

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

Monday, February 7, 2011

Present: Steve Dunne, Charles Fletcher, U.L. Gooch, Dwight Greenlee, Willis Heck, John Hennessy, Kevin Myles, Rebecca Pilshaw, Dr. Thom Rosenberg, Bill Ward, Brent Wooten

Absent: Thomas Pryor

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

City Staff: Jay Hinkel, Deputy City Attorney
Branden Hall, Budget Analyst, Finance Department

Others: Michael Carter, AECOM

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

Approval of Minutes

Motion by Pilshaw to approve the minutes of the January 6, 2011, Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

Victor White, Director of Airports, advised the Wichita Airport Advisory Board (Board) of several items.

Victor White and Charles Fletcher were not able to go to Washington, D.C. the first of February as planned because AirTran cancelled flights as a result of weather conditions, and the flight could not be rescheduled. Mr. Fletcher suggests meeting with the congressmen and senators the next time they return to our district, since the trip to Washington, D.C. was cancelled.

Mid-Continent Airport (Airport) remained open during the recent snowstorms. Brad Christopher, Assistant Director of Airports, confirmed that airlines cancelled flights, but not as a result of conditions at Mid-Continent. Low visibility and high winds prevented many flights from landing and taking off, not Airport field conditions because the runways were never closed. Brent Wooten asked if the new multi-use plow was in use. Mr. Christopher answered that it was delivered right before winter. The Airport also recently accepted bids for two additional multi-

purpose brooms and displacement plows, although it will be several months before they are delivered because they are custom made.

EagleMed, LLC is planning on expanding their operations at the Airport. EagleMed occupies a hangar facility at the northeast corner of the Airport, at Pueblo and Airport Road. Their business is strong and growing, so they need another hangar and some additional administrative office space. They are working with the Airport on a plan to build an additional hangar on the site of their current facility.

Negotiations of lease terms with FlightSafety International for its maintenance training center north of the Cessna Citation Service Center are still under way.

Bids for the sale of the former Wichita Area Technical College hangar will be opened February 8th. At this time, about 20 bids have been received, with \$21,000 being the highest offer. The Airport is pleased with the amount of interest in that property and the response received through the online auction. This hangar needs to be removed in order for FlightSafety to develop the property it intends to lease. The hangar should be dismantled and removed by the first of April.

The Federal Aviation Administration (FAA) reauthorization bill continues to be debated. The Senate is scheduled to resume their consideration of the bill today, and the House of Representatives will hold hearings twice later this week. It appears that the FAA reauthorization bill is a priority for both legislative bodies, so finalization is expected soon.

Mr. White provided an update on the issue of the privatization of Transportation Security Administration (TSA) security screening services. Last week TSA Administrator John Pistole issued a ruling to stop the privatization process because he does not see any benefit to privatization. No more applications will be accepted. This ruling has received strong criticism from the Republicans in Congress. Congressman Mica (who is the Chairman of the House Transportation and Infrastructure Committee) has been very vocal in his disapproval of the decision because it is contrary to specific direction from Congress to allow privatization of the security screening workforce. To counteract Administrator Pistole's decision, amendments to continue the privatization process have been added to the FAA reauthorization bill. Shortly after the announcement of the suspension of the privatization process, Administrator Pistole also ruled to allow the unionization of TSA's over 40,000 security screeners. This second decision has also been a polarizing issue on Capitol Hill. Amendments were added to the FAA reauthorization bill to prevent the unionization process, as well. As it stands, sometime between March and April the TSA security screeners, under federal labor relations authority jurisdiction, will vote to accept or reject union representation. Several federal government union organizations that want to represent the TSA security screeners are enthusiastic about the possibility of the establishment of a union. Those who disagree with this concept believe that a unionized workforce, particularly without the competition that privatization could bring, will lead to decreased screening quality and customer service because work regulations will likely be restrictive. These two decisions, made so closely together, may affect the outcome of the FAA reauthorization bill.

