amended. Motion carried unanimously.

Director's Report

Mr. Nolan announced that the Director, Victor White, was ill today.

Mr. Avello stated that the Affordable Airfares for Kansans program was gaining support from State Legislators. There are efforts underway to solicit support from the outlying areas of the ICT catchment.

Lease Amendment with HMS Host Corporation

The current lease agreement with HMS Host Corporation to provide food, beverage, and news/gift shop services and concessions in the terminal building was entered into on February 5, 1990. The agreement is set to expire on April 30, 2006. Since the new terminal is unlikely to be constructed and open for business for at least five years, Airport staff believes it is prudent for HMS Host to continue to operate its concessions until that time.

Sometime roughly in the year prior to the planned opening of the new terminal, requests for proposals will be advertised for a new operator so that the new concessionaire can be included in the final planning and construction for restaurants, bars, and retail shops. HMS Host will be permitted to compete for this new concession agreement along with any other interested and qualified parties.

Therefore, in order to provide for a smooth transition between now and the opening of the new terminal, it was recommended that the existing agreement with HMS Host be amended so that it will be extended for an additional four-year period until April 30, 2010. At that time, the agreement will continue on a month-to-month basis until the terminal construction is completed, and the new concessionaire can occupy the spaces built. In consideration of this lease extension, HMS Host will agree to some additional investment in its current facilities and upgrading of services offered. The specifics of these items will be negotiated in the next few weeks.

Once the WAAB approves this recommendation, a lease amendment will be presented to the Wichita Airport Authority for its approval.

Dan Poole, General Manager of HMS Host, addressed the Board, and explained that prior to becoming HMS Host, it was formerly known as Marriott and prior to that, it was known as Dobbs House, which started business in the old terminal in 1948. Mr. Poole stated that HMS Host has many new concepts to introduce to the market. Mr. Nolan stated that with four years left in the schedule, it is difficult to amortize any investment. Therefore, staff will discuss with Host potential opportunities to diversify brands. Mr. Nolan further stated that HMS Host does a fine job for the Airport.

Mr. Swanson stated it is necessary to expand concessions. Mr. Nolan stated that discussions are underway to expand concessions in the concourses.

Mr. Greenlee asked if the DBE subcontract through HMS Host will remain the same or be extended for an additional four years. Mr. Nolan stated that the Airport's contract is with HMS Host and, therefore, does not dictate those arrangements. HMS Host is required by Federal law to have a DBE component. Mr. Poole stated that arrangements with the current DBE have not yet been worked out.

Discussion ensued regarding Host's agreement with Mr. Habtemariam. Mr. Poole stated that Host is obligated to and will meet the Federal requirement. It is necessary that Host put together the best program for the next four years. Mr. Nolan stated that the lease requires Host to comply with the DBE program and any further involvement on the part of the Airport is not necessary. Mr. Greenlee felt that it was the Airport's responsibility to ensure that a qualified DBE meets that requirement, and Mr. Habtemariam has met that requirement for a number of years. Mr. Fletcher stated it is not for the Airport to decide which company fills that requirement.

Mr. Gooch stated there is a difference between meeting a minimum requirement and being aggressive.

Motion was made by Gooch to extend the concession agreement with HMS Host for an additional four-year period, and that Host should be expected to provide aggressive behavior toward the DBE.

Mr. Nolan stated that the additional investment and upgrade of services will be negotiated prior to the lease extension being presented to City Council. The action required of the WAAB at this meeting is to approve the concept. Mr. Poole stated that concepts being considered include

stainless steel and oak carts that are self-contained for a bar. These carts cost about \$50,000 each and one cart would be placed on each concourse. Also, other brands such as Quiznos and American Bagel are being considered. Mr. Poole stated that average construction costs at airports today are between \$375 to \$450 per square foot. Also, Mr. Poole stated that the current DBE relationship has been very good.

In response to a question by Mr. Murfin, Host determines its pricing by comparing airports of similar size within the geographical area. Mr. Greenlee stated that the Airport is restricted by Federal law to be involved in setting concession prices. Host's rent is based on percentage of sales and square footage. When asked about street pricing, Mr. Poole stated that Host plans to make an investment because of the age of the concession, and the investment would require Host to be able to recover that within four years. Street pricing would require a term and rental reductions not common to what Host is currently paying. Mr. Nolan stated with the new terminal plans, there will be opportunity for more innovative concessions.

HMS Host operates from 5:00 a.m. to 7:00 p.m. in the concourses. The concessions keep open until the last flight departs. If outbound flights are delayed and there are people sitting in the gates, the snack bars stay open.

There was discussion related to the maintenance of certain standards of the concessions.

Motion carried unanimously.

