

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, May 3, 2010

Present: Charles Fletcher, Ron Estes, U.L. Gooch, Dwight Greenlee, John Hennessy, David Murfin, Kevin Myles, Rebecca Pilshaw, Dr. Thom Rosenberg, Bill Ward, Brent Wooten

Absent: Willis Heck, Thomas Pryor

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

City Staff: Joe Allen Lang, Chief Deputy City Attorney

Others: Bob Karlake, Midwest Corporate Aviation
Bruce Tarletsky, Sabre Airline Solutions

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

Approval of Minutes

Motion by Hennessy to approve the minutes of the April 5, 2010 Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

1. Chairman Fletcher announced that there are three airport employees the Board would like to honor today. Mr. Christopher introduced Randall Curry, Interim Captain Airport Public Safety, Frank Heagler, Building Maintenance Supervisor and Michael Cook, Building Maintenance Mechanic. These employees recently have been recognized for achieving 25 years on the job and we ask the Airport Advisory Board to join us in congratulating them in their service to the airport. It has been a pleasure working with them and in addition to their tenure they are outstanding and dedicated public servants.
2. Mr. White made an announcement of another important change. Sandra Coykendall, Airport Properties and Contracts Manager, is retiring at the end of this month after a long and wonderful tenure with the City and the Airport Authority. A reception will be held to honor her sometime this month and we will let the Board know once the arrangements have been made. Mr. White said it will be a huge loss to the airport as Sandy has been a great and very wise employee who knows everything about airport leases and contracts as well as how to negotiate winning business deals. Mr. White then introduced Traci Nichols, Assistant Contracts and Properties Manager, who will be the interim for that position starting on June 1st until the national search for Sandy's replacement is completed.

3. Mr. White advised the Board of the Continental and United airlines merger. United's brand and name is the survivor, and the headquarters will be in Chicago and not in Houston. The merger is not yet finalized, as there are a whole host of regulatory steps that have to be approved by the federal government, from the Department of Transportation in particular, however the Department of Justice is going to play a major role in deciding whether the merger will even be allowed. There is a lot of speculation already amongst experts in the legal community and the airline community about whether the Obama administration will allow something this large to happen. In Wichita it is too soon to even speculate on what could happen, however there is a website (www.UnitedContinentalMerger.com) that provides all of the benefits of the transaction from the two airlines point of view. We will keep you advised as this develops, however it is not likely anything will be finalized before the end of this year.
4. The battle in Congress for approval of FAA Reauthorization continues to drag on. The House and Senate failed to produce an extended long-term bill, so last week on Wednesday the House and Senate passed another extension that this time only goes until July 3rd which is approximately the first nine months of the federal fiscal year. This provides them with time to work out their differences and come up with a multi-year reauthorization bill. Since both houses have passed it, the bill now goes to the President for approval and signature. Mr. Estes asked if that was delaying any decisions for the new terminal project. Mr. White said it is not, however there is a lot of uncertainty for all funding issues involving FAA grants.
5. Mr. White advised there will be a new tenant moving into the airport in a couple of weeks called the Greenwood Group, which is a firm out of Ponca City, Oklahoma. They are going to move into a small suite of offices at the former FAA Flight Service Station Building at 1761 Airport Road. The rest of the building will be converted to a multi-tenant office building that will be marketed and available to aviation businesses to lease. This group handles a lot of federal government contracts for aircraft management that involves the Department of Defense. The company will have several employees locally and plans to start business in the next few weeks.
6. The bids will be opening on May 7th for the new taxiway to be constructed at Jabara Airport that will lead from the existing airfield to the new National Center for Aviation Training Campus for the County. This taxiway will open up the campus to their hangar and the current schedule is for classes to begin in September.

Mr. Murfin said he noticed at the Council Agenda there was discussion regarding the wetlands associated with this taxiway project. Mr. White said there is a tiny amount (0.22 of an acre) of wetlands that will be impacted by this taxiway cutting across this piece of wetlands and the Army Corps of Engineers had to approve it, an environmental assessment had to be done, public notice had to be provided, and a categorical exclusion had to be obtained from the FAA to approve the construction. All of those agencies have approved it, however because there is wetlands mitigation required the chosen path is to purchase credits from an environmental bank. It will probably be \$50,000 of the total project cost that is going to go towards purchase of