Mr. White informed the Board that Kurt Yowell, Director of Marketing for MKEC Engineers, has been selected to replace Ron Estes, and his approval by the City Council will occur shortly. Mr. Yowell was invited to attend today's meeting but was unable.

Mr. White then took questions from the Board related to general Airport matters. Mr. Gooch asked Mr. White if there had been any developments in finding a tenant for the building at 1761 Airport Road. Mr. White responded that there have been several inquiries and showings of the building, but no one has come forward to sign a lease yet. The Airport may consider hiring someone to market the property. Mr. Gooch asked if the building could hold several different tenants. Mr. White said that the layout of the building would allow that because the hallways, restrooms, and breakroom are located in such a way that makes joint use of those spaces convenient, and then the office spaces could be divided among several tenants. The Greenwood Group currently leases four offices at 1761 Airport Road, and the FAA leases about one third of the building, which leaves about 6,000 sq. ft. for other tenants. That building has few windows, which makes it less attractive and more difficult to market to tenants. The windows it does have are very small. The FAA designed that building in the early 1980's as a flight service station, and purposely used few windows for security and privacy reasons. The Airport is investigating the possibility of knocking out some exterior walls and installing windows to make it brighter and more open. Based on initial reports from the engineers, it appears feasible, so the cost effectiveness and practicality of such building renovations must be considered next. Chairman Greenlee said the former Weather Bureau Building on Tyler Road was built in kind of the same way. Mr. White said that there has been more success with the Weather Bureau Building, as it has been rented to the FAA and they moved in last month.

Chairman Greenlee asked if the Airport had seen an increase in the number of bird-related accidents or damage because the *Wichita Eagle* had recently printed a story about the increased number of birds in the area. Mr. White said there was only one minor bird strike a couple of weeks ago during an American Airlines take-off, but there was no damage to the plane. According to USDA wildlife liaison Devon McBride, 71,600 geese were counted in the Wichita area on January 31st. Each year in January, volunteers count the number of geese seen at known habitat in the area. This year was the highest count on record. Mr. Christopher said that the next closest count was in the 40,000 range. Bill Ward commented that it's not uncommon around the city to see flocks of geese flying. Mr. White said that Mr. McBride explained the high count as a result of the geese overwintering in Wichita, instead of going further south as they usually do. Mr. Christopher said that Charlie Cope, with the Kansas Department of Wildlife and Parks, also attributed the higher count to changes in weather, temperature, and storms that might prevent the geese from following their normal migration patterns. The geese can find cover and habitat they like, and they aren't threatened by hunters in the city. In a few more weeks, the numbers may be higher or lower, if some of the geese continue south. The recent count includes the migratory population as well as the urban residents.

Mr. White directed the Board's attention to a City of Wichita press release, *Wichita's Airfares More Affordable, Federal Study Shows*, issued on February 4, 2011. The analysis was based on the Federal Bureau of Transportation Statistics' third quarter 2010 domestic air fare study. The timing of the press release is very appropriate because the lobbyists representing the City of

Wichita, Sedgwick County, and the Regional Economic Area Partnership (REAP), among others, are meeting this week with the members of the Kansas Legislature to try to get the Affordable Airfares Program renewed again. The governor has already announced he will include it in his budget for this session, and now the senators and representatives must vote on approval of the budget. The value of the BTS study is that it proves, based on federal data, that throughout the 10 year history of the Affordable Airfares Program (and its predecessor Fair Fares), airfares in Wichita have gone down while they have gone up during that period of time at our regional competitor airports in Kansas City, Oklahoma City, Tulsa, Colorado Springs, and Des Moines. The obvious conclusion is that the reduction in airfares can be attributed to the Affordable Airfares Program, since surrounding airports have seen increases during the time period the program has been in place. The lobbyists will use the BTS statistics as part of their argument to persuade the legislature to fund the program again. The counter evidence comes from the Legislative Post Auditor that annually determines the value of the program from a return on investment standpoint. There is some indication that this year's auditor's report views the value of the program skeptically; that the amount of economic benefit is not as great as has been reported the last four years by Wichita State University's Center for Economic Development & Business Research (CEDBR). The findings of CEDBR are produced independent from the Airport, REAP, city, and county. Their results show there is a more than 5 to 1 return on investment for the state. For every dollar the state spends, they get \$5.25 back. The state auditor thinks that this number is greater than the actual return. But, even if it is only a 2:1 ratio, the state still makes money from the program. Chairman Greenlee inquired if the auditor was a state employee. Mr. White answered that he believed the auditor was a state employee, not an independent consultant. Mr. White continued by saying that there was widespread coverage of the press release over the weekend. Dale Goter, Government Relations Director for the City of Wichita, also sent the press release to Governor Brownback, the Governor's staff, state legislators, and our federal representatives. The Wichita Metro Chamber of Commerce is also talking about the continued trend of lower airfares. REAP is scheduled to testify at a hearing in Topeka within the week.

