

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

**Monday, May 4, 2009**

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

Absent: None

Airport Staff: Victor White, Brad Christopher, Sandy Coykendall, Kelly Fabrizius, Paul Moore, John Oswald, Valerie Wise

City Staff: Joe Allen Lang, Chief Deputy City Attorney

Others: Mike Carter, DMJM Aviation  
Dan Claassen, ExecHangar  
Tom Wakefield, Cessna Aircraft Company  
Lynn Nichols, Yingling Aircraft, Inc.  
Bryan Orr, Signature Flight Support  
Paul Shira, Signature Flight Support  
Bob Karlake, Midwest Corporate Aviation  
Jamie Pegg, EagleJet Aviation, Inc.

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

**Approval of Minutes**

*Motion by Greenlee to approve the minutes of the April 6, 2009 Wichita Airport Advisory Board meeting. With clarification by Beattie that page 3, paragraph 4 should state that Beattie was appointed to the Ad Hoc Committee in January. Motion carried unanimously.*

**Director's Report**

Mr. White advised the Board of several ongoing items.

The Airport Land Use Compatibility Ad Hoc Committee will meet on May 11th at 1:00 p.m. in the First Floor Board Room of City Hall. Six Board Members have either been appointed or volunteered to be on the committee and two City appointees and two County appointees from this Board should be present at the meeting. An agenda is being drafted by Brad Christopher and John Schlegel, Director of Planning. County Commissioner Chairman Parks will call the meeting to order at which point the Committee will select a Chair and Vice Chair. Brad Christopher and Devon McBride will provide the history, statistical overview, local issues, Federal rules and will also present the letters of support that have been received. The Committee will then determine what the next steps should be.

Mr. White reported that the latest news on the stimulus funding is that the airport will not be receiving any stimulus funds for the terminal project, however will receive approximately \$500,000 of guaranteed funds from the FAA to purchase a new fire truck and there may be other smaller projects that could be eligible for funding. Mr. White said he has gone through the list of the \$1.1 billion worth of FAA stimulus funding that has already been identified by project in order to make sure that another airport is not receiving funds for a terminal project. The law says that if an airport is what is called a small hub or larger, the airport cannot qualify for discretionary funds. There are about 20 airports that are receiving money to construct, renovate or expand a terminal. After checking into them not a single airport was larger than Wichita, however two of them were very close.

Chief Paul Moore provided the Board an update on the H1N1 virus. The Airport Authority's protocols are simple when it comes to any type of contagious disease. If there is a confirmed report that someone is infected a security camera will track that person and all of the areas that person has been in or had contact with will be decontaminated. There are a lot of issues in the media, Chief Moore said he has been getting several hundred emails per day from various agencies on what the airport should or should not be doing. The airport takes direction from the Director of the Sedgwick County Health Department. If there is a case where someone in the terminal reports that there is an individual exhibiting symptoms of the flu, the individual will be approached and if the individual is willing to cooperate and accept any type of medical treatment, Airport Safety will call EMS, when EMS arrives, they will notify the Health Department and will wait until a confirmation on the quick test is received to determine if the individual has the virus. In a situation like that the airport would decontaminate the areas that were exposed and would notify the airline that the individual came in on and let the airline decide whether or not to notify everyone that was aboard that aircraft.

Dr. Rosenberg asked if this situation is being handled any differently than the influenza outbreak last winter. Chief Moore said the airport's protocol has not changed. Basically, we cannot detain someone legally without the direction of the Sedgwick County Health Department Director. We are very limited on the basis of that individual's cooperation with us. It can get complicated which is why the Standard Operating Procedure was set up by the Airport Authority. The last case of any major contagious disease was a girl that had meningitis in Florida that came through on a Delta flight. Delta Airlines and the airport handled that incident very well by using the same Standard Operating Procedure. As soon as it was determined that she had meningitis, Delta willingly gave up the manifest of all the passengers that were on that flight to Airport Safety, within an hour every person that had been on board that plane had been contacted and told that they were exposed to meningitis. Delta made sure the plane was isolated and decontaminated. Airport Safety used its security cameras to follow the girl from the time she got off the plane until the time she walked out the front doors and the entire path she took was disinfected.

Chairman Fletcher said it sounds like the airport is being consistent in its policy. Mr. White added that the airport is installing throughout the terminal building a series of posters and signs from the Health Department in both English and Spanish regarding the best way to prevent

diseases including washing your hands, covering your cough, etc. The same information was also put on the website.

Valerie Wise announced that Allegiant Air kicks off their non-stop service to Los Angeles on May 23<sup>rd</sup>, with service being on Wednesdays and Saturdays. KFDI will be doing a live remote at the airport for the inaugural flight and there have been several advertisements on the radio. Mrs. Wise said she will provide the Board with more information on the event.

Mr. White said that although Delta bought Northwest Airlines some time ago, the merger acquisition process is still taking place. In Wichita, the airport has been notified that sometime near the end of the month is when all of the Northwest signs will come down and Northwest employees will move from their ticket counter to the Delta ticket counter. The airport is also working with them on some other relocation issues.

The Cargo Building is almost complete, it is anticipated there will be a grand opening or a ribbon cutting sometime next month. The Board will be advised once the plans are finalized.

Regarding the monthly statistics, everyone is concerned about business dropping off so rapidly. On the airline side, passenger traffic was down in March by 17%. However, from the other airports in the region which we have collected information from for March so far Wichita seems to be tracking close to what everyone else is doing. During that same time period Kansas City was down about 16%, Tulsa was down over 20%, Oklahoma City was down about 11% and Des Moines was down about 9%. Traffic is not looking good anywhere and it is concerning to see whether this is the bottom. April's numbers are not yet in so it is too soon to tell. Airline revenues for the month of March nationwide were down 23%. It is not clear yet what it is going to mean for the airport, however we will be watching it closely.

Chairman Fletcher said the airlines have been offering a lot of sales, Mr. White said that could have made a difference, the numbers could have been worse if the sales were not being offered. Whenever there is a sale, Valerie Wise has been working to get the word out by using HotFares and an email distribution is also sent every time there is a sale. There are 2,800 people on the distribution list in addition to the normal paid advertisements.

Chairman Fletcher asked how the airport is doing in terms of being able to justify paying for the terminal project. Mr. White said that is a concern. Jean Zoglman is currently meeting with the City Finance Director to discuss the business model and try to determine where we are at.