wetlands credit to solve that problem. There is also some flood plain impact, however it is also just a tiny area. Mr. Murfin asked what the incremental cost would be. Mr. White said approximately \$50,000 just for the credits. Mr. Oswald said we had several years worth of studies. Mr. Murfin asked what the alternative was to purchasing credits. Mr. White said you could create wetlands, however you have to have the property to create them on and there is also an ongoing perpetual cost to maintain any wetlands that are created. Mr. White said he has had previous experience with this issue both in Salt Lake City and in Florida. In Salt Lake City when a new runway was built, there were several hundred acres of wetlands impacted so we purchased land near the airport and then converted that land into a wetland. However, to do that the airport would have to maintain it forever at a huge cost beyond the initial purchase cost, plus the actual conversion to a wetlands cost. Then in Florida because wetlands was a more common occurrence, it was cheaper, faster and politically more acceptable to purchase credits from a bank. In our case, purchasing credits is the easiest way to get this project going because we have a deadline we have to meet and we could not go through the process, not to mention the expense of creating wetlands.

7. Mr. White advised that tomorrow morning at the City Council meeting in the public proclamations section, the Mayor is going to pass out an award to Donna Wright who is the local Vice President for the Mid-America Minority Business Development Council. That is the group we have been partnering with to help the Airport Authority in our efforts to provide outreach in the minority and disadvantaged business community. Ms. Wright helped us put together the Contractors Forum that was held last week. Mr. White nominated Ms. Wright for this Small Business Champion award with the U.S. Small Business Administration.
8. On May 19th at 3:00 p.m. the City is going to dedicate the new Wastewater Treatment Facility that will be opening at the airport. They are going to have a dedication, ribbon cutting and an open house and tours which the Board is invited to.
9. In the Board's agenda packet is a handout regarding Airline Flight and Passenger Comparisons. Mr. White said he got this information from Aviation Daily. Periodically they run statistical analysis of different items and last Thursday they had the top 100 United States Airline Airports. Mr. White highlighted Mid-Continent and Tulsa, Oklahoma City and Kansas City to show how Wichita compares versus other regional airports. These statistics are from the nine months ending September 2009 and the data shows that Wichita performed better than all three of the other airports. We had smaller airline passenger traffic declines than any of the other three airports in terms of the three major categories they compared: the number of airline flight departures, the number of passengers and the available seat miles. It was a pretty significant difference in several of those categories. Dr. Rosenberg said it could be misleading, however on the actual load factors Wichita stands out at 68% versus 70% and 78%. Mr. White said that is the only area that the other regional airports seemed to do better than us on. Although, what is disappointing about load factors is usually that is an indicator that the airlines are not making as much money, however every airline has their own threshold of when they do make money.

10. Mr. White advised the Board of a recent press release on the airport's Earth Day recycling program. Mr. White showed the Board a video which was created by the City's own in-house production staff which is available on the airport website and the City's website and was also played on Cox Cable Channel Seven. The airport received a lot of positive publicity from this around the country.

Mr. White said that airport staff has done an outstanding job putting the recycling program together. Mr. Gooch asked if it cost the airport anything to run this program. Mr. White said very little, as the people that are doing the work are already here, the airport did not hire any additional employees to run the program, rather they incorporated it as part of their daily routine. Mr. Gooch asked if what you receive for the recycling pays for the program. Mrs. Zoglman said when the program started there was approximately \$5,000 in the budget for start up costs for the containers and that type of thing, however there are not many ongoing expenses.

Mrs. Pilshaw asked what the level was of the LEED Certification for the new terminal. Mr. White said it is certified. Mr. White said there are a number of different levels of thresholds that you could meet and when the building was registered a couple of years ago we targeted the minimum level of certification due to the high cost of some of the requirements for the higher levels. We have talked to some other airports that have pursued LEED certification at the highest levels and some of the things that they require to be done are outrageous and highly expensive. You have to weigh out what you are getting out of LEED certification. We are going to have items such as bicycle racks at the new terminal so people can ride bikes to work if they want to, and we will receive credit for that. In the sidewalks we are going to reuse the HVAC water for heating and melting ice to cut back on the amount of deicing chemicals. We will receive credit for skylights and windows so theoretically the lights will not have to be on during the day as often. There are 36 key areas where you get points and we are just right above the threshold of qualifying for certification.

11. Mr. Christopher advised the Board about the upcoming City Council Workshop regarding Wildlife Management. He provided the Board a copy of the PowerPoint presentation that will be presented at the workshop on May 25th. Mr. Christopher asked the Board if they had any questions regarding the information that is to be presented to the City Council.

