

**MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD**

Monday, December 7, 2009

Present: Ron Estes, Charles Fletcher, U.L. Gooch, Dwight Greenlee, Willis Heck, John Hennessy, David Murfin, Kevin Myles, Dr. Thom Rosenberg, Jay Russell, Bill Ward

Absent: Henry Helgerson, Tom Pryor

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

City Staff: Joe Allen Lang, Chief Deputy City Attorney

Others: Mike Carter, AECOM
Philip Hannon, HNTB
M.L. Vaughan, Yingling
Milo Unruh, Yingling
Bryan Orr, Signature Flight Support
Paul Shira, Signature Flight Support
Dan Claassen, ExecHangar
Sonia Greteman, The Greteman Group
Jen Wiley, The Greteman Group
Keith Osborn, Transportation Security Administration
Phillip Garcia, Transportation Security Administration

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

Approval of Minutes

Motion by Rosenberg to approve the minutes of the November 2, 2009 Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

Mr. White reported that there will be Christmas Carolers in the Terminal Building this holiday season. Various groups have been scheduled until December 19th. Santa Claus is also scheduled to be in the Terminal Building this holiday season as well.

Flight Safety Learjet is having an open house on December 22nd from 11:00 a.m. to 3:00 p.m. They have completed construction of their expanded simulator bays and this is an ideal opportunity to see the work that has been done.

Allegiant Air began their service to Phoenix-Mesa, Arizona on November 20th. A small ceremony was held at the gate. The flights were full and the service has been well received.

Minimum Standards for Aeronautical Services

Mr. White advised the Board of recent events since the Board approved the Minimum Standards at the October meeting. The Minimum Standards were put in final format and were submitted to be placed on the December 1st City Council Agenda. After it was submitted the item was pulled by the City Manager due to some concerns and questions. Since it is such a large document with so many items included in it, it was decided that in the next few weeks Mr. White will go back to the City Council in a workshop and present a PowerPoint presentation providing information on the Minimum Standards so that the Council understands the details and there will be more time to listen and discuss the issues. At that point, we will see what direction the Council will provide on going forward.

However, today we have some comments that some of the Fixed Base Operators (FBO) would like to make so that that information can be considered when it is taken to City Council in the workshop.

Milo Unruh, Jr., General Counsel for Yingling Aviation, stated that Mr. Nichols the President of the company unfortunately could not be present today. Mr. Unruh stated that Mr. Nichols, on behalf of his company, is quite concerned about the potential negative impact of the proposed Minimum Standards. One particular aspect of the proposed Minimum Standards has to do with the fractional hangar ownership issue. Mr. Nichols believes he is looking at an approximate 23% reduction of profit in his FBO line services, fuel services and hangar rentals, which he considers a considerable negative on the bottom line. In addition to the hard number that Mr. Nichols thinks will occur, he also is quite firm in his belief that it will serve as a disincentive to him in the future to enhance, improve and invest in his current facilities. At this point there are proposed plans to expand a Pilot Lounge in Hangar 1, the plans have been drawn and Mr. Nichols is evaluating whether to proceed with those plans. If the fractional ownership hangar operation is allowed to proceed, he does not see that it would be wise to proceed with that investment because of the loss of revenue that his company is going to experience.

The other aspect of the fractional ownership issue that needs to be brought to the Board's attention is that after reviewing the proposed Minimum Standards it was unclear to us as to whether the fractional owners of the hangar must be the same fractional owners of the aircraft. Typically what you see in fractional/condo ownership is that there may be a company that owns and is made up of a number of members. If ABC company owns one-fourth interest, and that company is made up of 50 individuals or 50 different companies, we see no limitations in the current Minimum Standards as drafted as to how many owners there can be of that company that owns a fractional ownership and whether the owners of the hangar must match up with the owners of the aircraft. This is directly tied into the fuel services issue. If there are 50 individual members of this company that own a part of the hangar does that mean 50 individuals have an ownership interest in the aircraft and can come in and fuel their aircraft. The fuel services is an estimate of at least around 50% of where our company is going to lose revenue. From our point of view, this issue is going to require substantial clarification as to the way ownership is going to be structured. What Mr. Nichols foresees is that someone will take advantage of the situation and there will be a substantial pool of individuals or companies buying their fuel at the condo hangar and his company's fuel services will be reduced much greater than what he is even

anticipating. Again, his primary concerns are that he is going to have a substantial reduction in profit in one of the line services division and it will serve as a disincentive for him to expand his current FBO operations.

