

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

**Monday, February 1, 2010**

Present: Charles Fletcher, Ron Estes, U.L. Gooch, Dwight Greenlee, Willis Heck, John Hennessy, Kevin Myles, Thomas Pryor, Bill Ward

Absent: Henry Helgerson, Dave Murfin, Dr. Thom Rosenberg, Jay Russell

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

City Staff: Joe Allen Lang, Chief Deputy City Attorney

Others: Mike Carter, AECOM  
Lynn Nichols, Yingling  
Bryan Orr, Signature Flight Support  
Dan Claassen, ExecHangar

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

**Approval of Minutes**

*Motion by Greenlee to approve the minutes of the January 4, 2010 Wichita Airport Advisory Board meeting. Motion carried unanimously.*

**Director's Report**

Mr. White informed the Board of recent events and ongoing items. The construction of the administration building is coming along nicely and the new board room is expected to be completed by April.

The Greater Wichita Economic Development Coalition (GWEDC) has a new search feature on their website, which allows users to search for available properties. The search engine queries properties that are either for lease or sale, and includes land and facilities. Currently, airport staff is in the process of listing Mid-Continent's available properties on their website, [www.GWEDC.org](http://www.GWEDC.org).

Mr. White asked Traci Nichols about the GWEDC's website and the process to list airport's available properties. Ms. Nichols stated that once the registration process is complete, she will be required to answer detailed questions for each listing followed by uploading photographs and flyers.

Mr. White made known that this is part of the campaign to promote the airport's available properties and, in the process, to advertise with Loop.net, which is another commercial real

estate site to use. Both Mr. Gooch and Mr. White asked if there were any cost to list the airport's properties on the GWEDC website. Ms. Nichols replied that there would not be any cost. Chairman Fletcher said that this is something he would like to have happened three years ago. Mr. White agreed. Traci and Sandy have been working with other airport staff that are in the process of gathering photographs, maps and details of airport's available properties to develop for advertisement. It takes time to develop and should go live on the airport's website in the near future.

In addition, there will be a new website for the ACT 3 project, which is expected to go live later this spring to coincide with the bidding of the facility. The airport's current website has a link to the current terminal construction projects with detailed information, drawings, and a Channel 7 video with Mr. White. The new ACT 3 website will include bidding opportunities, concessions, business opportunities, information for contractors, status reports, work-in-progress graphs and a live webcam. There are multiple addresses reserved for the ACT 3 website such as [www.newwichtaterminal.com](http://www.newwichtaterminal.com) or [www.wichitanewterminal.com](http://www.wichitanewterminal.com).

On Friday, January 29, Mr. White and Valerie Wise were at the National Center for Aviation Training to meet a group from Jacksonville, Florida, who own a school for the advanced air traffic control program. The CTO program provides certified training to students who want to become air traffic controllers. They are very interested to set up a CTO program with classrooms and simulators at the National Center for Aviation Training at Colonel James Jabara Airport. The student's tuition cost is \$55,000 for a twelve month program. Each student will be licensed by the FAA as a certified traffic operator after the student has completed the one year program and passed the test. However, the program will need an onsite tower. Research will be done by the group to find out the FAA's minimum standards to build a very basic control tower.

Mr. Gooch mentioned that there are many contract-operated towers all over the country. Mr. White agreed that he believed there to be over 200 towers.

Mr. Ward stated that the Hesston Junior College has an air traffic control program. Mr. White said that these schools have a CTI program and the students do not receive a certain FAA certificate because this program does not train in a control tower; whereas, the CTO program is trained in an operating air traffic control tower.

Mr. Heck asked if airport staff had met with the City Council to review the new terminal project. Mr. White stated the City Manager has requested a delay until March 9, 2010 due to some scheduling conflicts.

### **2009 Air Service Overview**

Ms. Wise provided a Power Point presentation to the board members. 2009 was a challenging year for the airline industry. In Wichita, passenger traffic fell 7% from 2008's record year. December traffic fell 3.6%; however, during the week of Christmas, there were at least 22 cancellations which contributed to the decrease.