Mr. White provided an update on the general climate of economic forces and public opinion surrounding the Air Capital Terminal 3 Project (ACT 3). An interview with Manager Layton appeared on the KSN 6 o'clock and 10 o'clock Friday night's news. Manager Layton expressed his support for the ACT 3 Project, and indicated it would probably be June before he would be able to confidently recommend to the City Council that the project be started. New City Council members will be elected in April, and they will need some time to familiarize themselves with the project and take a position on what they think should happen. According to the Program Manager, continued delays are likely to result in higher project costs. Construction costs are already beginning to increase; steel and copper prices have recently increased 20 to 25 percent; labor costs may start to increase; and transportation costs for delivery of materials will go up because of fuel prices. Bid prices will be affected by these changes. Contractors are still heavily competing for local construction work, though. In recent news, it was announced that the school district is putting some of the bond issue projects on hold, which means the contractors hoping to do those projects will be looking for other work, so we should have more competitors for the ACT 3 Project construction. We will also have to factor in increases in bond interest rates. The original cost predictions expected about a five percent interest rate. The city's most recent sales

were in the three to four percent range, but the longer the delay, the more uncertainty there is on interest rates. Engineering, design, and program management costs are the third factor that we expect to increase the longer it takes to start the project, because we will have to employ these teams for longer than originally projected. We hope that the anticipated increases for engineers, architects, and consultants will be balanced by lower construction costs and interest rates than first planned.

Mr. Gooch asked if the new casino project will be starting about the same time as ACT 3. Mr. White said he was not certain about the timing of the casino project, but there was an article in the paper that said the general contractor that has already been hired to do that job is from Iowa. He will be hiring local sub-contractors, so that may reduce the pool of local sub-contractors available.

Valerie Wise, Air Service and Business Development Manager, then presented an Airline Industry Overview PowerPoint, covering major developments in the industry in the last decade, affects on local air service, and what may be expected in the near future. In general, the airline industry has been losing money. Over the past decade, the industry has seen \$58 billion in losses, attributable to volatility caused by the September 11, 2001 terrorist attacks, TSA regulations, communicable disease concerns, the overall economic downturn, and fuel prices. In 2009, both domestic passenger and cargo revenue decreased dramatically. Domestic revenue was down 19.8 percent and cargo revenue was down 17.7 percent from the previous year. As a result, carriers have had to pull capacity out of markets. All of the Airlines, except for AirTran, have had significant capacity reductions. Jet fuel prices are high and predicted to climb higher. Domestic and international airfares are much lower than the U.S. Consumer Price Index (CPI). The price of an airline ticket has only increased 1.5 times since 1978, whereas the CPI has gone up 3.1 times.