Ms. Pilshaw said her concern was regarding where it states to use County employees and authorized contractors to use firearms, pellet guns and pyrotechnics. She asked if that was the current or future plan. Mr. Christopher said it would require some modification to the current local firearms ordinance. The intent is that if we were to adopt a City-wide Wildlife Management Program there are things the airport currently does such as harassment, hazing, and in some cases lethal reinforcement or depredation. In order to engage in those activities in the City of Wichita falls under the Firearms Ordinance and if the Council were to adopt this as something they would want to do on parks, golf courses, sports complexes, only on publicly-owned property, then there would need to be some revisions to the City Firearm Ordinance in order to allow certain authorized City employees and/or contractors such as U.S. Department of Agriculture Wildlife Services qualified and trained employees to engage in those types of

activities. Mrs. Pilshaw asked if that also encompassed killing the geese. Mr. Christopher said that could be one of the possibilities, although it does not have to be.

Dr. Rosenberg said he would like to make the airport aware of a product that is available that is being used at the golf courses at Willow Bend and Rolling Hills. It is called Geese Away and it is a strobe light that is placed in the middle of lakes or water sources. It is solar powered so the battery is recharged during the day and at night the light flashes and keeps the geese from sleeping so the geese ultimately have to move away from the area. Dr. Rosenberg said it is now being used and is very successful at Rolling Hills and it is a non-lethal way to keep geese from collecting at night in certain areas.

Ms. Pilshaw said there are also a lot of projects that use working dogs to haze and harass the geese and keep them from habituating in a certain area. Mr. Christopher said those are all good possibilities and what I can tell you is generally what this group has recommended. This project started off as a compatible land use process for property adjacent to the airport, however it became apparent fairly quickly that there was not political support for that so the Committee shifted gears to best management practices. None of the recommendations involve land use or anything having to do with ownership or use of private property. These ten recommendations are for the City Council to consider throughout the rest of the City on public property the things that we have been doing on our airports for years in terms of managing wildlife and the best way for us to do that is through habitat management. We would prefer not to kill, harass or haze the wildlife, however the most important thing is not to provide them habitat and a location that is going to provide a hazard for air safety. That is always our first priority, everything after that is a best management practice and trying to do what we can to encourage them to go somewhere else.

12. Mr. White advised that the long running minimum standards project has finally reached an end. Last month we had made changes to the three sections dealing with non-commercial private hangars, non-commercial fractional private hangars, and commercial hangars. Now the minimum standards just need some final formatting adjustments made. Mr. White provided copies to those Board Members who requested one and he can also send a .pdf version if anyone would prefer an electronic copy. The next step will either be to put it on the City Council Agenda or have a workshop with the City Council. Mr. White said he would update the Board more on that once it is scheduled.

13. Mr. White drew the Board's attention to the copy of the article that was in the Eagle Friday regarding Southwest Airlines. There also was an editorial in yesterday's paper supporting the idea of Southwest Airlines coming to Wichita. Those in the community that are involved in the financial discussions with Southwest have signed non-disclosure agreements regarding specifics of the deal being discussed with the airline, so Mr. White said he cannot reveal anything in public session about those kind of details.

Mr. Ward asked in the discussions with Southwest Airlines, what are their feelings about the proposed new terminal. Mr. White said almost five years ago when he first came to Wichita he went to Dallas to meet with Southwest Airlines along with the former City Manager, and we told

them about the new terminal and showed them the sketches and they seemed excited about it. However, they reminded us, as all airlines constantly do, to make sure it does not cost too much because they are a low cost airline and they want to make sure they stay that way. The cost of doing business at an airport is a very important factor to them as to whether they fly at an airport or not. Knowing that, we have certainly kept that in mind as we have gone through the process to design the terminal. All of the airlines were heavily involved in the design of the new terminal as our business partners, and we did our best to include the airlines' recommendations, and when we were wrapping up that process last fall we also sent copies of the plans to Southwest Airlines as a courtesy.

Mr. Wooten asked if the proposed Las Vegas service would be problematic for Allegiant. Mr. White said that Allegiant's service is great and is so popular that it has made the Vegas market one of Wichita's top destinations, however they only fly certain days of the week and you cannot connect on Allegiant and go to any other destination out of Las Vegas. On the other hand, Southwest service to Las Vegas would provide Wichita with low-cost connecting service from there throughout the western part of the country. Las Vegas is Southwest's largest hub in its network with the most amount of flights available.