Chairman Fletcher asked Mr. Unruh how he thought the language should be worded to help clarify the issue. Mr. Unruh said he would basically say that the same company that owns a fractional ownership in the hangar would have to be the same owner that has the ownership in the aircraft and the members need to match up, it can not be just two individuals own the hangar and 100 own the aircraft. Chairman Fletcher said he thinks that was the original attempt. Mr. Unruh said that is what needs to be clarified, because after reading that he could see how someone could take advantage of that and Mr. Nichols would feel more assured if it is limited. Mr. Unruh said that Yingling is not enthralled with the idea of having this because of the economic harm that is going to befall the company, however if it is to occur, then he would like to see some fine tuning on the wording.

Mr. White agreed and stated the intent was to not allow the activities that Mr. Unruh referred to and if it does not state it that way, the wording should be refined. Chairman Fletcher said the intent was that if there are four owners of the hangar, they have a total of four aircraft there, not that other aircraft could be shuttled in that belonged to the same company and be fueled there. Mr. White said the section on Non-Commercial Private Hangar Operators has a lot more detail and there may be some wording from that section that needs to be brought into the Commercial Hangar section as well.

Mr. Murfin asked how to do that and still maintain some flexibility, because airplane ownership comes and goes. Mr. White said also during the life of a lease agreement for the hangar complex, owners of the hangar could come and go as well and possibly sell their shares of ownership to someone else so there needs to be a record of every owner and every aircraft over the life of the lease. It could be a lot of paperwork and be burdensome, however we need to make sure that it is tracked.

Mr. Ward clarified that only those aircraft that are hangared in the complex can be fueled, Mr. White said that is true and that is a good point because if the company owns a plane that is based at another airport, they cannot come here to get gas, it is only for the plane that is physically occupying the hangar that would have the privilege of getting gas. Mr. Murfin asked why the hangar owner would necessarily have to have their aircraft based here. Mr. White said it may be excessive, the rules for Non-Commercial Private Hangars probably are not that strict. Koch Industries is a great example, Koch has a fleet of airplanes based all over the country, Houston, Georgia, Wichita, and he does not think we have any way of knowing where the plane is physically located. It is a single owner, there is no question about that, although the location of the airplane's established basis is not clear.

Mr. Murfin asked the FBO's what percentage of their net income is attributed to fuel sales. Paul Shira, Regional Vice President of Signature Flight Support, stated that the other parts of the business are non-revenue generating and it is through the fuel sales that the company can operate. Their biggest concern as an FBO is that for every gallon that is lost that is additional

overhead that the company is going to have to cover. In turn it, significantly impacts the company's ability to reinvest in the facility.

Mr. Shira said that he too shares the same concerns that Yingling has pointed out and the only thing that he would like to say beyond that is that their company is looking for further clarification and better definitions on some entities that are identified in the Minimum Standards such as what is an owner, a transient customer, and a tenant. The other question is can a co-op hangar also be a fractional hangar and can you have both types of operations operating within that hangar. Can half the hangar operate as a fractional and the other half as a co-op, or can you switch it back and forth, because then it is operating more like an FBO. Mr. Shira said he also has other questions regarding the Minimum Standards document, however he can forward those to Mr. White.

Mr. White said as far as a co-op, his understanding was that co-ops would not be allowed to have any fueling rights. It would only be if there is direct ownership of the hangar facility. The FAA's guidance indicates that they look at co-ops more of as a membership arrangement where individuals get together as a group or club and there is no ownership involved of the physical plant. Mr. Shira asked if both could operate within the same hangar. Chairman Fletcher said he would say no, Mr. White agreed. Mr. Shira said those are the clarifications we are looking for and if it is not clarified within the document, it certainly may become a debatable question in the future.

Chairman Fletcher said at this point the Board has already forwarded the Minimum Standards to the Airport Authority to approve or deny so we can make sure your questions are brought up to the Airport Authority at the workshop. Mr. White agreed and said we will do the presentation with the new information that we have just now received and then will probably have to rewrite a small portion of the Minimum Standards before it is finalized.