Airlines have responded to these challenges by increasing revenue sources and adjusting capacity. Fitch Ratings expects ratings for U.S. airlines to improve this year. Capacity constraints, ancillary revenues, and adjustments in fleets have helped airlines to be profitable in 2010. Network airlines (United, Continental, American, and Delta) have reported a 10.5 percent profit margin in the third quarter of 2010, the highest since 2002, which was the first year on record from the Department of Transportation. The profit margin for low cost carriers was 11 percent, surpassed only by an 11.2 percent profit margin in the second quarter of 2006. The third quarter 2010 airline revenue from ancillary sources was \$2.1 billion. Delta alone had the most ancillary revenue with \$693 million. These combined ancillary revenues constitute 5.8 percent of the total revenue of the 26 carriers that reported receiving ancillary revenue. Traffic is not going up dramatically, only about 2.5 percent. Load factors are strongly increasing, about 80 percent on average. If capacity increases, traffic is also expected to increase. Yield in 2010 compared to the previous year has been steadily increasing. Yield (RPM) is a measurement of revenue per mile. Pricing is determined by yield. Pricing increases are tied directly to capacity pullbacks, a strengthening economy, and increasing business travel. Revenue increases attributable to these factors are expected this year.

Airlines are making major adjustments in their fleets. Fifty-seat jets and under are not economical with high fuel prices, and the 50-seat regional jet fleet is aging. There is no anticipated replacement of these aircraft. Airlines prefer fleets of narrow-body 100- to 200-seat aircraft. Small turboprops are also disappearing. Wichita is not served by turboprops, but the Essential Air Service (EAS) markets have turboprops. The government continues to support the EAS program, so that market must continue to be served by something. Small markets will be under increasing pressure. By 2029, the regional jet fleet is expected to decrease 58 percent.

Growth in air travel will be overseas. Both Airbus and Boeing are looking at strong growth in the next 20 years in foreign markets. Domestic growth is only expected to be around two percent.

To summarize current trends in airline business, capacity has been reduced to meet demand and prices will continue to increase. Capacity is not expected to increase in the near future. The reduction in mid-sized jets threatens small- to mid-sized markets. Airlines will continue to practice financial discipline to build upon recent gains. There is reduced access to capital, so airlines will have a hard time investing in more aircraft. Since load factors cannot go much higher, prices will go higher. More consolidations are expected. We have already seen mergers with Delta/Northwest, United/Continental, and Republic/Frontier/Midwest. A merger with Southwest/AirTran is expected by the second quarter 2011.

North America is forecasted to be the slowest growing air travel region over the next 20 years. The key to growth will be for U.S. airports to connect to the global community. The stability of domestic air service will increasingly be driven by the international marketplace. U.S. carriers must be able to compete with foreign carriers in order to support their networks at home. Consolidation means fewer, more rational carriers, but also fewer opportunities for airports. Growth opportunities will be with non-traditional carriers, like Allegiant Air or Vision Airlines.

Ms. Wise then described the affect of airline industry pressures on air service at Mid-Continent Airport. The fleet mix at Mid-Continent is: 52 percent 50-seat or less regional jets; 25 percent narrow-body aircraft; and 23 percent 66-seat or more regional jets. Capacity at Mid-Continent is down 11.5 percent from 2007 highs, and down 10 percent from year 2000 numbers. Mid-Continent has daily non-stop service to 7 hubs, down from 9 in 2000. In addition, there are multiple weekly departures on Allegiant Air to 3 destination markets. Flight frequency is very low right now, down to 37 average daily departures from a high of 48 in 2005. Average daily seats are also down. In 2010, average daily departing seats were 2,879, down from a high of 3,253 in 2007. Fewer available seats mean fuller flights and higher fares. Load factors are quite high. Our load factor is averaging 80 percent, which is very close to full. High load factors reflect decreases in capacity and higher demand. Passenger traffic is holding up compared to previous years. 2010 was Mid-Continent's third best year for passenger traffic, up 3 percent from 2009. Compared to airports in similar markets, Mid-Continent's share of regional airport traffic is up 2.91 percent over 2009, compared to a 1.40 percent increase for U.S. airports overall. Mid-Continent's traffic increase is the highest increase among airports in our region. Average one-way fares are in line with the U.S. average, trending slightly upwards.