Mr. Russell asked about the \$500,000 that will no longer need to be spent for the fire truck and if there was some other place that money will be spent. Mr. Oswald said it was in the CIP, but never allocated, therefore the money was never dedicated to it.

Mr. White said when the stimulus funding started becoming available everyone was trying to come up with projects as quickly as possible and that was an easy project to apply. Another project is a design project for a snow removal facility that the airport has needed for many years and not been able to do. Even though with this particular round of stimulus funding the airport

will probably not receive any funds for that project, if there is a second round the facility will be designed and shovel ready in order to qualify. There is also an opportunity for energy efficiency projects and for the Administration Building Renovation all new windows will be installed for energy efficiency and that part of the project may be eligible. There are some projects that may qualify, the only definite no is for the terminal.

Mr. Russell asked if it would be appropriate to provide copies of the DVD that he gave to Mr. White regarding the wildlife issue to those persons that would be attending the Airport Land Use Compatibility Ad Hoc Committee meeting. He also asked Mr. White after seeing the DVD and hearing about the discussions Mr. Russell had with the gentlemen at McConnell Air Force Base if he had any different opinion of how to deal with the wildlife issue other than prohibiting people from having ponds on their property. Mr. White said he is familiar with the program that provides trained border collies to harass birds on and in the vicinity of airports. The military uses the program McConnell Air Force Base on and adjacent to their property. On this airport a dog is probably not necessary because the harassment is already being done and it is working quite well. Mr. White said that the properties adjacent to the airport may be able to benefit from the program. This should also be discussed at the Committee Meeting because it is important to provide every known method that works and that does not work so the Committee can decide what things should be done. Mr. White reported that he has several extra copies of the DVD of this program if any of the Board Members would like to watch it.

Mr. Russell said two weeks ago McConnell Air Force Base invited all of its adjoining landowners that allow this dog to be on their property to attend a meeting where information was provided on how the program works. They explained how geese work and claim that the birds are smart and know the areas that they cannot go which is why they run them off with this dog that has been trained. The geese continually return to the same property, so there was discussion during the meeting to see if we could influence the adjoining landowners to let them allow this dog get the geese off of their property as well. The gentleman in the video was very good at explaining it. He has been doing the program at McConnell Air Force Base for ten years and the Air Force believes it is the only way to deal with the problem. Mr. Russell said he would like for the Board Members to see the DVD. He is also going to provide Council Member Longwell, the Council Member who appointed him, a copy as well. It explains that there is a better way to deal with this issue other than prohibiting ponds or wheat fields under the flight line.

Dr. Rosenberg said it is his understanding that the geese return to where they are born and if the babies are prevented from being born there, then eventually the birds will die off and the geese will not come back.

Mr. Gooch suggested it may be worthwhile to try and start an education program to discourage people who intentionally encourage the geese to stay in the area. If some of the people knew it might be a hazard, they may change their behaviors.

### **Public Hearing to Consider Change in WAA Policy to Allow Condominium Shared Private Hangars with Fueling Facilities**

Mr. White advised the Board that included in their packet is a letter from Mr. Claassen who is here with us today. Mr. Claassen's letter is a specific request for a proposal. The letter describes the operation of the company, the construction of the actual corporation, drawings of the possible location, as well as sketches of a possible hangar that could be designed.

Mr. White said that the proposal does not comply with the current longstanding Airport Authority policy that goes back decades. In researching the issue Mr. White reviewed evidence in the files from Airport Authority Board Meetings going back to the 1980's and came across a few to share with the Board. On June 20, 1988 the policy was adopted that basically states that executive hangar operators are only allowed to have fueling if they are a single company in prime lease and consume at least 10,000 gallons or more of jet fuel per month for their own use. Then in August of 1998, the issue was brought up again before the old Airport Authority to be reexamined and to consider an entire general aviation development policy and determine if any changes should be made. A number of workshops were held on the development of minimum standards to decide whether it was necessary to create minimum standards. The ultimate decision in 1998 was to not change the policy and to not create any new minimum standards at that time. The description was that the Airport Authority has established minimum standards through its formal leasing policy by the action of granting leases to various tenants. By contract, the authority restricts the level of activity for fueling by non-FBO's and does not permit non-FBO's to have fuel if they do not provide the full level of services demanded by the flying public. Also back in 1988, the existing leases that were in effect at that time were amended with companies such as Ballard, Bevan Rabell and Koch to allow those companies to provide fuel in aircraft owned by them and at that time they could have been allowed to install their own fuel farms and not use the bulk fuel farm currently at the airport.

Mr. White said he just noticed that Mr. Claassen has said that he anticipates that some operations may be conducted as FAA Part 135 operations. That is almost a separate violation of Airport Authority policy because corporations are not allowed to have self-fueling if they are conducting a business from the hangar leasehold. The two existing leaseholds that are at Jabara Airport, Rage and Capital Excel, have a fuel farm and their leases specifically say they cannot do any air taxiing, chartering or commercial flight operations from those facilities and that is in keeping with the policy that a corporation that has planes for its own purpose is allowed by the FAA and Airport Authority policy to have a hangar and a fuel farm. That would be one company, one group of airplanes owned by that company, one leasehold and one fuel farm. That is the policy and that is what the FAA Advisory Circular refers to. If this proposal were to be approved and some of the operators within the condominium hangar were to conduct chartering or any type of flight operations businesses that would be a violation. Mr. White said there are a number of different levels of items that need to be looked into. The FAA has two documents that provide guidance to airports when they are trying to make these decisions. However, the FAA will not answer this question for us. FAA guidance essentially says that an airport must allow a corporation to have its own self-service fueling and maintenance facilities, such as what Koch has done. Koch has a leasehold, has built a hangar, provides its own airplanes and its own

employees to maintain the planes and pump the fuel. That is what the FAA requires an airport to do. However, the FAA has taken a different opinion by saying an airport is not required to have co-op, shared or condominium hangars such as what is being presented today. The FAA says an airport can do it, if it would like to, however it is not required.