The question was asked about why is Southwest now considering serving Wichita, since this community has been trying for almost 30 years to get Southwest to come here. Mr. White replied that he thinks our success with the Affordable Airfares program through AirTran and Frontier has convinced them that we are the kind of airport and community that supports our airlines and they see that and would possibly like to be a partner with us. To the staff's knowledge, Southwest has never taken a subsidy or any major incentives from any community. However, Southwest will start service in Panama City, Florida as a result of a local partnership with a private company which will provide them up to \$26 million over two years to come to their new airport when it opens this month. That was Southwest's first time to break with its longstanding business plan and because that has now happened, cities all across the country are looking into attempting a similar arrangement. In South Carolina the state legislature has a bill before it to create a \$15 million annual fund that started off solely to convince Southwest to go to Greenville/Spartanburg. The bill passed the House and almost was ready to pass the Senate when another airport in South Carolina decided that they want Southwest as well, so now Columbia and Charleston are both trying get them. Southwest has always been aggressively courted by communities around the country, but with this apparent new philosophy by the airline to consider incentives, the competition is heating up for creativity of what could be offered to them. This is what Wichita is up against when we try to recruit an airline to come in here because other cities are offering whatever it takes to get Southwest to come.

Mr. Gooch asked if they have already accepted a subsidy from someone. Mr. White said Panama City would be the first time they will have done that. What happened there was a single, private company put up the entire amount of money so the local governments did not have to do it. The St. Joe Company is reportedly the largest landowner in the State of Florida and is one of Florida's premier real estate development companies. They own all of the land immediately surrounding the new airport, as well as condominiums, hotels, apartments, commercial properties, etc. Since the Panama City area of Northwest Florida is a huge inbound leisure

tourism market, St. Joe wants to benefit from the travel and tourism trade, so it signed a contract with Southwest to provide up to \$14 million the first year and up to \$12 million the second year. Because it is a private contract, there is no public revelation of the specifics of the transaction, other than the basic press release that both companies issued, and the SEC filing that St. Joe made to the federal government. Speculation in the airport industry is that a portion of the funding is for move-in and start up expenses, and to assist Southwest with purchase of ground service equipment, and funds to help them with advertising and marketing. It is also assumed that another part is to help them with a revenue guarantee or subsidy for their losses up to the maximum available per year. The \$14 million for the first year is the total of all those things just mentioned and if the demand exceeds the \$14 million then St. Joe has the option to cancel the contract.

14. Valerie Wise presented the new Airport Website to the Board. Our marketing campaign includes an affinity component which means we want passengers and people across the State of Kansas to think of Mid-Continent Airport as their airport. When we approached the website redesign we wanted to capture that affinity and build it into our website. One idea was to put travel photos from trips taken by our passengers out of Mid-Continent Airport. We held a contest, which KFDI and KAKE TV helped promote, where we asked people to send in their pictures and the grand prize was two roundtrip tickets to anywhere in the continental United States. During the month of March we received over 700 pictures and we had a committee to choose the finalists and grand prize winner. We called the contest "Adventures Are a Breeze." It shows the affinity for our airport and also that you can get to anywhere from Mid-Continent Airport. The new website also features the latest news and shows the current fare sales. A new component of the website is the interactive maps of the terminal and parking areas. There is also a section called Business Opportunities which allows the airport to showcase the buildings and facilities available and vacant land for lease. The plan is to launch the new site this week.

ACT 3 Project Update

Mike Carter presented to the Board a PowerPoint presentation providing an update on the current schedule, upcoming meetings and photos to reflect the recent changes from construction.

Another Contractors Forum was held on April 22nd. There were approximately 120 attendees and 142 people pre-registered for the event. The purpose is to provide a networking opportunity where some of the smaller companies can meet and greet the major prime contractors that are going to be bidding on this project. We had in attendance both prime contractors that are nationally regarded from out of town and of local contractors as well. We are developing a lot of interest in bidding this project. It is looking like early June will be the timeframe to go out for bids, as we are presently waiting on the City Manager's approval to go before the City Council for financial approval of the project.

The plans and specifications and contract documents will be available at City Blueprint with a deposit of \$1,000 of which \$500 will be refunded upon return of the complete set. Partial sets will not be made available which is principally because TSA made us aware that although this is not considered security sensitive information they do recommend a certain amount of control

over the access to the drawings and suggest that we go through this process of handing out full sets and getting those full sets back, consequently we will not have partial sets available. However, we would like to make sure it is available to everyone interested in the project, so we have a lot more plan rooms than would typically be used. We will have the plans available at the Mid-America Minority Business Development Council, United Builders and Contractors, Small Business Administration, Hispanic Chamber of Commerce and several other local sites, including at the Airport Administration building where bidders will be able to view the plans.