Mr. Shira said he does not want anyone to misunderstand Signature's standpoint. They fully accept and agree that there should be Minimum Standards at an airport, it not only protects their company's interests, but it protects the interests of the airport itself. Signature is not trying to fight the idea of Minimum Standards, rather just want to make sure there are some clarifications. Chairman Fletcher said we have tried to keep the FBO's involved in the process. Mr. White added that we appreciate everyone's input on this and that it is a collaborative effort.

Dr. Rosenberg said he is going to turn over a stone that he turned over several months ago regarding the airport's ability to protect people that are on this particular premise. He said if he owns a shopping center that has a barber shop and a meat market and other businesses, and another barber shop wants to come in and put a unit in the same facility. He feels that would be a detriment to the owner of the other property and to protect that property he has the right based on his bylaws to say he is not going to allow the new barber shop to rent that facility even though he has an open unit. Dr. Rosenberg asked what our legal position is if the airport says it does not want to hurt those that are already here by allowing someone else to come in.

Mr. Lang said there is an extent under some circumstances that you can protect a business where competition would harm it, he will need to review the issue further to determine what the parameters are. Generally, the guidance is that there can be no economic discrimination, everyone of the same class is treated the same. If that is not the case, there has to be sufficient justification showing that there is a basis to discriminate against someone because generally the rule is that you do not. A lot of the things we have discussed regarding the FBO's and private and commercial hangars is that they are different classes, however when you treat the same type of business differently, for example, fueling operations, it is harder to justify. Mr. White said there is written guidance from the FAA, however it is subject to interpretation. The FAA guidance basically states that through the contracts the airport signs when accepting a federal grant it ensures the airport will not prevent a person operating an aircraft from performing services on its own aircraft with its own employees, using its own fuel. The FAA further says that an aircraft owner must be permitted to fuel and prepare and otherwise take care of their own aircraft with their own personnel, equipment and supplies. However, they say at the same time that the airport is federally obligated to operate the airport in a safe and efficient manner, therefore an airport can establish reasonable rules as long as they are not unjustly discriminatory to restrict the introduction of equipment, practices or personnel that would be unsafe or detrimental to the public welfare. Whether that means if the airport becomes financially harmed because the existing businesses have become harmed by the introduction of one of these practices is an age old debate at airports and is a complicated issue to deal with. The intent of the Minimum Standards in the particular situation of fractional ownership was to come up with a reasonably fair compromise where it would be allowed to some degree with restrictions and meet the intent of the FAA guidance.

Mr. Lang said the key word is to compromise, to try and find an accommodation for someone who is wanting on, yet there are others that are concerned about the impact on their own operation. The FAA regulations do not require an airport to allow an operation such as a fractional ownership, that is something that is done in the spirit of cooperation, economic development and compromise. The airport does not have an obligation to completely protect the FBO's under every circumstance either, so there is a compromise here that is within the broad parameters of what the FAA says an airport can and cannot do and there is flexibility to move either direction.

Mr. Hennessy said he believes there are enough FBO's on the airport and that this is not a situation like at Jabara Airport. He agrees with part of what Mr. Lang said, although he does not agree with the statement about not having an obligation because he believes the airport does have an obligation. There is competition on the airport and he hates to see the FBO's make this investment and then all of a sudden lose their business, he thinks it is wrong.

Mr. White said he needs to present this to the City Council/Airport Authority and is sensing that the Board is not in 100% agreement with the inclusion of a fractional hangar ownership. He asked the Board if he should convey to the Council that there is still some disagreement amongst the Board Members, because he does not want the Council to assume that this is a unanimous recommendation if that is not the case.

Mr. Lang said this Board has acted on a recommendation, a vote and if the Board wishes to change its recommendation it has to be by vote. Currently on the record the Board has recommended the Minimum Standards for approval. We have heard from the public regarding some clarifications and Mr. Lang said he does not think any of the clarifications will change the recommendation, rather it is just to better express what the intent is. However, if the Board would like to change the intent it needs to be quite clear about that by vote.