Mr. Murfin asked how it relates to Part 135. Mr. White said the purpose of the FAA guidance is to allow a corporation, such as Koch, who is not running an aviation business to have their own hangar and fuel. The use of airplanes by Koch is incidental to their primary purpose as a corporation. Now, they are allowed, as they have done, to set up a corporation that owns and operates the airplanes, however the purpose of that corporation cannot be to run an aviation business for profit. In the case of the three existing corporate hangars, their leases specifically say they cannot run any typical aviation for profit businesses and have fuel at the same time. The purpose of that is that you can have a hangar, but you can not have fuel if you are an aviation business.

Mr. White said he did a survey and 37 airports of various sizes from various regions around the country responded to the survey on whether they allow corporate hangars and whether corporate hangars are allowed to have fuel farms. It was also asked whether the airports allowed shared, condominium or co-op hangars to see what rules the airports have either in their minimum standards or through their leasing and contract policies. Of those 37 airports that responded, zero said that they would allow a condominium or co-op hangar to have shared fuel, however a few will allow a hangar to be built that might be shared. It seems to be more acceptable if the fuel privilege is taken out. There are some airports that have allowed this type of arrangement and the distinction is that those airports in almost every case are in a major metropolitan area that has several airports that are competing against each other and there are a lot of airplanes that have the potential to move from one airport to another. One of the examples is Addison Airport in Dallas, there are probably dozens of airports within a 50 miles radius of Addison Airport in Dallas. Perhaps at that airport this is a business venture where an aircraft owner is going to move from another airport to Addison because it might be more attractive. Phoenix, Atlanta and Orlando are also good examples of areas where airports are competing against each other. In our area, Mid-Continent and Jabara are the only airports within a reasonable driving distance that have the capability of handling jets. It is not likely that any new airplanes will come to this airport by virtue of having this operation. The planes will simply be moving from one existing place on the airport to another place on the airport.

Mr. Heck said the Board will listen to the comments today, however the real decision is whether or not to change the policy. He asked if it was correct that the current policy would not allow this proposal to exist.

Mr. White said that is correct, and is why the fact that this has not been done before now is proof that it is a policy that has been in place for decades. Mr. White said his understanding is that in the past people have come to the airport and asked for this type of arrangement and have been turned down. In Mr. Claassen's case, he started about four to five years ago. Tom Nolan, was Interim Director, and this plan was proposed to Mr. Nolan. Mr. White said that during the four years he has been here Mr. Claassen and himself have had an ongoing conversation the entire

time. The Board turned the proposal down in 2007 when it was presented at that time. Now it is back again for reconsideration with a few modifications to the proposal. At the time the proposal was turned down it was said that according to the policy of the Airport Authority the only people that can provide fueling would be a Fixed Base Operator ("FBO"). Mr. Claassen said at that time that he would like to become an FBO if it would solve the problem. Since then, Mr. Claassen may have reconsidered because of the huge investment it takes to become an FBO and it has gone back to the original proposal of not being an FBO, but having a private hanger that is shared with multiple owners and a fuel farm.

Mr. Hennessy asked what the reasons were that the proposal was turned down originally. Mr. White said the simplest explanation is that it is the policy of the Airport Authority. Mr. Hennessy said he is asking what reason was given that the proposal was denied. Mr. White said he believes the Authority considered the fact that the current FBO's have made multi-million dollar investments on the airport over the years, they have signed long-term contracts that last for decades, and those contracts were entered into with the understanding that the policy was not going to change. Mr. Hennessy asked if it was for the protection of the FBO's. Mr. White said that "protection" may not be the best word. The entire airport system operates as a business enterprise and the FBO's have made significant investments on the airport. The airport owns the facilities and the FBO's pay the airport significant rent for those facilities. Fueling and hangaring is a large part of the business that the FBO's provide. The FBO's are required under their leases to provide 24 hours per day 7 days per week service to the public in fueling, hangaring and service. That is intended to be a protection for the public, the users of the airports.

If something is done after the fact that changes that and creates an unlevel playing field that is where the FAA could get involved in a potential complaint against the airport. Mr. White said that if something is done to change the level playing field that existed and change the policy it is his prediction, based on other airports that he has worked at, that eventually the FBO's will suffer and then the airport suffers because the FBO's are not paying rent, they may go out of business, they may lay off employees. The public also suffers because there are not any FBO's left to provide services to the public. That is the worst case scenario, however those are the types of things that can happen.

Mr. Claassen introduced himself and said that he represents a couple of individuals that instead of building their own hangar and putting in their own fuel farm would like to collectively come together and enjoy the costs savings or financial benefit of doing it together. Mr. Claassen said he would also like to clarify a couple of things that have been said. In regards to the Part 135 operation this is the first he has heard of that being an issue. Mr. Claassen said that it was potentially a way that the owners could offset some operating costs to help support their company ownership of their aircraft, however if that is an issue that can be removed from this proposal.

Mr. Claassen also said that as far as his request to become an FBO, it is definitely not off the table. Mr. Claassen said he has been waiting for two years for the minimum standards to be developed. When he came before the Airport Board the instructions to him were the airport needed minimum standards developed before it would be able to allow another FBO operation.

For two years that has been the process and to date his understanding is that the standards have not been completed, therefore there is a renewed interest in just allowing this type of operation.

Mr. Claassen said that in regards to the FAA and the policy change, this could be approved on the airport, the FAA does not prohibit this.

Chairman Fletcher asked if that included the Part 135 operations. Mr. Claassen said absolutely, he received approval to do that in Texas, and Part 135 operations is part of ExecHangar.

Mr. Heck asked if the current practices and policies would be considered minimum standards and is that what we are operating from. Mr. White said yes, and that is the position that the Airport Authority took back in 1998. Bailis Bell, the former Director, actually prepared a set of minimum standards that were found in the file that were not adopted because the Authority as a group decided that by contract the Authority has established minimum standards through its formal leasing policy and the action of granting leases to others. The interpretation that the Board took was that if a fourth person wants to become an FBO, they would have to meet the standard of the smallest of the three existing FBO's at this airport.

Chairman Fletcher asked if that information had been provided to Mr. Claassen. Mr. Claassen said no, for two years he has been on hold waiting for that to happen. Mr. Claassen also said it seems unfair to him because the current FBO's were allowed to come on the airport and have had the ability to grow to their current levels and it would be unfair to make the new operator start where the current FBO's have had the ability to grow to.