Airlines are phasing out the small regional jets because they are not fuel efficient and economically unfeasible. Fifty-seat regional jets service routes out of Mid-Continent to Chicago, Minneapolis, Memphis, and Houston. Chicago, Minneapolis, and Houston are strong markets for the airlines, so Ms. Wise expects that the airlines will continue these routes with larger aircraft, at lower frequency. Memphis is not a top destination, but a good connecting point, so Ms. Wise believes Delta may re-evaluate the Wichita to Memphis route. Airlines are focused on international markets, as growth is expected to be greater than domestic markets. Key to growth in Wichita will be how we can connect to global markets. Economic growth in the future will be dependent on access to the global marketplace. Air transportation will be an essential service tying local communities to the global economy. Industries in Kansas will see increased presence in international markets, so we will want to be supportive of the ability of these industries to access global connections.

Our objective is access to international hubs, strong business markets, and non-stop destinations. Airlines will put their resources in markets where they can make money. They are also going to be focusing on where passenger traffic is sufficient to feed their system. We will also be looking for more opportunities with niche airlines that serve leisure markets. Ms. Wise then opened the floor to questions from the Board.

Chairman Greenlee asked if Memphis was still an international departure point. Ms. Wise answered that she believed they did. Memphis is not a major international gateway, though. Chicago is the top international gateway. Delta is reducing service in Memphis.

Mr. Gooch asked if Ms. Wise expected airlines to decrease the number of flights on the larger aircraft to maintain load factors. Ms. Wise said that Delta is already using CR-7s and CR-9s to Atlanta. They may reduce the frequency to keep load factors up.

Chairman Greenlee asked if landing rates at Mid-Continent were stable. Jean Zoglman, Finance Manager, said they are meeting our projections. She would not consider them stable, but based on the flight schedule projections for next year, which are decreases in passenger and cargo service, they are matching what we are anticipating based on the projections for each year. Chairman Greenlee then asked if enplaned passenger numbers were stable. Ms. Zoglman said they have stayed level. Ms. Wise added that the summer schedule indicates there will be increased capacity. Chairman Greenlee then asked if the price per enplaned passenger was keeping pace with the projections made for the ACT 3 Project. Ms. Zoglman said we are a little ahead of the projections that were presented at the workshop in October, but not enough to be able to change the outlook. We are staying within the margin of deviation for the October projections.

Mr. Ward asked how current were the sources of information used for the air service update? Ms. Wise said the Air Transportation Association is well paced with what is going on in the world economy. There is a six month lag in the Department of Transportation statistics. Mr. Ward said these figures could be very inconsistent with the world market given how quickly the market is changing right now. Ms. Wise said the global forecast is based on FAA, Boeing, and Airbus, so it is reasonably consistent. Chairman Greenlee said Sabre is a separate entity, not

associated with American Airlines any longer. Mr. White said Sabre is one of our consultants. We have a contract with them for air service analysis.

Mr. White said there is a consistent theme in this discussion of international and global markets. Some of the major airline consulting experts caution cities to not put all their eggs in one basket, focusing on securing service with a popular low-cost carrier. Those smaller carriers do not have international routes. Airports must make sure to have a good diversity of airlines serving the airport, so it is very important that we have good relationships and continued growth with United, American, and Delta, the network international carriers. We also want to have smaller carriers like Southwest, AirTran, Frontier, and Allegiant, for not only the leisure traveler, but also the business traveler that only goes to U.S. destinations. It is that mixture that we have to maintain. One of the things that Ms. Wise runs into frequently, in dealing with the large network carriers, is that the Affordable Airfares Program has a downside to it from the perspective of airlines which do not participate in the program. For example, United, American, Delta, and Allegiant do not benefit from that program as corporations. They do not get any subsidy money, and they are not pleased that the community's money is going to support AirTran and Frontier. So we have to be careful when we are trying to promote business with these other airlines because they also want business incentives. Because of FAA requirements, the Airport Authority and its staff are prevented from being a part of any program that provides airline subsidies. So, when someone wants to know why the Airport is touting or discussing the Affordable Airfares program, we reply that the Airport is not associated with that program, and that we must maintain an arms-length distance from it. The Airport does not fund it, nor does the Airport receive any money from it.