Mr. Heck asked if a decision will be made when the Minimum Standards are taken to the Airport Authority/City Council. Mr. White said the Council's direction is to do a workshop which means it will be a presentation followed by a discussion. Formal action cannot be taken in a workshop setting, the Council will provide their input during the discussion and then we can proceed as necessary. Then at a later date the Minimum Standards would be resubmitted as an agenda item at a Council Meeting for the official vote. Mr. Hennessy asked if there would be a public hearing at the City Council Meeting. Mr. White said yes and at the Council Meeting the practice is for citizens or any interested party to give their comments to the Council before the vote.

Mr. Gooch said his question is concerning the identity of the fractional ownership. He had interpreted it as what was put in the Minimum Standards matches what the FBO's were asking, he did not think it meant the owner of the airplane owned the portion of the hangar and owned the airplane. He thinks that needs to be clarified. He interprets fractional ownership as that each person that has an ownership in the hangar also owned the airplane. Mr. White said in his mind there was never any question that the owner of the hangar is also the owner of the airplane, they are interconnected.

Mr. Claassen asked if it would make sense to take the Minimum Standards back from the City Council and clean up the language so that we can present to them what truly is a clean proposal. Chairman Fletcher said that at this point the process has been established and that is to present them the information at the workshop and then they will instruct as to how to proceed.

Mr. Ward said when we originally started discussing this, he was opposed to the whole concept, however he changed his mind while going through the process. Mr. Ward said he does still think that the fractional ownership program should be under very strict controls because after listening to what they said the possibilities are, it can easily get out of hand. Chairman Fletcher said that is why what Mr. White said about making sure the ownership of the hangar matches up to ownership of the aircraft is important.

Mr. Greenlee said his understanding was also that if a company owned the ownership in the hangar then they also owned the ownership in the aircraft. As far as procedurally, he agrees with Chairman Fletcher that this needs be presented to the City Council to get their input and guidance and then it needs to come back to this Board for another review and at that point he believes the Board should take a final vote before recommending it for approval by the Airport Authority.

Mr. Hennessy said he does not see how a corporation or a fractional ownership from an individual that may have based airplanes other places cannot come in here and fuel up, he thinks that it can happen and that it probably will. If he had aircraft all over the country and a fractional ownership here, he would buy the fractional ownership and save the fuel costs by filling up as the aircraft come through here. He does not see how something like that can be monitored. Mr. Murfin asked what was wrong with that type of arrangement. Mr. Hennessy said he thinks it will impact the current FBO's. He thinks the airport has an obligation to protect the investments that have been made over the years. Mr. Murfin said that the FBO's are great companies that have done a lot on this airport and he does not want to do anything to hurt them, however you can not tell people where they can and cannot set up a business. Some of them come and go and that is just the way it works. Mr. Hennessy said people are protected in certain areas through zoning.

Chairman Fletcher said Mr. White will go through the process of presenting the Minimum Standards to the City Council in a workshop and then will update the Board and proceed from that point.

ACT 3 Public Art Update

Sonia Gretzman and Jen Wiley of the Gretzman Group presented a PowerPoint presentation to provide an update on the status of the public art portion for the new terminal. They provided details on what the process has been so far, the artist that was selected and what the next steps will be.

At the conclusion of the presentation, Chairman Fletcher asked the Board if anyone was opposed to proceeding with this artist.

Motion by Rosenberg to approve the selection of the artist. Motion carried unanimously.

Ms. Gretzman said it was a pleasure to work with the Board and thanked them for the opportunity.

TSA Proposal for Display of World Trade Center Artifact

Keith Osborn, Transportation Security Administration (TSA) Federal Security Director, told the Board that about a year ago Phillip Garcia, TSA Assistant Federal Security Director for Screening, got an idea when he found out that Wichita had an opportunity to obtain a piece of steel from the World Trade Center. It was a very long process with the Port Authority in New York and it required a Court Order to release this piece of steel which is about 7 feet long and approximately 600 pounds. It is a rusted piece of steel which has been torn and was taken from the World Trade Center. The goal is to have this turned into a piece that is suitable for display and reminds everyone where it came from and at the same time is an inspiration of how far we have come. Mr. Garcia provided some photographs of something that has been done in another place to give the Board an idea of how it could be displayed, although it is not necessarily what we are going to do. We have permission from the Port Authority of New York to manipulate this piece of steel however we see fit, it is ours to keep and is on permanent loan to us. Mid-Continent Airport and the TSA organization here is one of the first TSA organizations that has asked for a piece of the steel so we are somewhat unique. When the piece arrived a couple of

months ago and we finally got to see it, it was moving to look at this piece of steel and to see what had happened to it and what it had gone through. We have been in contact with Mr. Tim Adler of the WSU Art Department who has been very encouraging that raising funds to manipulate this piece of steel is going to be relatively easy to do. The goal is for something that is reverent and is respectful of where the piece came from, and at the same time is inspirational for not only ourselves as TSA, but also for the public in general.