Mr. White said the smallest of the three FBO's would be EagleJet. Mr. Claassen said that EagleJet has been on the airport for twenty years and they are more than likely larger today than when they started. Mr. Heck asked if the new operator would be expected to start where they are today or where they began. Mr. Claassen said it would seem more of a level playing field if the standard was to start where they started. Mr. White said he would agree with that.

Mr. Lang said that he believes it has been clarified that the standard would be what the contract requires an FBO to do, not what the FBO currently does.

Mr. Estes asked if we were still in the process of developing minimum standards. Since it has been a couple of years, are we still headed down that route or does something need to change.

Mr. White said he believes minimum standards still need to be developed so all of these issues can be clarified. However, in the draft of the proposed minimum standards which he has been in the process of working on, this type of proposal would not be allowed. The Sub Committee of Board Members worked on getting some of this together such as how big an FBO needs to be to meet the standards. The plan was actually to make the standard smaller than the smallest of the three FBO's in terms of leasehold size, hangar size, in order to make it a more reasonable entry level, however it would still require the same levels of services and being open 24 hours per day 7 days per week.



Mr. Claassen said that if the minimum standards require that ExecHangar be the size of any of the FBO's on the airport when they started, that would not be a stretch. Mr. Claassen said that is achievable, and then their business model would simply be to sell enough retail goods to offset the operational costs because more employees would be required.

Mr. Claassen said there are operators out there right now that are seriously considering having their airplanes leave this community because they cannot afford it. This proposal is very exciting to them because it provides an option that makes it affordable to keep their airplanes here. If those airplanes were to go away the airport would lose the fuel flowage fee and the FBO would lose the business. Mr. Claassen said there are two individuals in this community that want to reach a certain level of operation in aviation that are looking at this proposal as a way to afford that. So not only would ExecHangar bring in a couple of airplanes that are outside the metro area, specifically off of the Augusta airport, there would also be two aircrafts being bought and brought to the community.

Mr. Dwight Greenlee asked if Mr. Claassen was saying that he would be willing to come in as an FBO operator and sign that type of agreement. Mr. Claassen said two years ago that is what he was told was his only option so he was waiting for the minimum standards so he could do just that.

Dr. Rosenberg asked how many aircraft would be housed in the facility. Mr. Claassen said that currently the plan is to have four, possibly five. Dr. Rosenberg asked how many hangar facilities the airport has right now that are not being utilized. Mr. White said the FBO's would be able to answer that question. Dr. Rosenberg asked if the facility was built as a co-op for hangar space and maybe office space, but nothing else, would that be a concept that could be done.

Mr. Claassen said no because the cost effectiveness of still having to buy fuel at retail does not offset the expense of the hangar. The savings of the fuel is needed in order to afford the cost of the hangar. Mr. White said at a number of the other airports that we checked with that is the compromise that many of these airports have come to is that they will allow the hangars to be built, however no fueling rights can be associated with it. Mr. Claassen said some airports do that, however they are large airports that have clients who want a first class facility no matter what the costs, and that is not the case here.

Mr. White said at his last airport, Orlando Sanford, there were minimum standards which had been in existence for many years that said only an FBO or a private corporation can have fueling. There was a private developer who approached the airport about 5-6 years ago who wanted to do exactly what Mr. Claassen is saying except he wanted to lease the spaces instead of sell them. The airport said that he could not have fueling rights without becoming an FBO. The developer did not want to become an FBO and decided to just build the hangars. Mr. White showed a picture of the company to show, without fueling rights, how the company has expanded and continues to grow. The developer ended up contracting with one of the FBO's on the airport to put in a fuel tank and that FBO owns the fuel tank and provides the fuel which is self-service. Everyone in the complex can taxi over to the fuel tank and get their own fuel and it is at a substantially cheaper price than retail would be. Mr. White said he has also found when talking

to airports in the Phoenix, Austin and Atlanta areas that they have done the same concept and the only way that this is allowed to happen is that the fueling rights are still reserved to the FBO's.

Dr. Rosenberg asked if the company would be providing the billing for all of the aircraft so each person would not be billed separately. Mr. White said there are many ways that can be done and every airport approaches it differently.

Mr. Ward said the airport has a huge investment in the fuel farm. To maintain that the FBO's are buying gas from the airport and this proposal would bypass that. Mr. Claassen said he would still pay the fuel flowage fee. Mr. White said fuel flowage fees are not intended to solely to maintain the fuel farm, as a small portion of the fuel flowage fee goes towards maintenance of the fuel farm. If Mr. Claassen had a separate fuel farm the flowage fee would only be intended to maintain the airfield itself, it is in lieu of paying a landing fee such as the airlines pay.

Mr. Russell said the drawing appears to be of a 12,000 square foot hangar and asked Mr. Claassen if he was going to have an employee on duty 24 hours per day to move the planes around. Mr. Claassen said the employee would be on call, this is a private development, the employee works for each owner, so if an owner called him and said at 8:00 I want my aircraft out and filled to the tap on both sides, it would be done. The next responsibility for the employee may not be until 4:00 that afternoon, so he would make sure he was there at 3:00 to receive the aircraft. The doors would not be open to the public. If a plane was scheduled to come in at midnight the lights would be on and the employee would be waiting. Mr. Russell asked if that employee would actually be the one to fuel the plane. Mr. Claassen said yes.

Chairman Fletcher said he would like to hear from the FBO's to get their opinion on the impact this proposal would have on their businesses if it proceeded.

Bryan Orr, General Manager for Signature Flight Support, introduced himself to the Board. He said Signature is the newest FBO on the airfield and just came into existence back in July. Mr. Orr said Wichita is not a destination city, it is not a place people are bringing planes to and seeking out spots, the business that is here is aviation professionals, people supporting Hawker, Cessna, Lear, Spirit, Boeing, that are working right here in Wichita. Wichita has not seen a tremendous growth in the general aviation market in the last ten years, the market has been fairly flat. Mr. Orr said there has been \$3 million in accounts per year shared between the three current FBO's at Mid-Continent. There is a little fluctuation there, however the addition of another FBO or even just a hangar complex is not going to add anything more to the FBO's on this airport, all it is going to do is take existing customers from the current FBO's and move them somewhere else. Mr. Orr said they are required to operate their facility 24 hours per day, 7 days per week. When Signature bought the Hawker Beechcraft facilities they made a considerable investment not only in the FBO, but also in this airport. Signature saw an opportunity, they looked at what the current market was, the potential growth for this market and also how many existing tenants there are. One loss of a tenant would be accountable for at least \$25,000 worth of revenue to that facility. Mr. Orr said that is significant especially considering the recent economic downturn has caused a shift of anywhere from 20-40% loss in the general aviation market. Mid-Continent Airport alone has seen approximately a 25-30% decrease in general aviation traffic. All three of

the current FBO's are struggling right now and if the existing customers are taken away and moved someplace else it is only going to heighten the reduction in revenue. Customers that are coming to Signature work out a special price for a hangar and a special price for fuel, however with that price the customers also expect a certain level of service. They want the facility open 24/7, they make sure that all of the Federal Administrative Regulations are complied with and that the services are being provided safely. Mr. Orr said that Signature Flight Support is asking that this proposal not be approved, right now Signature's investment is not being fully realized, they came here nine months ago looking to grow and invest in this airport and this community, and shrinking the market is not something that was ever in consideration.