Ms. Wise compared the changes in passenger traffic by airline between 2009 and 2008. AirTran's traffic was down 20% due in part to the decrease in Saturday service from three departures to two. Ms. Wise also pointed out that the ExpressJet (Delta) service to LAX was discontinued in 2008, and that Trans States no longer serves as an American connection to St. Louis. Chautauqua now contracts with American for the St. Louis service. United Airlines downsized their 737 aircraft and increased their regional jet fleet.

Ms. Wise showed a chart of monthly changes in passenger traffic. A 21-month growth spurt began in October 2006, with strong growth in 2007 and the first half of 2008. High oil prices in the summer of 2008 forced airlines to cut capacity. Airlines also introduced baggage fees and other ancillary fees to manage their rising costs. The difficult economic conditions caused airline bankruptcies and mergers. Delta-Northwest merged in June, Frontier filed Chapter 11 and was acquired by Republic Airways, Mesa filed bankruptcy, and American is downsizing service at its St. Louis hub. There were steep declines in traffic at Wichita during the fourth quarter of 2008 and first half of 2009. It appears that the declines have stabilized during the last half of 2009.

When comparing Wichita's passenger traffic performance with regional airports, Wichita's 2009 traffic is on par with the U.S. and Kansas City, and was actually a little better than Des Moines, Tulsa and Oklahoma City.

Ms. Wise reviewed the changes in air service at Wichita during 2009, and stated that American will discontinue service to St. Louis in April.

Domestic capacity for the fourth quarter 2009 was near post 9/11 lows, and international capacity is also falling. The International Air Transport Association (IATA) stated last week that the global airline industry will take at least three years to recover after the worst recession in six decades hurt travel demand. Traffic dropped 3.5% last year, with declines exceeding 5% in Europe, North America and the Asia-Pacific region. IATA also stated that about 34 carriers have gone out of business since 2008.

Wichita's capacity is down 9% from its peak in 2007. Capacity is expected to remain at low levels throughout most of the year. The low capacity is actually healthy for the airline industry; fewer seats available leads to fuller flights and more revenue. Wichita's load factors are improving. November and December loads were the highest for this time frame during the past eight years.

U.S. average domestic fare for the third quarter 2009 has dropped 14.4%, which is the largest year-to-year decrease on record. Wichita's average fare has dropped 26.2% from 2000 and 19.5% from 2008. Wichita's average fare is now less than the fare in Tulsa and Oklahoma City. While this is good news for the consumer, it is not good news for the airlines. Until the fares trend upward, airlines will not be adding capacity.

Ms. Wise provided statistics that is used by the Affordable Airfares Coalition. AirTran's presence in Wichita has increased passenger traffic to eastern destinations 66% since 2000.

Average fares to eastern destinations are down 35% since 2000. The year 2000 is used in comparisons because passenger and fare levels were skewed due to 9/11, and AirTran began service in May 2002. Frontier's presence in Wichita has increased passenger traffic to western destinations 14% since October 2007. Average fares to western destinations are down 28%.

Ms. Wise stated that 34 of our top 50 markets have low-fare service; 21 of those are AirTran markets and 13 are Frontier markets. 83% of Wichita's traffic is to the top 50 markets.

Comparing the top 50 destinations that existed in 2000 with today's passenger traffic to the same destinations, traffic to low-fare destinations is up 50%; traffic to high-fare markets is down 14%. When estimating fare savings since low fare service started in 2002, there are two schools of thought. One way to estimate is by multiplying the number of passengers per year by the difference in fares since 2002. When doing that, the fare savings amount to over \$500 million. This was the formula Sabre used back in 2003 to estimate fare savings. However, without low fares, there would not be as many passengers as there are today, so one could argue that the \$500 million is not realistic. By taking the passengers using this airport in 2000 and multiplying those by each year's fare difference, the savings amounts to \$362,189,574, which is still an impressive number.