Mr. Myles expressed a concern that the bid documents, of which the specifications are 3,200 pages and the plan drawings are over 1,400 sheets would have no partial sets available and that the smaller contractors who are looking for sub work would not have adequate access in order to be able to prepare a bid. Mr. Myles said he would like to make sure we are not going to rely on the networking or the resources of the general contractors to reach out to the sub contractors. Mr. Carter said that is true and we have been challenged not to distribute partial sets, the contractors that do pay the \$1,000 typically scan the documents and send off sets to the sub contractors. Although, the contractors must maintain a certain amount of control and document who they give the scanned documents to. Mr. Myles said his concern is that we would leave that to the primes and the generals to determine who they would provide those partial documents to and we would not have that measure of control to be able to ensure that there was a level playing field and that all of the smaller contractors have that opportunity, instead we would outsource that and leave it up to the primes to determine who they would give those partial sets to. Mr. Carter said anyone can view and purchase the bid documents. Mr. Greenlee asked if there was anything that prohibits the copying of pages or partial pages, Mr. Carter said just that the recipients will be responsible for controlling who they distribute the sets to. Mr. Greenlee asked if the viewing sites have the ability to scan, Mr. Carter said some of the sites do, however not all. Mr. White asked if we would have half size sheets as opposed to full size to make it easier to copy. Mr. Carter said yes, we will have half sized set, although we do not have that offered for purchase at this time. Mr. White said if each viewing and distribution location had a half size (11x17) set there it would be easier for the plans to be copied at that location. Mr. Carter said he would check into that.

Mr. Estes asked about the schedule and if we had the City Council workshop listed before May. Mr. Carter said that has been moving back on the schedule. Mr. White said that is now the trigger event for advertising for bids. The FAA sent us their blessing last week and so we now have their approval to advertise for bids. The City Office of Central Inspections is still reviewing the plans, although they should be completed any day. Mr. Carter said we are utilizing this time as best we can to make sure that we have a good, concise and biddable set of documents.

Mr. Estes asked how much that has pushed the construction back. Mr. Carter said the construction is still scheduled to be completed in 2013, however it finishes now in mid-2013 and we were saying originally early 2013. One of the things we are doing right now is taking a real close look at the durations of the components within that package and it is important that we come up with a duration that provides us the optimal cost for contractors to bid, so right now we are showing 33 months.

Chairman Fletcher asked Mr. White if he would prepare a letter to the Mayor and Council advising them of the Board's recommendation that we bid the project as soon as possible so as to take advantage of the favorable bidding prices at the moment.

Mr. Greenlee asked if the City Council has taken the position of moving this forward until all of the other reviews are completed so that they are the last ones to look at all of the comments that have been made and then be able to take whatever action they deem necessary. Mr. White said last month he informed the Board that the City Manager is concerned about the finances for the project, and has had an independent report done by the City Finance Department to review our revenue projections for the next thirty years. The result is a Risk Assessment report and its main recommendation to the City Manager is that the project should not be bid for at least another year. Airport staff and the Program Manager believe that waiting that long to bid the project would drive up the price since the construction pricing right now is the lowest it will probably be for the foreseeable future. The advice we have received from our Program Manager, the Design Team and the independent cost estimators is that it will cost us more if we wait a year, and that we should bid the project now if we are ever going to do it.

One of the reasons the author of the report is skeptical of our ability to pay for the project is he believes the forecasts for the future airline traffic at this airport are too optimistic. He has developed his own passenger forecasts which are different than the forecasts that our consultants have done over the years. His forecasts are also different than what the FAA has published. For background, we went to the City Council in 2006 to present them the financial feasibility for this project. Our consultant presented to the Mayor and Council three choices of passenger forecasts: a high growth scenario, a base case medium growth forecast and a low, drastic forecast with large passenger declines or no growth over the thirty years of the project's financing period. The City Council chose the one in the middle, therefore we based our ability to pay for this project on that forecast, and thus designed the project based on the number that we could afford to pay for under that particular growth scenario. The low-growth forecasts that the Risk Assessment identified are essentially the same ones that were presented to the Council in 2006, and which were not selected by them.

Chairman Fletcher suggested that we should advise the City Council that we need to move forward with this project and at least get it out to bid, and to speed up the workshop if it is possible. He asked what the sense was from the rest of the Board. The remaining Members expressed concurrence. Chairman Fletcher asked Mr. White to draft a letter for the Board to send to the Council. Mr. Greenlee said the letter should point out that we have done due diligence numerous times on this project in all of those areas that were mentioned, including studies on rebuilding the terminal, passenger forecasts, etc.