Chairman Fletcher asked if Signature had hangar space available. Mr. Orr said they stay pretty full. Dr. Rosenberg asked if the owners of these aircraft are persons that are currently using your facility. Mr. Orr said he cannot say who Mr. Claassen is getting. He knows two were coming from another airport, but the remainder would be coming off of Mid-Continent and there are only three FBO providers so we can only assume that they are going to come from one of the three of the current FBO's. Mr. Orr said he does not want to lose anybody and speaking for the other two, he knows they do not want to lose any customers either.

Mr. Gooch asked if at the time Signature Flight Support purchased Hawker Beechcraft if Mr. Orr was under the impression that there could be additional competition created on the airport. Mr. Orr said he was not privy to those discussions, however his understanding of it was there were certain requirements for an FBO to operate and those minimum standards have to be met and that was a big issue in the contact.

Mr. Murfin asked if they were full because of surplus airplanes. Mr. Orr said yes, they have a lot of extra inventory right now that is taking up space. The hope is that as soon as things turn around that it will open up some additional space.

Jamie Pegg, President of EagleJet Aviation, introduced himself to the Board. Mr. Pegg said that EagleJet has space and does not have a waiting list. Mr. Pegg said space is not the issue, his major concern is the investment that EagleJet made three years ago when it opened EagleJet as an FBO at Mid-Continent Airport. There was a significant amount of training involved and airport security has been a major issue lately, with TSA rules changing and the Large Aircraft Security Program coming. As an FBO per their contract EagleJet has to provide services and security for the airport.

Mr. White passed out a spread sheet showing a nine year history of fuel sales on the airport broken down by the different types of gas. In the year 2000 there was a lot more jet fuel pumped on this airport than there was in 2008 and it certainly does not look like it is going up.

Paul Shira, Signature Flight Support Regional Vice President, asked to make a clarification on the spreadsheet. Mr. Shira stated the gallons represented are the gallons on the entire airport, mixed within those gallons is the Cessna Manufacturing Facility, the Learjet Bombardier facility and the Hawker Beechcraft Manufacturing Facility. If you take all of those gallons out of those statistics the gallons get even smaller for the FBO's. There are two parts to generating revenue

for an FBO. One part is the tenants at the airport and the other part is the transients and when the fuel starts getting divided, you look at how much transient traffic is coming through and how much can be fit in as based tenants on the airport. As you heard from EagleJet, there is still space available so we have not even maximized the capacity of this airport. Mid-Continent is down on fuel sales 24% compared to last year. It is a market that is suffering tremendously and now is not the time to put in additional competition. The FBO's made the initial investments as companies to maintain operations 24 hours per day, meet the safety standards, meet the FAA regulations and when additional competition is added at an airport it significantly reduces the ability of an FBO to run future expansion as well as maintain their current service levels. Mr. Shira said he has seen this happen in Des Moines, where a developer came in to start a private hangar with its own fuel farm and now when the transients come in they pay a club fee or an owner's fee into the hangar. Now the hangar is considered a quasi-FBO that has gotten more customers into their hangar, however they are not meeting the minimum service requirements as an FBO. Meaning they are not open 24 hours, rather they are on call. If a customer comes in they call in advance to make sure that someone is there to meet the aircraft and that is fine in terms of their business model, however that does not meet the expectations of a full service FBO. What happens in the long term is the only way FBO's can save money or cut costs is either through loss of manpower, reduction in terms of future investments to expand operations, as well as cutting costs and corners in terms of maintaining their current facilities.

Chairman Fletcher asked if the FBO's were asking the Board to not allow any additional FBO's or businesses to cut into their fuel, because if Mr. Claassen was to meet the minimum standards and become an FBO that could potentially hurt more.

Mr. Shira said there is the potential for what happens that needs to be looked at, and that is does this airport have enough traffic, gallons, and activity to support three, four or five FBO's. The National Air Transportation Association "NATA" has done studies on how much does it take to support an FBO on an airport. NATA is a national organization that is recognized as one of the premier governing organizations and they also have done some studies on what does it take to have a fully functional FBO, how much traffic and how many gallons of fuel are needed. If more and more FBO's are added on an airport that cannot support that many fully functional FBO's then the service quality overall on the airport starts to degrade as well as the facilities themselves. It is not a matter of the current FBO's saying no, we do not want it, what the FBO's are saying is the quality of the services and the facilities will start to degrade because costs will have to be cut in order to stay in business.

Mr. White said that he has spoken with other airports that have had to deal with the issue of will another FBO be allowed to come in, and obviously it has to be allowed if they meet the standards, however from a business standpoint only, some of the airports have hired a consulting firm to come in and do what you were just saying, determine how many gallons of fuel are being sold today and what is the business potential. Mr. White said he has heard, although he does not know if this is correct or not because no airport is comparable to the next, however the standard is that you need to have approximately a million gallons of jet fuel per year per FBO for each one to be successful. Mr. White said at Mid-Continent there are 2.5 million gallons of fuel, so based on that theory, the airport cannot support the current three.

Mr. Shira said that is a fair thing to say, a lot of times when evaluating an FBO for a potential acquisition that is the starting point, is what are the gallons, what is the competition on the fuel and is there enough there to support business, because we are not going to hide behind the fact that we are in a business to make a profit. That is how we expand our business and maintain our investments. We are not a charitable organization, however we are a supporter of the community, the airport and the aviation industry.