Ms. Wise showed a chart depicting the rate of decline in average one-way fares to top eastern destinations since 2000. These fares are an average of all fares paid, whether one-way, round-trip, walk-up, or advance purchase. The decreases ranged from 11% to 53%. For an example, average fares to western destinations since September 2007 have dropped from 8% to 46%.

Ms. Wise pointed out the fares to Atlanta and Denver from airports without a low-fare component. For example, if you were to have booked a flight out of Albuquerque to Atlanta on November 24, 2009, the round-trip fare would have been \$1,290. That same fare out of Wichita would have cost \$312. For instance, a flight from Knoxville to Denver booked on November 24 would have cost \$800; out of Wichita the fare was \$178. These are examples of the fares Wichita would have without our low-cost carriers.

In summary, Ms. Wise stated that it appears the passenger declines have stabilized and expects very modest passenger growth in 2010. She does not expect capacity to increase until the economy turns around and fare levels increase, which may not be until fourth quarter 2010.

Mr. Gooch asked where Wichita is ranked on the list of 100 top airports of the country. Ms. Wise replied that Wichita is 87th largest airport in terms of passengers. Mr. Gooch wanted to know who is number one. Ms. Wise said that Atlanta is the number one. There should not be a lot of changes this year except for the St. Louis destination that will be dropped in April. Mr. Gooch commented about his surprise with Wichita being ranked at 87<sup>th</sup> on the list and asked about if some passengers go to Kansas City or Oklahoma City instead. Mr. White said approximately 30% of passengers continue to go to Kansas City, Oklahoma City and Tulsa but this has improved greatly since the start of the Affordable Air Fares program.

**ACT 3 Project Update**

Mike Carter, AECOM, 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. The Package 12 final documents were submitted on January 26 for final review. The City Council financial review workshop is scheduled for March 9, 2010.

Chairman Fletcher asked if the bids being delayed had been caused by the late schedule with the City Council. Mike Carter said since the review period has been extended from three weeks to six weeks this has created more time to review the contract documents.

Chairman Fletcher asked Jean Zoglman if there would be any issues once it goes to City Council. Ms. Zoglman stated she did not believe there would be any problems and that we are going to meet with the City Manager on February 8 to discuss the financial program that supports the project.

**Passenger Facility Charge Application**

The background of the Passenger Facility Charge (PFC) program was approved in 1990 for a fee to be collected on certain enplanements for an airport. This is the first time PFCs have included projects related to the terminal building. The first step to the process is to compile information for the application and describe it to the airlines. The airlines will make their comments whether to approve PFCs to be collected for it or not. At that time, the application is submitted to the FAA who will then approve whether the application is eligible or not. The airport staff had a PFC consultation meeting with the airlines and we are waiting for their response with their comments, which were reviewed on February 22. The submission to the FAA will include three amended applications that are from 1996, 1998 and 2003. In each of these years, there are left over funds to be moved to the new application, which is called "pay as you go money". These funds will be put into the terminal project with an explanation.

The 2007 and 2008 applications have been modified. The new application includes eight capital projects which are Air Carrier Apron; Pavement Condition Inventory; New Terminal Building; Landside Utilities Phase 1 and Mid-Continent Drive Relocation; Consultant Services; Multi-purpose Snow Removal Equipment; Facility Site Improvements; and Financing Costs. The Financing Costs will pay the interests on bonds that are funding these eligible projects. The PFC charge will remain at \$4.50 PFC and will start September 1, 2010. It is estimated to continue until 2049.

Mr. Gooch asked about the quality as well as the quantity of the equipment. Ms. Zoglman replied that Brad Christopher has talked with the airlines to make decisions on what types of equipment would be best for this airport.

Mr. Gooch asked about the deicing equipment. Ms. Zoglman said the deicing trucks are not airport equipment. The deicing equipment are either owned by the airline or contracted with a commercial operator that operates on the airport to provide that type of service.