KTTI Project Update

Peter Gustaf, Executive Director of Kansas Technical Training Institute (KTTI), stated that he has met with the Sedgwick County Commission. A business plan is being developed between KTTI and the County regarding how to fund the project. A presentation will be given at the City Council workshop on February 7, 2006 and KTTI will make a request for the land at Jabara Airport. An adjustment on the manufacturing facility was made. It will now be 11,000 square feet larger than originally planned. The total area needed is now 32 acres and that would cover future expansion. The manufacturing facility and parking lot requires 19.4 acres. The Aviation Tech Center will be 110,000 sq.ft., the manufacturing facility is now 77,000 sq.ft., and the Assessment and Career Development Center will be 24,000 sq.ft. Verbal commitments have been received from the five aviation companies for investments into a fund for scholarships and equipment.

Mr. Gustaf stated that he recently met with Rockwell Collins. There are 180 employees with an average age of 52. Half of their work force will be gone in the next five years.

The Professional Aviation and Maintenance Association is the national association for aviation maintenance technicians. The aviation school includes a design for this organization. The National Association of Manufacturers is also very interested in supporting this project.

The land rate at Jabara Airport is currently \$.1088 per square foot per year and it escalates 2 ½% each year. For 19.4 acres, the rent would be about \$91,000.

Mr. Gustaf stated that contributions are expected from all parties. KTTI has asked the Federal Government for \$5 million, the State of Kansas for \$5 million, and they are asking for the land as well. The County will take the lead in raising the financing.

Discussion ensued regarding the future lack of aviation employees and how Wichita is behind in training programs. Also discussed was training the under-employed.

Mr. Gustaf stated that he might not need to attend another WAAB meeting.

Terminal Project Update

Mike Carter, Program Manager with DMJM, handed out a brochure that describes the concepts in the terminal area plan. This brochure will be given to State Legislators. The financial consultant is developing the financial capacity for the airport to consider the rates and charges that are reasonable, and a financial model that will implement the operation of the new terminal into the future. Also, a disadvantaged business enterprise program is being developed to enhance opportunities for local people to participate more fully. A separate consultant is working with DMJM to develop a program for presentations to local community organizations.

Also underway is development of project controls, budget and schedule. There is an estimated cost from the conceptual planning, and a separate consultant is looking at the estimated cost, trying to identify the risks that may surface over the next five years. This will be matched with the financial capacity to ensure there is a doable plan.

The scope of services has been completed. A company that specializes in making independent estimates of the fee for the design program has been hired to make sure all items are covered in the scope of work and appropriate dollars are assigned to it. The design will begin this year and by the end of this year, a schematic design will be completed. Major terminal construction will be in 2008 and complete in 2010.

Mr. Gooch voiced concerns regarding an out-of-town consultant that is assisting with the DBE program. Mr. Carter stated this firm, Charbonnet, has made two trips to Wichita so far. Their program includes attendance at workshops and seminars on how best to explain the steps necessary to be certified as a DBE business. Charbonnet specializes in this work for large airport programs. Charbonnet has been introduced to local people, to the Kansas Minority Business Development Association, and a presentation was made to the Urban League. In addition, Charbonnet has independently contacted several other local agencies and people influential in the minority community. Mr. Gooch suggested Charbonnet hire a local person to help with coordination. Mr. Carter stated that DMJM has a mentoring obligation to Charbonnet and Charbonnet has a commitment to DMJM to fulfill their work within the financial constraints provided.

In response to Mr. Austin's question, the consultant for the independent fee estimate for the design contract has not yet completed the work, but is expected within the next two weeks. It is hoped to have a design contract by the end of March.

Regarding community input, there will be stakeholder meetings with the airlines, WAAB, and others during the schematic design and design development.

There was discussion regarding funding sources. FAA is aware that the Airport Authority will be seeking substantial amounts from the Federal Government. The financial consultant will examine similar programs and will estimate what level of federal participation may be available. There are also non-traditional grant opportunities available.

Other Business

The designer for the cargo building has been hired and an analysis is being conducted. Gossen Livingston is the architect of record and HNTB's cargo specialist has been hired to assist with a cargo needs study.

Mr. Fletcher announced that he will be attending the ACI-NA/AAAE Spring Washington Conference in March and will discuss issues with representatives from our Congressional delegation. It was suggested that the preliminary costs for the new terminal building be available to present to the representatives and that the Airport Authority will be seeking discretionary funding.

Regarding KTTI, the WAAB discussed its position on land lease terms. It was the consensus of the Board not to give away the land. According to Mr. Greenlee, there is a requirement from the Federal Government that the Airport Authority receives value for the money that is spent. The Board felt that it needs to let the City Council know that the Airport Authority must have just compensation.

Motion by Fletcher that the Wichita Airport Advisory Board expects fair market value as established by the Wichita Airport Authority is charged for land leased by KTTI. Motion carried unanimously.

The Board also designated John Oswald to represent the WAAB's recommendation at the City Council workshop.

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

Meeting adjourned at 4:40 p.m.

Valerie Wise, Clerk