Dr. Rosenberg said one of the statements in the proposal says that this development will provide you with the ability to lower your costs of operating your flight department justifying continued ownership of an airplane. Dr. Rosenberg asked Mr. Claassen if he was a business man with two Lear 35's and needed a facility, how much money would be saved by housing two planes in your facility versus putting them in the airport hangar and being able to fuel using the local FBO's.

Mr. Claassen said he cannot answer that question because there are too many variables, however traditionally a person would save \$40-60,000. It depends on what the person is paying for fuel now and the gallons of fuel that is used. Dr. Rosenberg said as far as renting the facility itself, if the fuel was not supplied, the facility just housed the aircraft. Mr. Claassen said there would not be a savings. It is more expensive to be in this facility if a person is buying fuel at the same costs as they are now.

Chairman Fletcher asked Mr. Lang if someone wanted to be an FBO, if the airport could deny them the opportunity to start a business because there are other operators on the field that may or may not be hurt. Mr. Lang said you would have to have a good basis to do so. It is not an easy answer and it comes down to what the minimum requirements are for everyone and what is in the best interest of the airport. That is what the FAA guidance comes down to is what is in the best interest of the public and if having more opportunity and more choices is in the best interest of the public, perhaps it should be allowed, if all of the current FBO's fail, maybe it is not in the best interest of the public.

Mr. Beattie asked if there was any potential ant-trust liability. Mr. Lang said that is what initiated all of this originally about 25 years ago. The airport was facing real anti-trust challenges and therefore fashioned policies that the Authority thought was a good balance. Mr. Lang said he has not looked at that issue in a long time, however that was a real consideration. Mr. Beattie asked if there could be liability. Mr. Lang said yes and that he would look into that again.

Mr. Heck asked about the statement made about the \$40-60,000 savings and if that should be interpreted to mean that Mid-Continent would lose that amount of revenue. Mr. Claassen said the revenue to the airport would be unchanged, because the only revenue source the airport would have is the fuel gallons.

Mr. Estes said if he understands correctly, the \$40-60,000 is not a loss of revenue. Basically instead of revenue that is going to the FBO's it is a savings that is going to a member of the co-op. Mr. Claassen said that is the correct way to look at it.

Mr. Hennessy said potentially it is just moving the money around, the tax is still the same. Unless Mr. Claassen can fill his facility with airplanes from another location. Mr. White said in the example he showed of the photograph from Orlando, almost all of those are planes that came from another airport. The planes came from the dozens of other airports in the Orlando area.

Mr. Hennessy, asked if it was a consensus of the current FBO's that they are against any additional growth in hangars and fuel or the combination of both.

Lynn Nichols, President of Yingling Aviation, introduced himself to the Board and thanked them for the opportunity to speak. Yingling was founded in 1946 and is Mid-Continent Airport's longest operating FBO. Yingling provides a variety of services. They have full service fueling and also just recently completed a \$100,000 investment and installed self-service fueling. That means they are able to lower fuel prices for pilots. They have priced themselves in fueling so that Yingling is the lowest in a 90 mile radius. Mr. Nichols said that what Yingling is trying to do is bring more aircraft to Wichita and that would mean more flowage fees. Mr. Nichols said he respectively disagrees with Mr. Claassen and that there is revenue shifting going on. One of the things to keep in mind is that there would be a loss in sales tax revenue with Mr. Claassen's proposal because those individuals would be buying the fuel at a wholesale cost whereas today it is sold at a retail cost. Just doing a rough calculation a third of the sales tax revenue would be lost. Yingling also provides flight training, which they have done for a long time, they are trying to inspire individuals to learn how to fly in the hope that some day Yingling will be acquiring some of those aircraft. Yingling is also one of Cessna's largest service centers. Yingling provides avionics, they have a completion shop, and they also have a gift store that is very unique and one of a kind. Their company is trying to provide a wide variety of services, not just exclusive to fuel. However, fuel and hangar revenue is critical to their company.

Mr. Nichols said he came today to express his company's concern and opposition to the proposal. He understands the concept and Mr. Claassen's idea, he just disagrees with it. Mr. Claassen has the opportunity to cherry pick some of Yingling's base customers. Mr. Nichols said he knows that he has talked to a couple of his tenants already. There are four quality FBO's in Wichita, one at Jabara and three at Mid-Continent. Mr. Nichols said that he can say for a fact that between the three FBO's at Mid-Continent there is an over abundance of aircraft storage. Their hangar rates are very affordable and competitive, if you are a based customer of Yingling, you receive multiple discounts on fuel, maintenance, avionics, material work, and a discount in the store.

Mr. Nichols said the credit crisis has had a huge impact on the aviation industry. Aircraft utilization is down. Businesses are parking their aircraft, recreational pilots are parking their aircraft and that is impacting their fueling. Last month Yingling experienced the worst avgas and jet fuel month they have ever had, it was down 30%. It is a horrible time for our industry and some of the FBO's are already in survival mode. Mr. Nichols said that there are no FBO's at Mid-Continent that are flush with profits right now and this proposal will have an impact on their business. To the point where he knows that Yingling will have to consider a reduction in staff. Mr. Nichols said that they have staff there 24 hours per day, 7 days per week. If an air

ambulance comes in at 3 a.m. that has a donor organ that needs to go to Wesley or Via Christi they are there. They are not on call, they are always there.

Mr. Nichols said that every time that Yingling has expanded their facilities in the last seven years it has resulted in new jobs and better services to all of their customers. Mr. Nichols said that some parts of their business are fixed, it is such that if things do not go well they cannot just pick up and relocate to a better location, that is why they are a fixed base operator. Their company relies on the airport and the administration to have reasonable policies in which they can invest and plan their business accordingly. Yingling has invested over \$7 million in the last eight years expanding and improving their facilities and services. Over the course of 63 years Yingling has never missed a rent payment. They have created good jobs for the community. Their business has grown threefold over the last seven years. This all ensures the public's security. In closing, Mr. Nichols said that all owners and pilots needs are currently being taken care of. He respectfully asks the Board not to support Mr. Claassen's proposal.

Mr. Russell asked Mr. Claassen why he chose to bring this idea to Mid-Continent instead of Jabara. Mr. Claassen said because Mid-Continent was the airport that the people he spoke with wanted to be on. They considered it safer since it has the Control Tower and the Safety Department.