Chairman Fletcher asked Jean Zoglman if we are still on track for the base case scenario. She replied that we are on track and that she ran some scenarios on what if it is less than the base case and it still works. Although, the project, as budgeted, does not work if you go with the low case scenario which was based on losing a major carrier. If we look philosophically at where we think this airport is going in the future, then assuming a significant loss of passengers would be a

complete change in stance. Chairman Fletcher said we potentially have a major carrier that wants to come here, which could create major growth potential.

Chairman Fletcher advised Mr. White to draft the letter to give to the City Council with a copy to the City Manager stating that the Board would like to proceed with the terminal project. Mr. Estes said we should at least proceed with the City Council workshop to be able to discuss the project and if there are legitimate facts backing the Risk Assessment opinion that passenger counts are going to drop off, and that the legislature is not going to approve money for Affordable Airfares, and that we will not be able to financially afford the project.

Jean Zoglman explained to the Board some of the variables involved and how we have financial mechanisms to adjust in the event passenger traffic goes down minorly, because the information in the report is no surprise as we have been thinking about this for four years as well. Cushions have been built into the financial models and those things can each independently go up and down to adjust to changing financial and operating conditions over the thirty years of debt service.

Mr. Estes said you have described scenarios of things that we have heard a lot over the past several years, and he is wondering how the author of the City's Risk Assessment reached his conclusions. He believes the review was a great idea and we should be concerned and pay attention to things like this. Although, it just seems like there is an optimistic picture and after just one month's analysis to throw that all out the window because the report says that it is too risky to do and that gets into the record as being as valid of an opinion as everything else that has gone on for the last several years. Mrs. Zoglman said the overriding factor is simply the traffic projections. One of the scenarios in the report has that over the next two years Mid-Continent will lose 20% of its passengers. That is exactly what the low case scenario was back in 2006 that was presented to the City Council for discussion. We knew then that a drop of that size would not work for a \$160 million project, however is that what we think is truly going to happen at this airport? The author of the report looked at the national trend and if you look at national trend forecasts they are looking at a 2.4 - 2.5% growth, however he took the last ten years and for the last ten years the national trend has been a negative .3%. However, during those last ten years there was 9/11 and the economic recession so by picking those specific ten years he came up with a negative .3%. Jacobs Consultancy said that if that is where the national trend really goes over the next 30 years, then we are all going to be burning the furniture for firewood because the national economy has truly tanked beyond anyone's worst expectation. Their point is that it is not realistic to assume that is going to happen. It is solely a derivative of the revenues that are based on passenger projections. It is a philosophical discussion of what air service do we think this community is going to support as there is always going to be ups and downs in passenger traffic.

Mr. White added that we have never included fund-raising options, such as sponsorships, naming rights, and outright donations to the project in any of our financial models for paying for the terminal. We also did not include avenues such as a short-term sales tax once the terminal opens to raise some money or a special tax district that would include just the terminal area to raise the sales tax only in the airline terminal on the rental cars and concession activities for items that are

sold in the terminal. However, every dollar raised from any one of those things mentioned could help alleviate problem areas that could come up in the next thirty years should something devastating happen to the Airport's passenger traffic. Mrs. Zoglman said that even though none of these are part of the basic plan, those could be some of the reactions or adjustments utilized if they were necessary.

Executive Session

Motion by Chairman Fletcher to recess into Executive Session to consider confidential data relating to the financial affairs or trade secrets of a business and matters privileged in the attorney client relationship, and that the Board return from Executive Session no earlier than 20 minutes and reconvene in the Board Room. Motion carried unanimously.

The Board recessed for Executive Session at 4:30 p.m.

Motion by Greenlee to extend Executive Session for an additional 20 minutes at 4:50 p.m. Motion carried unanimously.

The Board reconvened at 5:07 p.m., Chairman Fletcher announced that no action is necessary from the Executive Session.

Mr. White suggested that the Board think about what needs to be done next with respect to assisting the community in new airline recruitment and air service development in general. Staff is already creating a list of tasks and some possible dates of accomplishing each of those items, such as forming a non-profit corporation, filing for charitable status with the IRS, and recommending members of the board for the corporation. Some very basic questions need to be answered first such as the name and specific mission and how many members should be on the board of directors of this corporation. Mr. White envisions that the corporation would be a non-profit charitable group whose purpose could be to assist in the development of airline service in Kansas, and which would work with Airport staff in coordinating efforts in the region and in communicating with the airlines on improving service. To achieve charitable status, and thus create possible tax deductibility for donors, the corporation's purpose could be to lessen the burden on government by reducing the need for public contributions towards airline incentives. Because we need to make sure that given the federal law restrictions regarding Airport Authority involvement in providing funding for airline activities, there needs to be a clean break between the two. One reason for using a private corporation as the community's agent for air service activities is because the airlines would generally prefer not to be dealing with a government agency as they would like to have their confidential and proprietary financial information be held as much out of the public eye as possible. Open records laws obviously make any governmental contracts available for review, whereas a private corporation is not subject to the statute.

