

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, September 10, 2012

Present: Dave Bayouth, Charles Fletcher, U.L. Gooch, Dwight Greenlee, John Hennessy, Carl Koster, Thomas Pryor, Dr. Thom Rosenberg, Bill Ward, Brent Wooten, Kurt Yowell

Absent: Steve Harris

Airport Staff: Victor White, Kathryn Keathley, Traci Nichols, John Oswald, Valerie Wise, Jean Zoglman

City Staff: Jay Hinkel, Deputy City Attorney
Branden Hall, Finance
Lauragail Locke, Communications Team

Others: Pat McCollom, AECOM
Brian Youngers, Signature Flight Support
Cindy Nolte, Stucky Nolte
Doug Stucky, Stucky Nolte

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

Approval of Minutes

Motion by Fletcher, second by Bayouth, to approve the minutes of the August 6, 2012, Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

Director of Airports Victor White provided information about recent developments in Airport business and aviation-related news.

Mr. White reminded the Board that the groundbreaking ceremony for the new Mid-Continent terminal will be on September 13th at 2 p.m. Chairman Rosenberg will speak, as well as Mayor Brewer, representatives from state and federal government, and community development leaders.

On September 11th, Assistant Director of Airports Brad Christopher and the consultants working on the parking and rental car facilities project will make a workshop presentation to the City Council. The Board was provided handouts of the presentation slides, which spotlight the proposed layout and design features of the parking facility and the added value it will provide to Airport customer service. The Council will be asked to provide feedback on the conceptual

designs, i.e., if they support the vision the design consultants and the Airport have developed for the facility. The plans have been presented to the City's Design Council, which expressed approval for all of the design features except for the crosswalk canopies that will connect the parking facility and the terminal.

In response to questions from the Board regarding the reasons for the Design Council's disapproval of the canopies, Mr. White stated that the committee feels the canopy design is not consistent with, and detracts from, the design of the terminal. The Design Council was not able to suggest an alternate design that would accomplish the goal of providing overhead coverage to pedestrians coming to the terminal from the parking garage facility. The design architect for the parking facility and the design architect for the terminal have met to discuss other canopy solutions, but were also not able to propose another option that the Design Council might favor. It has partly been a challenge to re-conceptualize the canopies because of the structural engineering requirements for spanning the long distance between the buildings, and because of the desire to use materials and forms consistent with the aviation motifs in the terminal design. The existing plans for the parking garage have been significantly modified from the original plans, based on Design Council recommendations. Since the Design Council response to the canopies is solely a recommendation, the final decision on moving forward with that aspect of the design will be made by the City Council. The Board noted no disagreement with the canopy design, and was supportive of continuing with the proposed design.

The City held a pre-proposal meeting for the Oil and Gas Lease exploration RFP on September 7th. Properties and Contracts Manager Traci Nichols represented the Airport, and approximately six potential bidders attended the meeting. The proposal submittal period ends on September 21st. The areas available for this type of resource exploration at Mid-Continent Airport are limited, due to the need to maintain airport operations without interference and because the geology of the area may require north-south directional drilling to locate resources. It appears that the south end of the Mid-Continent property would be the best potential location for drilling based on those requirements.

Operating Budget 2012-2014

Finance Manager Jean Zoglman presented information that pertains to the Airport from the adopted operating budget for the City of Wichita for 2013/2014. The data presented were percentage of total budget comparisons of the various components of Airport revenue and expenses beginning in 2007 and projected through 2014.

The operating revenues budget category was separated into airline revenues, ground transportation, and rentals and commissions. Approximately 88% of airline revenues are generated by passenger airlines, with the remainder from cargo airlines. The airline revenues component includes terminal rentals, landing fees, parking charges, freight fees, etc. The airline revenue information was projected prior to Frontier's announcement that it is leaving the Wichita market. Airline revenues are projected to fall 3% in 2014, based on the assumption that Southwest will choose to take part in the incentive program that allows the waiver of terminal rents and landing fees for an initial period. In response to a question from Charles Fletcher, Ms.

Zoglman stated that passenger facility charge revenue is not included in airline revenue, since this component is only operating revenue and does not include capital funding. Ground transportation percentages include parking revenue and rent-a-car revenue (e.g., commissions and terminal rentals). Ground transportation revenue is expected to shrink slightly during the parking garage construction phase when more people are expected to use the lower cost Park & Ride Lot, and increase following that in 2014 when the parking garage opens and with the expectation that passenger volume will increase when Southwest begins service out of Wichita. The rentals and commissions component is made up of facility rentals, manufacturers, federal government, terminal concessions, and fuel. The fixed rentals are facility rentals, manufacturers, and federal government. The trends since 2007 show that the greatest growth in the rentals and commission components are the fixed rentals in long term leases. Terminal concessions are projected to increase only slightly, not enough to reflect a percentage increase. The Airport is receiving less profit on fuel purchases as airline capacity has gone down, which is a trend that is expected to remain unchanged.