Mr. Gooch asked Mr. Claassen if he brought this up again because he was not willing to compete as an FBO or because he was not getting a response on the requirements that it would take to be an FBO. Mr. Claassen said that since it was taking such a long time for the minimum standards to be developed the Chairman approached him to see if he would like to bring this back for reconsideration by the Board.

Mr. Gooch said he is trying to determine if this is in fact a corporation and the airport authorizes corporations to have fuel, where this proposal breaks away from that particular limitation. Mr. Claassen said actually it is a loophole because what was represented is a corporation has the right to fuel and that is exactly what his proposal is. Mr. Claassen said the FAA specifically says that a group of individuals cannot come together and form a co-op for the purpose of fueling their aircraft. There is nothing said that a company cannot come together and form a corporation for the purpose of operating a hangar facility which includes fuel. Mr. Claassen said he was not going to bring that up because he does not want to force his proposal through a loophole. Rather, he thinks that the proposal should be considered with a clean slate type of approach.

Mr. Heck asked how this issue would be dealt with outside of the presentation today. What is the next step and will a decision be made today. Chairman Fletcher said he thinks more feedback is needed from Mr. Lang as to the legal implications and that is going to take a little time.

Kevin Myles said that if the current law states that a group of individuals cannot come together to form a co-op for the purpose of lowering their fuel costs, however it does not say that you could not come together and form an LLC for the purpose of opening up a hangar facility that also sold fuel. However, Mr. Claassen said the hangar facility itself would not offer any cost

reduction, the only benefit would be the reduction in fuel costs. Mr. Myles said he understands that essentially it is a loophole however, would this in any way be materially different from what the intent of the original law sought to prevent.

Mr. Claassen said he is not trying to come in through a loophole. The grant assurance agreements say that any airport that takes money from the FAA must do certain things. One of those things is an airport must allow, is a company that has an airplane and wants to build a hangar and put in a fuel farm such as Koch Industries did. However, an airport can say no if three or four people want to come together and put in a fuel farm to fuel their own aircraft. Mr. Claassen said the FAA does not address this type of operation where we are operating a hangar that includes fueling.

Mr. Murfin asked for some clarification on the 24/7 requirement. How many operations go on in the middle of the night and does it make sense for all three of the FBO's to be open 24/7. Mr. Claassen said it is the FBO's option to be open 24/7. Mr. White said that is incorrect, the leases do require that an FBO be open 24 hours per day, 7 days per week. Mr. Nichols said in addition, Yingling has a government fuel contract that stipulates they have to be open 24/7. Secondly, going back to the air ambulance issue, Yingling has to be ready to support that air ambulance for when it arrives no matter what time of day. Jamie Pegg said for EagleJet alone they are doing on average two operations a night from anywhere from 10:00 p.m. to 3:00 a.m. Mr. Claassen said he believes that Ryan Aviation was not open 24/7 when the company first started.

Dr. Rosenberg said we have to look at what is best for our airport community. It is always good for new businesses to come in, however not at the detriment to the businesses the airport already has. Dr. Rosenberg said the Board should look at the entire situation and if a business is brought in that causes one or all of the current FBO's to fail, then is the airport really doing its due diligence to manage its business correctly.

Mr. Heck said that at the previous meeting someone made the comment about how this proposal could cause someone to go bankrupt. Mr. Heck suggested the Board needs to have some information about how this project would financially impact Mid-Continent Airport. Chairman Fletcher said it would be the City that would end up losing sales tax and that is something that needs to be checked into.

Mr. Lang said he thinks we need to come back with the legal parameters of what the Board can do. There are still going to be some decisions for the Board based on the facts, what the contracts currently require, what Airport Authority policy requires, what the FAA requires and which of those would change. Mr. Lang also suggested the Board be provided information regarding the legal liability and the business model's impact on the airport.

Mr. Ward asked if staff had looked back at what the legal documents said when the Board was the Airport Authority so we could have a background on the legal decisions or statements from that time to compare to the current situation. Mr. Lang said he would provide the Board with a legal summary.



Dr. Rosenberg said there is also a legal obligation to the airport family as well, meaning whoever is on base. Mr. White said absolutely, we are running a business enterprise, the airport owns all of the facilities that the FBO's are leasing from us, and although it is difficult to determine the exact dollars and cents that might be the detriment, there will be a loss at some point.

Bob Karlake, President of Midwest Corporate Aviation at Jabara Airport, introduced himself to the Board. The company has been at Jabara for 35 years and has expanded to nine hangars. Mr. Karlake said the business model that the company has had over the years may have changed if it had known that this type of concept would even be considered. Midwest Corporate Aviation may have desired to enter into the community hangar business, the company has tried air ambulance, packaging and shipping and a lot of other options to help survive being an FBO, rather than just being a full service FBO. The term full service means 24 hours per day, seven days per week and that is in the lease. Also, to uniform, train and equip staff to operate 24 hours per day and provide the services to the community that the company does, it is difficult to make it, especially with the current economy. Midwest Corporate Aviation was considering building a hangar last year, however has decided to hold off. Mr. Karlake said that his perception is that if the airport allows this to happen it will eventually lose control of who is in the hangars. If there is a lease with a corporate hangar, the airport knows who that is, for a lease with an FBO the airport also knows who that is, however if there are subleases on subleases the airport will lose control of the airport business as far as who goes in the hangars, who gets the fuel and who works on the airplanes. Mr. Karlake also pointed out that in maintenance, it costs their company between 51 cents and 71 cents per gallon above their cost and above the flowage fee cost just to keep the employees trained and equipped. Mr. Karlake said Midwest Corporate Aviation strongly believes, even though they are not at Mid-Continent, that this concept is going to hurt their business as well as the other FBO's.

Mr. White said that Mr. Lang and himself need to review the legal issues. Today was just a public hearing to hear comments. Mr. Lang said one thing that does not have to be decided today, however for the benefit of the audience the Board may want to discuss is whether another hearing is necessary.

Chairman Fletcher said he was pretty clear on how the FBO's and Mr. Claassen felt about the proposal.

Mr. Gooch said one issue he has not heard discussed is the income to the airport, if there would be any, for the facility. Mr. White said it would be an insignificant amount of additional revenue. Any tenant has to make investments in the infrastructure to make it support this type of facility, for example there will have to be a taxiway built, a road built, there will have to be water, sewer, electric and gas, telephone, storm water considerations. Mr. White said he does not know if Mr. Claassen has entered those numbers into his business model because the conversation has not advanced to that point yet. Mr. Claassen said that there is about a million dollars that would be invested into the hangar facility and that investment would be to the benefit of the airport.

