MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, October 9, 2006

Present: Tim Austin, Charles Fletcher, Dave Murfin, Jay Russell, Jeffrey St. Clair, Jay Swanson and Bill Ward

Absent: Dion Avello, Bill Calloway, Ron Estes, Rip Gooch, Dwight Greenlee and Willis Heck

Airport Staff: Victor White, Tom Nolan, John Oswald, Shannon Feltes, Jean Zoglman, Traci Nichols

City Staff: Kelly Carpenter, Director of Finance, City of Wichita

Others: Mike Carter with DMJM
Phil Hannon, HNTB
Tom Walsh, Jacob's Consultancy
Eric Carter, Murfin Inc.
Bob Karslake, Midwest Corporate Aviation

Chairman Fletcher called the meeting to order.

Approval of Minutes

Motion by Mr. Ward to approve the minutes of the September 11, 2006 Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

Allegiant Airlines. Mr. White announced Allegiant Airlines is having a $10,000 Vegas Makeover Contest in conjunciton with Towne East and Towne West Malls, Las Vegas Convention Visitors Bureau, Wichita Airport Authority and Allegiant Airlines.

New Concourse Concessions. On October 18, The Great American Bagel Shop will open in the East Concourse. The Air Capital Concourse Bar will open November 15, 2006 at Gate 4 in the East Concourse. The East Concourse Retail News Wall will open October 20, 2006. During this period, the food court will be refurbished. The board members will be invited to a grand opening after the projects are completed.

In response to Mr. Murfin's inquiry, the Starbuck's project has been put on hold. Sarah's Ice Cream has a lease for four more years and will remain at the current location. Sarah's Ice Cream may expand menu items i.e. breakfast menu, soups, salads. Mr. White mentioned other possible locations for Starbuck's.

Mr. Austin recommended that airport staff look at the Starbuck's in the Minneapolis Airport.

Baggage Delivery Time Survey. Recently a baggage delivery survey was conducted and the survey results will be tabulated. Similar surveys were conducted in 1999 and 2004. Numerous airports are considering getting into the ground handling business. At the ACI-NA conference in Reno, Nevada, Mr. White talked with several ground handling companies. Chattanooga, Tennessee Airport started the ground handling service to lure Allegiant Airlines to their airport. The airport hired approximately six part-time employees and rented equipment to begin the service and charge a fee per flight. Springfield-Branson Missouri airport has a ground handling business for half of the airlines because the airline that had been responsible is no longer in business. Therefore, Springfield-Branson Missouri airport was forced into handling the service. The Mobile, Alabama Airport had United Airlines handle the service for all of the airlines and then United Airlines pulled out of the market. At that time, Mobile, Alabama purchased the equipment from United Airlines to continue the service. Due to the fact the Wichita Airport Authority is part of the City operation, it is important to consider the legalities to begin operating a ground handling service. There is a new association sponsored by AAAE called the Aviation Ground Suppliers Association that may offer helpful information.

Mr. Austin asked if the airline lease agreements would be up for renewal at the time of the new terminal building. The lease agreements will expire prior to the terminal building. Airport staff will negotiate for the next couple of years.

Mr. White presented the new courtesy crew commercials.

Terminal Area Redevelopment Program Financial Capacity Analysis

Tom Walsh with Jacobs Consultancy (formerly Leigh Fisher Associates) and Jean Zoglman gave a PowerPoint presentation and provided handouts for the board members. The consultants provided a financial capacity analysis, which reflects the estimated monies that would be available over a ten-year period, through 2015, for capital expenditures for the Airport System (Mid-Continent and Jabara airports) known as Terminal Area Redevelopment (TARP).

There are several types of funding sources for airport development. The first type of funding source is the Federal Grant Funding (Airport Improvement Program Grant), which comes in two different varieties, Entitlements and Discretionary. A second source of funding are TSA Grants, which would be grant funding available for security-related elements of the program. The third source of grant funding that might be available are non-traditional (other types of grants). For example, State Grant Funding, Federal Highway Grant Funding, or other funding sources outside of the mainstream for airports but would not be large amounts of funding. The fourth funding source is the Passenger Facility Charges (PFC's), which is currently at the rate of $4.50 per enplaned passenger.

There is a possibility that Congress would approve the PFC rate of $4.50 to increase. This would be part of the Federal Aviation Reauthorization Act and would occur at the start of the federal fiscal year of 2008. The fifth funding source is airport cash, which is the airport's cash flow from airport operations plus retained earnings or cash balances. The sixth source of funding is the form of debt backed by the airport's revenue such as landing fees, terminal rental fees, parking revenues, terminal concessions, etc.

The financial capacity is an order of magnitude estimate of what funds would be available to build projects over a specific period of time. This involved examining the projected air traffic, reasonable level of airline cost to enplaned passengers, projected non-airline revenues, PFC's and grants.