Airport expenses were presented in three categories: wages and benefits, utilities, and contracted services. In the wages and benefits category, the cost of health and life insurance and pension costs have increased notably since 2007, so that the percentage of dollars allocated to base wages in this category has decreased. Other than the increase in service officers required to comply with increased security measures after September 11, 2001, there has been very little change in staffing authorizations since the early 1990s. The base wage component has not increased at a rate corresponding to other expense increases since 2007, which indicates an increase in productivity. In the utility category, the electricity and water/stormwater charges make up a larger portion of the budget. Natural gas costs have been decreasing, due to mild winters. Overall, the utilities budget has been increasing, while the trend of which component represents the greatest percentage of costs has been changing the last several years. The contractual category represents some of the larger expenses of the operating budget, e.g., professional services, City administrative and public safety fees, marketing and promotion, insurance, and landscape maintenance. One component that has decreased notably is landscape maintenance costs. Since 2007, the Airport has worked to reduce these costs by changing management practices and moving towards lower maintenance landscape design, which has shown an increased efficiency in this operational area.

The Board asked further questions about City fees. In response, Ms. Zoglman stated that the City administrative fee is allocated to all departments for services, such as legal consultation and finance services. The amount of fees assessed for those services varies based on the type of service. Some fees are based on the number of employees in a department, while others, like finance charges, are based on frequency of use. Mr. White stated that the City public safety fee covers potential use of City police and fire services for emergency calls on the Airport. This fee was implemented in lieu of property taxes because neither the Airport nor its tenants pay City property tax, and is projected to cost the Airport \$990,000 in 2014. Since the Airport employs its own Police and Fire Division, emergency calls are almost always answered by Airport officers. Medical emergencies are the most common type of emergency call at the Airport, and a Sedgwick County EMS unit and a City fire unit are always dispatched in those cases. The EMS services are paid for by the patient or his/her insurance, not the Airport. City police officers

rarely answer calls at the Airport, but are always available to provide backup if the case warrants extra units.

Regarding a question about the current use of space by the Federal Aviation Administration at the Airport, Ms. Zoglman stated that the FAA still maintains offices at 1801 Airport Road, although it terminated its lease of space at 1761 Airport Road. The 1761 Airport Road property has since been converted into a multi-tenant building. Properties and Contracts Administrator Traci Nichols added that the 1761 Airport Road building is now occupied by two FAA IT contractors, the Greenwood Group, ExcelAire, and EagleMed. Mr. White stated that the Airport has designated that building the Mid-Continent Executive Suites, and this week a new sign with that title will be installed. Businesses that lease space in that building, as with all buildings on the Airport according to state law, must be aviation-related.

Extension of Stucky Nolte Agency Contract

Mr. White prefaced Stucky Nolte's presentation by stating that the agency's contract began in April 2011 as a one-year agreement with one year renewal options. At the end of the first year, the contract was only extended for six months, and now the contract is currently being reviewed for a second six month extension, which would continue advertising services from October 2012 through March 2013. Mr. White's recommendation is to extend the agreement for six months, which would complete the first option contract term. Stucky Nolte's performance in the last six month period has been very good, a number of new promotional efforts have been created, and Airport staff feel that the agency understands the concepts and strategies that the Airport would like to use in marketing its brand.

Cindy Nolte and Doug Stucky presented information about the advertising campaigns completed in the last six months, and plans for work in the next six months. There were 4 main promotional campaigns completed since April 2012 (Takeoff to Tip-Off; Make Travel a Breeze; Bridal Fair sponsorship; Summer Travel), in addition to ongoing advertisement of airline fare promotions. All campaigns utilized multiple media, including television commercials, LED billboards in seven locations around Wichita, radio commercials, opera and symphony program ads, Facebook messaging, e-mail messaging to Mid-Continent news subscribers, and notices on *flywichita.com*. In all promotions, important goals were to reinforce Mid-Continent's brand message of convenience and affordability, to encourage the audience to connect with the Airport through Facebook and Twitter, to improve customer retention in the primary and secondary catchment areas, and to increase e-mail newsletter subscriptions. Currently, the Kickoff to Travel campaign is underway, which encourages fall and winter travel for sports fans. Campaigns that will be reprised in the coming months are: Twelve Days of Giving, beginning after Thanksgiving; the Bridal Fair sponsorship; the Valentine's Sweepstakes; and Takeoff to Tip-Off. A promotional page on Pinterest is in the planning stages, as well as changes to *flywichita.com* to provide more information to customers about the new terminal construction project.