Dr. Rosenberg asked if the Airport Advisory Board could not be the corporation, since we are not the Airport Authority. Joe Lang said you are still a governmental Board. Mr. Lang said that individual Board Members probably could also serve as members of the board of the private corporation, although you would have to be positive there were no conflicts.

Mr. Greenlee asked if Mr. Lang's comment meant that no one appointed by a political entity can be on this private, corporate board. Mr. Lang said that it is a little broad, as for example, WAAB Member Willis Heck is a representative of REAP which is an entity that receives the state subsidy money right now for AirTran. There can be a cross relationship, however it is important to be careful what hats people are wearing and not have a public or legal perception that the Airport Board or the Airport Authority is running the financial support relationship with an airline. Mr. White asked Mr. Lang if he is trying to say that any government agency that is affiliated with the airport is the one that cannot be directly associated with this private corporation. Mr. Lang said yes, that is the problem we had before. While the Airport Authority is a separate legal entity from the City, it still was a challenge by the other airlines in a past complaint filed with the FAA. The FAA had a problem with the close relationship between the Airport Authority and the City due to the City Council Members also serving as commissioners of the Airport Authority. Also, if there is a not-for-profit or some other entity that is forming a contractual relationship with an airline, if too many of the members of that group are from the City Council, Airport Authority, or the Airport Advisory Board, there could be the perception and the argument that they are not separate.

Mr. Greenlee asked if there were a regional, autonomous Airport Authority could they be members of that group. Mr. Lang said he would have to say no. Mr. Hennessy commented that there would have to be a majority in order for that to be a conflict and it would have to have more than one or two members depending on how large the Board is. Mr. Lang said this is one reason we have recently brought in New York legal counsel that specializes in FAA issues to look into this because it gets very complicated, although it really has to do with where the money is coming from and who is making the decisions on how the money is being spent. Mr. Hennessy asked if it has to be based on the amount of influence and control someone has over the process. Mr. Lang said yes.

Mr. White said that airlines typically have some basic concerns over where any subsidy or incentive funds come from. They want to make sure all contracts and other documentation are as clean as possible to withstand scrutiny from any other airline. Obviously, the entire process has to be legal, and it cannot violate any federal law. There are rumors that some airports across the country have reportedly crossed lines with federal aviation law and subsidies before and so airlines want to make sure that does not happen here. They want to make sure that the source of the money is obviously legal, and it has to come from legitimate sources. Some airlines have previously asked about the source of the City and County money today that goes into the Affordable Airfare Program that in turn goes to AirTran. Mr. White said that his understanding is that in the County's case it is general fund taxpayer money, and in the case of the City that the previous six or so years of Fair Fares and Affordable Airfares funding came from a closed landfill fund or something similar. However, this year it is now in an economic development fund that is believed to be funded from general taxpayer money.

Dr. Rosenberg asked if we could get templates from the other cities that have done this where we look at how they set up their air service development organizations. Mr. White responded that with respect to attracting Southwest, only one other community (Panama City, FL) has been successful in creating an incentive program for that purpose, and their effort is reportedly

entirely privately funded. Staff is currently creating a new strategy for revamping community-wide air service development efforts and will have some recommendations soon.

Mr. Hennessy asked if the airport needs the autonomy to make the deal happen and he is not sure that has been answered. Mr. White said that he believes due to the FAA restrictions, the City probably cannot put up the money because of the cross relationship between the Airport Authority and the City Council.

Mr. Hennessy said that the Board Members should explain this to the City Council and wanted to make sure he understood the issue. Mr. White replied that federal law is clear that the Airport Authority can not provide direct financial support to any airline. The FAA further maintains that due to the relationship between the Authority and the City Council that the FAA has stated that they consider that the City and the Authority are one and the same, and that the only way the City could provide direct financial support to an airline would be to split the roles. Mr. White emphasized that he is just providing general information to the Board based on his prior discussions with the FAA that occurred during the investigation several years ago, and that he has nothing to do with the discussion of this proposed split, and that he is not promoting this idea whatsoever.