Tom Walsh reviewed the three scenarios of anticipated passenger traffic activity: the base case, low case and the high case. In terms of debt funding options, the consultants looked at three different options. The first option, are old General Obligation Bonds, which are bonds that would be repaid from airport revenues but would be taxed by the City. The second option are general airport revenue bonds, which are bonds pledged by the revenues of the airport and PFC's. The third option is hybrid, which is mixing some general airport revenue bonds and General Obligation Bonds. There are four different levels of airline cost per enplaned passenger: $6.50, $7.50, $8.50 and $9.50. Currently, the airport is at $5.50 airline cost per enplaned passenger. The range for other airports starts from $2.00 up to $18.00. According to their analysis, the consultants' target year is 2011 that the terminal would be open for the first full year. The targeted airline cost per enplaned passenger by the time the program is completed would be at the rate of $7.50.

Airport staff reviewed the CIP and determined exactly what had to be done at Mid-Continent, which estimated to be $47 million and Jabara amounted to $6 million. The projects would be done over a period of time and it is important to budget an inflation escalation that would amount to $9.9 million. There are some ongoing projects not included in the "go-forward" CIP that amount to $17 million.

Tom Walsh reviewed the enplaned projections with a base case, low case and a high case. He stated the base case would be estimated at 750,000 passengers by 2011. Each year the FAA conducts a Terminal Area Forecast that is projecting 2.1% annual traffic growth for Wichita. The high case scenario projects 936,000 passengers by 2011. The low case reflects 570,000 passengers if an airline exits the market or cuts back substantially.

The estimated debt financing: The general airport revenue bond assumed a six percent interest rate for a thirty-year bond term with two years of capitalized interest and assumes 1.40 coverage. The General Obligation Bond assumed a five percent interest rate for a thirty-year bond term with two years of capitalized interest and assumes 1.0 coverage. Net revenues would be equal to the annual bond debt service.

In response to Mr. Murfin's question, Mr. Walsh explained that in order to sell the GARB's the airport would need to demonstrate higher than 1.0 times the coverage. The revenue less the operating expenses would need to exceed debt service by 1.4 times the coverage.

Tom Walsh reviewed the revenues and operating expenses that have escalated from the 2006 budget for airlines and non-airlines. He also summarized the results. Basically the funding for the terminal area redevelopment program would be at the recommended rate of $7.50 cost per enplaned passenger and all general obligation scenarios are at $160 million, which is made up of $10 million in reserves and $150 million of actual construction costs, design and management. There is also the consideration for escalation costs and may need to add $10 million to the entire cost totaling $170 million. Short-term financing will be necessary in order to fund costs of the program before the bond issuance is completed. It is recommended that the bond issuance be made two years prior to when the project is completed. The City may have the flexibility to do more short-term financing to have less capitalized interest.

Jean Zoglman stated that after the CIP retreat, the City Manager has approved providing the airport the capacity under the General Obligation Bond scenario. Airport's revenues will pay the G.O. Bonds.

In response to Mr. Murfin's question, Kelly Carpenter instructed that the next step would be to present it to the City Council. The City Council will have the opportunity to see the presentation.

Mr. White requested that the board recommend to the City Council approval of $150 million to finance the terminal redevelopment program. It is important that the targeted amount stays reasonable so that Mid-Continent can remain competitive with the other airports.

Mr. White stated that the new terminal would not be a two-level roadway as proposed. It was estimated that it would take an additional $10 million to build a two-level roadway. Airports need to have at least two million passengers annually to justify having a two-level roadway. There are larger airports that operate with a one-level roadway such as the Salt Lake City with 22 million passengers; Reno Airport with 7 million passengers; as well as Milwaukee's Airport with only one level roadway.

Another option could be a two-level terminal with a one-level roadway. In this option, the ticketing would be located on the upper level and the baggage claim on the lower level. However this might create serious problems with passengers needing to get to the ticket counters on the upper level. Plans would have to include building a vertical circulation (elevators and escalators).

Since it takes at least two million passengers to have a two-level roadway, Mr. Russell inquired the record of passengers in a year, which in 2004 there were 750,000 enplaned passengers.

The original design included a two-level roadway because, at the time, the two-level roadway met the targeted cost criteria as well as it was the popular choice.

Mr. Ward liked the option of having a two-level terminal building. Mr. White stated he would have the consultants look into the possibility to see if there are any other airports with the same scenario.

There was discussion to find more funds for a two-level roadway, and other outside sources or options to fund the project.