Mr. Ward asked what he meant by manipulate. Mr. Osborn said we can melt it down, we can cut it up or whatever we choose to with the steel, it does not have to remain in its current state and actually that is not his first choice. He would prefer something that is respectful and inspirational and more reflects how far we have come since that day as opposed to something that is just a stark reminder of that day. Mr. Ward said to him since this will be at the airport and aircraft is what caused this to happen, it should be tied in somehow and he does not think it should be changed. Mr. Osborn said there are a lot of people in his organization that feel the same way and he is confident that we can come up with a way to display the piece that accomplishes both things. That respects where the piece came from and at the same time does not frighten folks who may not appreciate how far we have come since then.

The Board left the room to view the piece. Upon return Chairman Fletcher announced that it was his understanding that the sense of the Board is to proceed with the trying to do something with displaying the piece at our airport.

Mr. Greenlee asked who would be paying for the expense of preparing and exhibiting the piece. Mr. Osborn said that his anticipation is that it will be publicly funded through donations.

Mr. Hennessy said that he appreciates the effort that was put into this and he thinks that it is a great concept. Mr. Osborn said he would like to congratulate Mr. Garcia because it was his idea and he coordinated all of the efforts to be able to obtain this piece.

Mr. Ward commented that he thought the piece sent a bold statement just as it was.

Mr. Hennessy asked if this is being done all over the country or if it will be unique to Kansas. Mr. Garcia said Wichita was the first TSA location at an airport that has successfully petitioned and received a piece of steel like this. Mr. White added that the New York Times did a story a few months ago which mentioned that Wichita is going to have one of these and he has not seen any follow-ups regarding additional places since then, so Wichita may still be the only one.

ACT 3 Project Update

Mike Carter, AECOM, presented to the Board a PowerPoint presentation providing an update on the current schedule and upcoming meetings, the contract packages and the schedule and cost estimates. Mr. Carter then introduced Phil Hannon, Project Manager of the Design Team, HNTB Architecture.

Mr. Russell asked how confident he was that the project is going to come in under budget and if it does come in over budget, how confident is he that the garage will get built. Mr. Carter said

we continue to have a good bidding climate and see no reason why that should change in the next six months. However, there is an alternate in the terminal building that if for some reason the bidding climate does not reflect what we feel it should there are some options that can be taken to reduce the cost to make sure it is within budget. Mr. Russell asked if it is going to be bid with everything that you would like in it or are you going to bid it with ten gates and ask for an option for the additional two. Mr. Carter said the base bid is for the full twelve gates, however there will be a deductive option for two of those gates. Mr. Russell asked what the reason was for doing it that way. Mr. Hannon said the primary reason for doing it that way is that the selection is made off of the base bid, in order to get the best price for what you really want, which is the twelve gates. Mr. Russell asked if it was designed so that the whole package with all twelve gates will come in under the \$160 million. Mr. Hannon said the actual construction cost estimate is under \$100 million. Mr. Russell said so you are predicting that it will come in under budget and that we will be able to start construction on the building in June. Mr. Hannon said correct.

Dr. Rosenberg asked if the construction does begin in June, what are the chances that the completion date could be earlier than March of 2013. Mr. Carter said it is possible, we spend a lot of time making an estimate of the normal duration for the construction, although like everything else it is our best judgment with a lot of experts reviewing it. When the contractor comes in they have their own way of doing the project and as long as that does not exceed our estimate, we will probably agree with whatever their recommendation is, although we have no way of knowing at this point what the time period may be.