Board members asked questions about how advertising success and audience reach is measured. Mr. Stucky stated that it is difficult to determine when a customer buys a ticket as a result of a

particular advertisement because there are so many outlets for ticket purchases, but all campaigns encourage customers to go to *flywichita.com*, and the Airport is able to see how much traffic comes to that Website, and ticket purchases on that Website can be tracked. Chairman Rosenberg asked if it would be possible to get Website visitors to take a survey to indicate what brought them to the Website. Mr. Stucky answered that a survey could be added to *flywichita.com* or Facebook, which would provide additional information, but it is not usually a good indicator of what promotional messages are most effective. The impressions metric is collected through Facebook, and is an indication of how many people receive a message on their Facebook accounts, and the potential reach of that message through friend networks. The impact of social media advertising can be compared to the effect of television or radio advertising. It is another way of exposing a target audience to the advertising message. The impressions numbers being generated for each campaign from the Mid-Continent Facebook page are reasonable for the scope of the promotions. The radio and television networks provide monthly reports that indicate the number of people that are reached through their broadcasts. The amount of people that can be expected to see an LED billboard is an estimate based on an average traffic count at that intersection.

Carl Koster asked if Stucky Nolte or Airport staff produce the Facebook updates. Mr. Stucky answered that it is a combination; the sales promotion notices come primarily from Airport staff. Chairman Rosenberg asked if it is known where contest winners are from. Mr. Stucky answered that all contest winners were located within the catchment areas; almost all were in the state of Kansas, with the exception of one or two that were located in northern Oklahoma. John Hennessy recommended that location-based Google advertising be added to the advertising strategies. Dave Bayouth asked what the advertising budget is. Mr. Stucky answered that it is \$450,000 annually. Mr. White added that the budget covers a variety of costs, such as agency fees (a monthly retainer of \$3,500 plus hourly billing for specific work produced, and commissions on media buys), contracts for media buys, production of advertising materials, and purchase of promotional prizes.

Chairman Rosenberg recommended that the Board go into executive session for further discussion of the Stucky Nolte contract.

Motion by Greenlee that the Wichita Airport Advisory Board recess into Executive Session for discussion of the Stucky Nolte contract, and that the Board return from Executive Session no earlier than 3:55 p.m. Second by Bayouth. Motion passed unanimously.

The Board reconvened at 4:12 p.m. Chairman Rosenberg stated that no action was taken in the executive session, and asked for a motion on agenda item number six: Extension of Stucky Nolte Agency Contract.

Motion by Fletcher to reject the extension of the Stucky Nolte contract and set a time to evaluate criteria for selection of a new advertising agency. Second by Bayouth. Motion passed six to four.

ACT 3 Project Update

Program Manager Pat McCollom presented information about progress made in the new terminal construction project. In the last month, the FAA-required preconstruction meeting was held, which brought together managers for each of the main project components (e.g., construction, utilities, FAA oversight, and Airport staff) to plan work initiation. Weekly project progress meetings have also begun. Work has begun to complete the IT and communication packages designs with HNTB. The construction area fencing is complete and the construction office trailers are being installed this week.

U.L. Gooch requested clarification of how individual project tasks are related to the larger contract bid. Mr. McCollom stated that the standard line items on the bid are delegated to the construction contractor and have complete task plans at this point. The allowance items, which are tasks that have not been fully defined yet, will most likely be procured through the City RFP process, and then handed over to the construction contractor for task completion. The sub-contractors for the allowance item tasks will be under the management of Key/Walbridge, but the service provider and the cost of the tasks will have been determined through the City's selection committee. Kurt Yowell asked if Key/Walbridge would receive an additional management fee for the allowance items. Mr. McCollom stated that there is a maximum percentage in the contract for changes, which would be allocated on a case by case basis for the allowances.

The next major task that is projected for October is Notice to Proceed #2, which initiates construction activities. Steel erection will begin in February 2013. Based on the current schedule, the terminal structure will be enclosed in February 2014, with the terminal opening planned by February 2015.

Other Business

Brent Wooten requested an update on the result of the rearrangement of the TSA checkpoint. Mr. White stated that it is working well. Mr. White was able to complete security screening in less than ten minutes on a recent early morning departure. There were 900 people that passed through security between 5 a.m. and 6 a.m. that day. The efficiency is expected to increase even more in the near future when TSA staffing levels are at maximum and all four screening lanes can be opened. TSA has advised that they will not have all four lanes open all the time, and will manage the checkpoint based upon flight schedules and passenger loads.

The next WAAB meeting will be Monday, October 1, 2012 at 2:30 p.m.

Meeting adjourned at 4:30 p.m.