> *Motion made by Mr. Austin to recommend to the City Council to approve the estimated financing of $150 million with the rate of $7.50 airline cost per enplaned passenger. Also, to decide within thirty days whether or not to continue the process to build a two-level roadway. Motion carried, 6 – 1 (Nayes: Murfin).*

Mr. Carter, DMJM, presented a PowerPoint presentation to explain the terminal planning process from 2004 to present. Mr. Carter presented a list of deficiencies based on an evaluation done for the existing terminal building. The necessary upgrades are: excessive walking distance to and from the gates, most concessions are ahead of checkpoint, number of safety codes need to be met, ramps to the concourses need to meet the ADA requirements, asbestos material in some locations, air handling units have reached their maximum capacity, multiple roof leakage, problems meeting the needs for security screening at checkpoint, and inadequate areas for checkpoint. The program status conceptual planning has been completed, environmental assessment is in progress, and the terminal renovation study will be presented next. The schematic design is ready to begin and the final design will begin in April 2007. Major construction will begin in 2008 and final construction should be completed by 2011. The study for the renovation has been completed.

Mr. Hannon, Project Architect, continued the PowerPoint presentation to review the terminal renovation study to include the cost impact. There are two alternatives for the terminal renovation, which is either a functional layout that is similar to the existing layout, or have the terminal building remain the same but replace the existing concourses. The scope would include the improvements needed from the list of deficiencies that were previously mentioned as well as enhance queuing and ticketing, to add curbside baggage check-in, to improve outbound baggage screening and handling to meet current requirements, improving the queuing passenger screening and circulation, to provide additional concession space, provide and improve restroom facilities and enlarge baggage claim area. Limited renovation work would be done to the basement areas to support the work being done on the upper levels. There would be no changes to the TSA areas on the second floor. The interior finishes would need to be replaced as well as the baggage handling, heating and ventilating units, air conditioning, plumbing, fire protection, electrical and communications systems. To meet the current NFBA requirements, the apron pavement and drainage systems would be replaced to provide drainage away from the concourses. The renovation costs compared to the new terminal goal would be at least $2.4 million more for option one and option two would be $2.2 million less than the new terminal. There would be additional costs required for the renovation that would incur to the airport and the airlines when the transition occurred.

Mr. Hannon stated that the specified amounts would not include the roadway. Mr. Hannon stated that all of the elctrical and plumbing needed to be replaced to meet current codes. Appropriate costs have been budgeted to include the demolition of the existing building.

Due to many factors involved, the consultants recommended not using either alternative to renovate the existing building, but to build a new terminal. The new terminal building would be a single level at landside, two-levels at the airside, reconfigure the apron, improvements to the parking lots and roadways that would reach up to Kellogg Drive and enhancement to the Mid-Continent Drive.

Once the schematic design process begins, there will be a number of workshops for appropriate stakeholder groups as well as three special study review meetings with airport staff. A design council will have a designated representative at the workshops as well as provide presentations for program manager, airport staff, community groups and project stakeholders. The Design Development Phase will continue to have involvement with the program manager, airport staff, City Council and other groups. The Construction Documents Phase will submit documents for review for each of the packages that are going out for bid as well as presentations with the City and committee groups as directed by the airport.

Mr. White commented that WSU's Wichita Area Outlook Team, which consists of forty top-level business leaders, will meet in early November to discuss the terminal redevelopment program. WSU, the Wichita Business Journal and the Wichita Eagle will conduct an electronic survey for the community to get feedback. There are comment cards located in the terminal building that solicit desired improvements for the new terminal building. The contractor will also conduct an internal survey that will be done ahead of checkpoint.

The board expressed its desire to proceed with the new terminal building instead of renovating the existing building.

Other Business

The board members agreed to two meetings in November. The second meeting would include the design council. The joint meeting would be held at the Hilton.

Russell inquired of the Monthly Statistical Report. White expressed the numbers for August has a slight increase compared to July but the airport is still doing better than nationwide averages.

Mr. Austin stated that it is important to have westbound flights to increase passenger numbers. Most people are traveling to Kansas City or Tulsa to fly Southwest Airlines. Mr. White responded that Valerie Wise is at a conference in Salt Lake City, Utah and will meet with several airline representatives.

Mr. White stated the FAA case has been resolved. The contract with AirTran Airlines has been switched from the City to the County and, as a result, the case was dismissed. The contract began May 2006 and will expire June 2008. In the near future, AirTran's Sales Manager will meet with several Wichita businesses.

Austin inquired if the advertising contract needed to be renewed before year-end. The advertising contract will end February 26, 2007. A new contract will be sent to City Council by December 2006. Russell expressed concerns with the community's lack of awareness with AirTran. Austin conveyed that it is very important for AirTran to start being more active in the Wichita area.

White pointed out Tom Nolan will attend the Annual Aviation Issues Conference that will be held in Hawaii of January 2007. Fletcher suggested Austin should attend this conference.

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

Meeting adjourned at 5:33 p.m.

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Traci Nichols, Clerk