Mr. Greenlee questioned if the deplaned passengers pay the PFC charge. Ms. Zoglman answered customers who buy tickets that leave Wichita will continue to have the \$4.50 PFC on their ticket. Mr. White stated that the fee may change if Congress passes the law to allow it to increase. Mr. Greenlee asked about the increase. Mr. White said that the House and the Senate are considering an increase to \$7.00 – \$7.50.

Mr. Estes had done a quick PFC calculation and estimated \$186 million that translates to about 41.5 million passengers. Ms. Zoglman said about 91% passengers pay PFC charges. Mr. Estes asked if we are collecting other PFCs for the same period on other programs. Mr. White answered that you cannot do more than one at the same time. Mr. Estes commented the estimate is very conservative for passengers for the period between 2010 and 2049. Ms. Zoglman said the passenger count that was put in for 2010 included a 2% increase over 2009. The years for 2011 and 2012 included a 3% increase and 2013 with a 2% increase.

Chairman Fletcher and Mr. Greenlee asked which passengers pay the PFCs. Ms. Zoglman said it is based on the first two enplanements on your way or your last two on your way back and all of the information is relied on the audits that the airlines are required to do.

Ms. Zoglman stated that this will be presented to the City Council on February 9 to authorize and sign the application to submit to the FAA.

Mr. Estes mentioned if the PFC rate is authorized it may not be necessary to increase it at this airport. Mr. White said that many airports will have to make this consideration as a competitive stand point. At one time, the Orlando-Sanford International Airport was authorized to collect \$3 PFC but we chose to collect only \$1 PFC so we could promote and advertise that our airport is cheaper than other competing Orlando airports. Now the Kansas City, Oklahoma City and Tulsa airports charge \$4.50 PFC. Mr. Estes stated that every dollar we take of PFCs is a dollar that is not in the community for something else. Ms. Zoglman said the PFC eligible construction projects at this airport should give back to the community. Mr. White said he did not think that it would have an impact on passengers' decisions on whether or not to go to other airports. Mr. Estes stated the increase should be based on legitimate reasons. Mr. White said that because of opposition from the airlines Congress has not raised the PFCs. Ms. Zoglman replied that all PFC funds are for projects that directly benefits the airlines. Mr. White said the airlines may oppose this particular application but the FAA can authorize the application despite airline opposition as long the projects are justified and meet the statutory requirements.

Chairman Fletcher asked about the submission. Ms. Zoglman stated that the application will be submitted on February 25 and the FAA has 120 days to reply. The airlines are putting together their responses. Mr. White made known that only a few attended the consultation meeting and had limited questions.

Mr. Estes asked about the second section of the cost of the terminal where it shows \$130 million and wondered if the \$20 million had been listed somewhere else. Ms. Zoglman said the apron and the terminal are packaged separate.

*Heck moved to approve the 2010 PFC Application. Myles seconded. Motion carried unanimously.*

### **Annual Schedule of Rates and Charges**

Ms. Zoglman advised the Board that in their packet is included the 2010 Schedule of Fees and Charges. On an annual basis, the airport adopts a Schedule of Fees and Charges, which is retroactive to January 1. Schedule 1, Signatory Passenger Air Carrier, has a new line item use of unleased ticket counter. Prior to now, there had not been a request to use a ticket counter on a per flight basis. To use a ticket counter per flight the signatory rate is \$70 per flight and non-signatory is \$87.50 per flight. It is estimated to generate \$30,000 a year. Airport staff has met with Allegiant Airlines who has requested to lease the airline ticket office and use the ticket counter and gate holdroom on a per turn basis, which will create additional revenue. On Schedule 2, Non-Signatory Passenger Air Carrier, it was necessary to create a joint use charge that will cover the fees associated to elevators, stairwells, and bag claim. These areas are used by the airlines as a common area so the rate is spread to all the airlines. The joint use charge is \$60 per flight and any money collected will be credited back to the airlines. A non-signatory airline does not lease exclusive space but will have the opportunity to lease an area for ground handling equipment. The Ground Service Equipment Parking is \$300 a month. The loading bridge fee will continue at the same rate. Basically the rates encourage an airline to have a use agreement with the airport if the airline's schedule has more than 2 flights a day.