Mr. Murfin asked if the terminal project had been approved. Mr. Carter said the financial considerations go before City Council sometime in late January. Jean Zoglman said that there is a model that was developed earlier in this project that we continue to use to make sure that this project can continue to be funded as different things change, such as the traffic projections, the operating budget, and the cost of capital. The City uses a financial advisor by the name of Springsted for bond issues and we decided it might be a good idea to have them help us make sure that the structuring is correct and how the market will best accept it. They have created the initial analytics, although we do not have the results yet, and they are working through that to make sure any assumptions we have used will work. We are still targeting the end of January to go to Council with this information. Mr. White added that at the last Council Meeting the City Manager told the Council that the plan is to come back in January with this financial study to make sure that the Council is in support of the project.

Mr. Russell noted that the revenue stream is down some, Mrs. Zoglman said the passengers are down and the model right now shows a 10% drop for this year and a 0% increase next year, so we have inserted the new numbers to make sure everything still works. Mr. Russell said the initial model when this project began was a lot different, it had the revenue streams a lot higher than what they are right now. He asked if the revenue streams are still going to allow the airport to afford to build this and secondly, does that mean that your interest rates are going to still come in as you predicted. Mrs. Zoglman said that she asked that same question to the financial advisors and a lot of it depends on if the bonds are going to be issued now or in 2013 when the project is done. We have asked them to look into it and those are exactly the types of things that we are looking at to make sure it works. Mr. Russell asked if she was optimistic that the airport

will be able to finance this. Mrs. Zoglman said yes and that we are also continuing to leverage the other revenue sources that could be beneficial so we do not have to issue any more debt than is necessary.

Mr. White said one thing that is important is that the original numbers that were put into the model in 2006 were actually exceeded because our passenger traffic was higher in those years than it was supposed to have been, so although we are down now, we are going to catch up and are still ahead of what the forecast originally was.

Mrs. Zoglman said the other thing is that traffic is down, however less than half of airport revenue is based on activity levels. Mr. Russell asked if traffic going down would impact the ability to build the parking garage. Mrs. Zoglman said the way the parking garage was developed is that it not only has to provide funding to the terminal, it also has to make enough money beyond that to pay for itself. It is a self-supporting structure so if the number of users goes down it makes it harder to pay for. What is being looked at is how the rates can be changed based on what the predictions are and there is a sense that there is going to be increased usage because of the fact that it is a parking garage. At this point the garage can still fund itself with what are considered reasonable rates.

Mr. Gooch said that as he remembers it the parking garage was part of the terminal building package, it is not one or the other. Mr. White said it is a package, yet they are still designed and bid separately. Mr. Gooch asked if the terminal building is approved, does the parking garage go along with it. Mr. White said it needs to because the design of the terminal building anticipates that there be a parking garage therefore they are connected together. Mr. White said if the finances were not available for the full-sized parking garage we might have to consider shrinking it down in size, although that brings out the issue of being able to expand it later and the costs of that so we may be better off building the full size originally.

Mr. Murfin said he is hoping that costs will be down on the terminal so that the parking rates on the garage can be lowered. Mr. White said that would be great if that could happen. There are plenty of advantages to keeping the cost of the terminal down not only from a customer standpoint, but also from a rent standpoint to the airlines. The lower we can keep all of the costs, the better we are across the board.

Mr. Estes asked about a recent newspaper article that mentioned the airport adding windmills and other energy efficient types of things to the terminal building project. Mr. White said we are looking into it. If there is a way to do it that makes financial sense, we will consider those types of things although everything has to be weighed out.

Wildlife Mitigation Ad Hoc Committee Recommendations

Mr. Christopher advised the Board on the history and formation of the Ad Hoc Committee and what its purpose was, and provided the Board a chronology of events and the summary of findings and conclusions including the list of ten recommendations that the Committee submitted to the City and County. Mr. Christopher then asked the Board how they would like to proceed and what their recommendation is.

Mr. Murfin said a lot of time and effort has been put into this issue and the recommendations have been made and submitted so at this point he would think the Committee's work is done.

Motion by Murfin to table the issue unless further action is requested by the City or County. Motion carried unanimously.

Other Business

The next WAAB meeting will be Monday, January 4, 2010 at 2:30 p.m.

Meeting adjourned at 5:06 p.m.

Kelly Fabrizius, Clerk