Dr. Rosenberg asked if it would be appropriate to have a motion made to say that the Board will consider the proposal and either approve or deny the request at the next meeting.

Chairman Fletcher said it may not be wise to be locked into that timeframe. Mr. White said this has been on the table for five years and it should not harm anything to take a couple more months to thoroughly review the issues.

Mr. Estes said he is not necessarily in favor of a motion to vote next month, however this has drug out a long time and a decision needs to be made to let Mr. Claassen and the FBO's move on.

Dr. Rosenberg said there are a lot of issues to consider, however the main issue is whether we want a facility like this or not. If the Board wants this type of facility, then due diligence should be performed to look at all of the ramifications.

Mr. Beattie said he looks forward to hearing what the status is on the anti-trust issue, he practiced anti-trust law for years and believes that it is going to be a very important factor.

Mr. Russell said whether it is the FBO's or Mr. Claassen, they need a decision. Staff can create an atmosphere that can drag on another year and he thinks the Board needs to make a decision.

Chairman Fletcher suggested limiting it to 60 days to make a decision that way there will be two more meetings and a final decision can still be made within the 60 days. Mr. Russell said his preference is to vote on it next month. Chairman Fletcher said to put this down as an Agenda Item to continue next month, the Board will get a report from Mr. Lang and everyone is invited to come to the next meeting.

Mr. Lang advised the Board that this decision can be made without minimum standards, the decision can be based on the policies that are in place. Dr. Rosenberg said he would like to see the policy regarding making a decision that would hurt the current business model, meaning would the airport be in jeopardy if the current FBO's were harmed. Mr. Lang said he did not know if that answer could be provided, however the pros and cons could be listed. Mr. White said that it is difficult to put an exact figure to this. The current FBO's have discussed what they think might happen, they may lose hangar customers, they will lose fuel sales. However, there are things that happen beyond that, such as like Mr. Nichols mentioned what happens to the rest of his lines of business if the fuel sales go away.

Mr. Murfin asked how maintenance tied in and if that is a requirement for the current FBO's. Mr. Karlake said that Midwest Corporate Aviation is a full service FBO and one of the requirements is maintenance, they are an FAA certified repair station. Mr. Karlake said his perception is that in a community hangar people could be coming and going to the point where maintenance may be done in the hangar. Mr. Nichols said that Yingling is required to provide maintenance and the FAA also requires Yingling have current maintenance manuals that are approved in their maintenance department to be able to work on the aircraft. Mr. Nichols said they also have to invest in the tools to support the different types of aircraft. Jamie Pegg said

EagleJet provides maintenance as well and as good customer service to their customers on this airport, they will generally work on all types of planes. Mr. Murfin asked Mr. Claassen if he was planning on providing maintenance in his hangar facility. Mr. Claassen said no, there will not be a mechanic in the facility and will assume that the maintenance will continue to be done where it is currently being done.

Mr. White said the FBO's are required to provide FAA certified maintenance. Line service maintenance and heavy maintenance is up to the FBO's discretion and the minimum standards would say exactly that.

### **ACT-3 Project Update**

Mike Carter, DMJM Aviation, presented to the Board a PowerPoint presentation providing an update on the current schedule and upcoming meetings, the contract packages and schedule and cost estimates.

Mr. White provided an update on the artist selection process. There is a new process that has been worked out with the Design Team and the members of the Design Council of the City. The Design Team will be providing an update on the project to the Design Council on May 20<sup>th</sup>.

Mr. Myles asked if there was still going to be a presentation from Charbonnet, the contractor overseeing the Disadvantaged Business Enterprise ("DBE") component. Mr. Carter said that has not yet been scheduled, however we can try to schedule the presentation within the next couple of months. Mr. Carter said the Contractor's Forum was held last month with approximately 40 individuals in attendance, that was the third forum that has been held and the participation was a little down from the previous forums.

Mr. Myles said that representatives from Charbonnet were in Wichita last weekend and are anxious to get some things going. Mr. White said the Contractors Forum was hosted by Charbonnet, and following the forum there was a meeting with Donna Wright, of the Mid America Minority Business Development Council to determine what more can be done because the airport is not satisfied that it is getting enough participation at the meetings. Ms. Wright is going to work with the airport on taking the project information and disseminating it to members of her organization and others. Mr. White said he is also planning to provide the Mayor a summary of what happened at the meeting, because there was a recent article in the paper regarding the exact issue that was being discussed, how the airport can improve minority participation on all of its projects. There is a difference between the Disadvantaged Business Enterprise which is the Federal requirement, and the City has a goal for emerging businesses, minority businesses and women-owned businesses that the City would like to try and increase as well.

Mr. Greenlee said he would also encourage staff to contact AMAC for assistance. Mr. Greenlee also asked of those 40 participants at the forum, how many were certified DBE's and how many were in the process of becoming certified to be a DBE. Mr. Carter said he did not have that information. Mr. White said two of the state certification representatives from Topeka came to the forum to provide information to the contractors. In addition, the City, the County and USD

259 are hosting a workshop on how to do business with government in Wichita, which will be held in July, and in August the same group will be hosting a workshop on how to become a DBE.

There was discussion on DBE outreach efforts.

Mr. Estes asked what the timeline is for the new terminal because the timeframe is rapidly approaching where the airport will need to go before the City Council/Airport Authority and make a decision on whether or not to move forward.

Mr. Carter said the package that is going to be the major expenditure will be the terminal building package which is anticipated to be advertised in August with the project starting in November.

Chairman Fletcher suggested next month the Board should hear from Jean Zoglman regarding where the finances are and the pros and cons of whether to continue on the current path. Mr. White agreed and said Mrs. Zoglman is currently working with the City Finance Director on the Financial Model which is the year by year cash flow anticipated for the next 30 years in order to determine what effect it will have if the economy keeps going down. Chairman Fletcher suggested receiving the information from Mrs. Zoglman before the next meeting.

### **Other Business**

The next WAAB meeting will be Monday, June 1, 2009 at 2:30 p.m.

Meeting adjourned at 5:18 p.m.

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Kelly Fabrizius, Clerk