Mr. Myles asked about the calculation on how many flights a day for it to make the best financial interest to have a long term contract. Ms. Zoglman said she would take the average aircraft and the average amount of space to establish when does it make sense to sign a use agreement. Once an airline has 2 flights a day it is beneficial for that airline to sign an agreement. Allegiant Airlines has an average of one flight a day so they will operate on a per turn basis.

Schedule 8 has three new items which are Commercial Use and Operating Permit; Taxicab Permit; and Airport Limousine Permit. The Commercial Use and Operating Permit is \$100 per year for commercial business to have a right to do business on the airport. Taxicab and Limousine Permits have already been in effect and are included in agreements.

Chairman Fletcher asked if the airlines are aware of the joint use calculation. Ms. Zoglman replied that the joint use fees for the signatory airlines are on a fixed-invoiced basis and they been provided a breakdown of the calculation. Mr. Estes questioned if the costs have been consistent from year to year. Ms. Zoglman said that the landing fees and terminal rents on Schedule 1 rates are based from the airlines' contracts and the rates are 2% higher compared to last year and that information has been sent out to the airlines. We are doing our best to make it economical.

Mr. Greenlee asked if we still require the airlines to provide a prediction of landing weight for the next year. Ms. Zoglman said she sent out to each airline the airline's landed weight estimate that will be used which will give them the opportunity to comment based on that estimation. Mr. White stated the airlines have the ability to raise or lower the rates. The rates could decrease if

the airlines increased the number of flights they bring in or increased the size of the aircraft they bring in.

Mr. Gooch questioned who handles the bills and the service if a company contracts with an airline or military. Ms. Zoglman answered that the military would go through a FBO and the FBOs are responsible to collect any fees that are appropriate on our behalf. The charter flights can be handled by a FBO or an airline.

*Estes moved to approve the 2010 Schedule of Fees and Charges. Greenlee seconded. Motion carried unanimously.*

### **Minimum Standards for Aeronautical Services**

Mr. White provided three handouts to the board which were Commercial Hangar Operator; Non-Commercial Fractional Private Hangar Operator; and Section Six – Non-Commercial Operators to aide in their discussion. Last month the board recommended for Chairman Fletcher, Mr. White, Mr. Murfin and Mr. Pryor to review the entire Minimum Standards. Mr. Murfin has not completed his review of the Minimum Standards.

Mr. Heck asked what if the airport did not have the Minimum Standards. Mr. White said that the airport business would continue to be the same but if the Minimum Standards were published this will provide certain information for a developer's or operator's decision on whether or not to do business at the airport and avoid controversial decisions with airport staff.

Mr. Heck questioned if the FAA required the Minimum Standards. Mr. White said that the FAA does not require it but strongly recommended it. The FAA has published documents to provide guidance on how to prepare them.

Mr. Hennessey asked if the City Council has given any input. Mr. White said that the Minimum Standards had originally been scheduled to be on the December Wichita Airport Authority agenda but the City Manager has requested a workshop for airport staff to describe the entire document and the opportunity to answer any questions of the Wichita Airport Authority members.

The previous draft in the commercial hangar operator category combined the commercial hangar operator and the fractional/condominium operation which created some confusion. The revised draft has the commercial hangar operator category all by itself with a description and then created another section for the fractional hangar operator concept. The distinction between the two would be if a non-commercial private is a single individual or single company who wants to build a hangar for his own aircraft. For example, Koch Aviation is a non-commercial, private hangar operator. The non-commercial, fractional operator will be entitled to fueling rights for the owner's aircraft of the hangar facility. The subdivided units are to be no less than 3750 sq. ft. each. The important part, the owners shall purchase space equal, at a minimum, to the size of aircraft based at the facility, and only Aircraft based at the facility shall be allowed to utilize on-

site self-service fueling facilities. There have been suggestions to clarify in regards to the one owner per unit. You cannot split or subdivide the ownership unit.