Mr. Murfin asked if the FAA does not agree with the separation. Mr. Lang said this is one reason outside counsel has worked with us before on this issue in trying to convince the FAA that the City is separate from the Airport. Although, the FAA never accepted that position. Mr. Hennessy asked if as far as the FAA is concerned would it be arms length enough if we went back to an autonomous Board so that the City could raise funds for an airline. Mr. Lang said in his opinion yes, it would solve the problem with the federal law, however we are currently hiring outside FAA-specialty legal counsel to review that issue.

Mr. Greenlee asked if the new attorney was up to speed on how this works. Mr. White said he probably is not yet as he has only recently been contracted to look into this. The attorney has not been dealing with the Wichita airport legal issues for four or so years. Mr. Lang said he will get an answer fairly quick once the attorney gets started. Mr. White said that in 2006 when the FAA dropped the complaint against the City and the Airport Authority on the AirTran issue that was created by the Delta complaint, the issue was never fully resolved with the FAA at that time. Even though the investigation was terminated, the FAA still maintained that the Airport Authority and the City were one and the same despite all of the legal arguments that the City made at the time. The only reason the investigation was stopped so abruptly and the charges were dropped was because the County stepped in and signed the revenue guarantee contract with AirTran instead of the City, so the FAA did not need to find the answer to the question of whether the Airport Authority and the City were separate. Thus, the whole issue was mooted because the County stepped in and replaced the City as the contracting party.

Mr. Hennessy asked why legal counsel could not go to the City Council with this suggestion. Mr. Lang said his job for the last thirty years has been doing away with autonomous Boards. Mr. Lang said it would take an ordinance change to go back to the original independent

Authority structure. Mr. Greenlee said the City would only have to readopt the old ordinance and it would just take a simple majority vote of the City Council.

Mr. Hennessy asked if all of the City appointees agree that we have the next two or three weeks to contact the City Council. Chairman Fletcher said he would suggest two weeks, and Mr. Hennessy said he was committed to do that.

Mr. Murfin asked if it needs to be a purely neutral board for the private corporation to administer the contract with an airline. Mrs. Wise said maybe the Airport Board could suggest some corporate CEO's or other leaders in the community who would be willing to serve on the private corporation's board because we really need an ongoing incentive program that could be used for all airlines.

Mr. Murfin asked what the board should look like. Mr. White said that is what we are trying to determine, however he suggested that the board members of this new corporation should be people of importance in the community who clearly support the mission of developing air service and economic development, and would have to be the ones who execute any contracts with airlines. Staff would love to see suggestions as to who you think should be on the board. Mr. Murfin asked if the State money would go to that organization. Mr. White said the way it works today is the State money goes to REAP and REAP then gives the money to the County and the County provides funding to AirTran pursuant to their contract. So that same sort of process would probably have to apply with a new corporation which would serve as the community's agent with airlines. The County currently applies to REAP to get approval for the State funds, so this new organization would apply to REAP and if approved then the money would flow to the corporation from REAP.

Mr. Hennessy said he would be back in touch with the Board within a week. Mr. White added that by having a private, non-profit charitable corporation, it could literally have a fundraising campaign in the community where people could put into the air service and economic development fund. Mrs. Pilshaw suggested combining a fundraiser like that into the new construction for the terminal such as having bricks that use people's names. Mr. White said we were planning to do that and other sponsorship and naming rights opportunities for the terminal project separate and apart from this effort to attract new airlines. It may not be a good idea to ask for two different things at the same time, because maybe one is all the community can afford to do right now. Mrs. Zoglman said if a new airline comes into our market, then the terminal gets a lot easier to pay for. Mr. White said if we can get a major new airline to come, then objections to the new terminal would likely be lessened. A new airline, with its additional landing fees and rents, plus increased concession revenues and passenger facility charges, actually benefits all of the airlines serving Wichita because it helps to lower their costs at the Airport.

Mr. Gooch asked what improvements would be needed for the current terminal if a new airline were to come prior to the completion of the new terminal. Mr. White said that a new airline would want a new loading bridge which costs approximately \$550,000, but we could buy a reconditioned used one for maybe around \$150,000. There are ways to massage the facility

needs issue given the short time frame before the new building opens which would allow us to keep the improvements cost lower than what an airline might think.

Chairman Fletcher said those Members that are appointed by the City should get back to Mr. White within a week or so, and then Mr. White can put out a memo to the entire Board as to what they find out in that week's time.

Other Business

The next WAAB meeting will be Monday, June 7, 2010 at 2:30 p.m.

Meeting adjourned at 5:33 p.m.

Kelly Fabrizius, Clerk