Mr. Gooch asked how a person would be able to change the size of the unit for a larger airplane. Mr. Claassen said that if you have defined the amount of square footage equal to your aircraft and you buy enough space for that aircraft and only that aircraft can gain access to the fuel. Mr. Gooch stated if a person had then bought a larger airplane then that person would have to get out until there would be enough space to purchase for that airplane. Mr. Claassen agreed and added that a seller and a buyer may be able to negotiate for that space. Mr. White gave an example of four owners had the same size unit, 3750 sq. ft. in hangar of 15,000 sq. ft. Only four owners can use that hangar. Mr. Claassen said that it would never work. Mr. Estes commented, the four owners at 3750 sq. ft. each, one of the four owners could buy out the second one and have a total 7500 sq. ft. After reading the minutes, that this had been discussed at the last month's meeting. If the square footage was down to a low enough level that would it allow somebody the opportunity to add additional square footage. Mr. Claassen said that no one can sell more square footage than the facility has. Mr. Estes stated he had noticed from the minutes that there will be a minimum square footage for one owner. Mr. White replied that it would not be any smaller. Mr. Claassen said that there are new, very light jets that take a small footprint. Mr. White said at the December's FAA seminar on the Minimum Standards, concerns were that if a person is allowed to invest a very minimal square footage, for example 1,000 sq. ft., compared to someone who built their own hangar and both would have access to the fuel. It is important to have a reasonable number to compare with the other non-commercial hangar operators.

Mr. White asked what is the smallest size plane envisioned for his project. Mr. Claassen answered 1,450 sq. ft. but would have to confirm the number.

Mr. Hennessey asked how many have the Minimum Standards in the United States and deals like Mr. Claassen's. Mr. White said he had not found any airport other than the Addison airport that has an agreement with Mr. Claassen. Mr. Hennessey asked if we have seen the agreement. Mr. White said yes and that we have a copy of the agreement.

Chairman Fletcher stated that we can further discuss this with the committee.

Chairman Fletcher asked Lynn Nichols, Yingling Aviation, what he thought about this. Mr. Nichols said he wanted it to be a fair, playing field. If this should happen, it will not bring any new aircraft to Wichita and will cause aircraft to move from Signature, Yingling and Jabara. Secondly, Yingling is able to charge a sales tax on retail. Under this proposal, the aircraft owners through a lease operation will be able to buy fuel and less sales tax will be less sales tax revenue for Wichita. This will discourage future investment here at the airport by the FBOs, and he asked to pay due diligence for the existing tenants.

Brian Orr, Signature Flight Support Corporation, stated the company supports the airport but is cautious because their business comes from fuel sales. Fuel sales are flat and this would cause them to compete with Mr. Claassen. The manufacturers which are Hawker, Cessna and Learjet, have more fueling at those locations than the general aviation FBO. To bring another player

would pull the fuel sales lower. This will not generate more customers. Recently, customers have left EagleJet facility and have moved to Colonel James Jabara Airport which did not change the fuel gallons in this area.

Mr. Gooch asked Mr. Orr if fractional ownership airplanes come to this airport. Brian replied that both Yingling and Signature fuel fractional ownership airplanes.

Mr. Heck suggested to not discussing this further until everyone has read all of the information and the committee can meet. Mr. White asked if there were anymore comments. Mr. Greenlee stated he was not sure to proceed with the Minimum Standards. The FAA may promote it now but not in the future.

Chairman Fletcher stated the committee will meet soon to go over the Minimum Standards.

### **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 30 minutes and reconvene in the Board Room. Motion carried unanimously.*

The Board recessed for Executive Session at 4:10 p.m.

The Board reconvened at 4:50 p.m., Chairman Fletcher announced that no action is necessary from the Executive Session.

### **Other Business**

The next WAAB meeting will be Monday, March 1, 2010 at 2:30 p.m.

Meeting adjourned at 4:51 p.m.

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Traci Nichols, Clerk