Mr. Fletcher said the other airlines, such as American, United, etc., can still benefit from our incentive programs if they bring new service. Mr. White said that several years ago the Airport Authority created an airline incentive program that is totally separate from Affordable Airfares. It involves reduction of, or free, landing fees, terminal rents, or other expenses for a certain period of time up to a maximum of two years. FAA regulations allow airports to be involved in a limited type of incentive program. We can offer some advertising, marketing, and promotion assistance to an airline if it starts service to a market we need service to. We cannot give airlines cash in the form of a subsidy, or a revenue guarantee, which is what the Affordable Airfares program does for AirTran and Frontier.

Dr. Rosenberg said he thought if he were a marketing person for American Airlines, he would point out to travelers that, although it may cost \$25 more to fly American than AirTran, American can get you there faster, or with less waiting time. Dr. Rosenberg explained that last year he traveled to Pittsburgh with AirTran, and had to wait four and a half hours in the Atlanta airport during his return trip to Wichita. If he had taken American Airlines, which would have cost about \$35 to \$40 more, his travel time would have been two to three hours less each way. Dr. Rosenberg wondered why the airlines' marketing departments did not use that argument when advertising their services. It may cost a little more to fly network carriers, but they can give travelers better service and reduce travel times. Mr. White said the Airlines are very unpredictable. It's just an unpredictable business plan these airlines have. Ms. Wise said American is one of the only airlines that did not go bankrupt. They are still dealing with huge

debt. Their approach is to charge as much as they possibly can to cover their costs. Mr. White said the airlines often charge higher prices to make more money with fewer passengers.

Steve Dunne asked if there was a correlation between lower fares and the AirTran routes; if ticket costs on routes that were not competing with AirTran were significantly higher. Ms. Wise said the AirTran fares are down 37 percent since 2000. The destinations that do not have that low fare impact are down about four percent since 2000. Airfares overall dropped dramatically last year because of the economy. Over 10 years you would expect the fares to be quite a bit higher in general. Mr. Dunne said he wondered how the Affordable Airfares incentives were allocated. Mr. White explained the state law defines three criteria an airline must meet to receive incentives: more flight options, more destinations, or lower fares. The Regional Economic Area Partnership (REAP) is an agency that has been designated by the state to distribute the funds. REAP does that based on an application that they receive from an interested community. Sedgwick County is the applicant that represents this part of the state. Sedgwick County applies for AirTran and Frontier to get funds. AirTran only flies to Atlanta from Wichita, and Frontier only flies to Denver. Those are the only two destinations that receive the Affordable Airfares funding. In the case of AirTran, they send a monthly report that shows every flight, how much revenue was made, how many dollars were spent, and the load factor. Based on that report, if there was a shortfall in revenue, Sedgwick County makes up the difference with the money distributed from REAP. It is a pretty basic formula. If they cover their costs for the month on the Atlanta flights, then the county does not owe them anything.

The expected merger of AirTran with Southwest Airlines has great potential to change Mid-Continent airline service. Neither airline is permitted under federal regulations to talk to us about their plans until after the sale is complete because the merger is still in negotiations. The AirTran shareholders have a vote scheduled for March 23 to approve or not approve the deal. Southwest's shareholders do not have to vote. If the AirTran shareholders approve the merger, a number of federal agencies, such as the Justice Department, the Federal Trade Commission, the Federal Aviation Administration, and the Department of Transportation have to provide their approval, as well. It is expected that the federal agencies will approve the merger, which should happen by the end of the second quarter in June. At that point, we should know what will happen to the AirTran service in Wichita. According to information provided by Southwest, AirTran currently flies to 38 cities that Southwest does not, which includes Wichita. Southwest has stated they plan to serve most, if not all, of those 38 cities after the merger. Mr. White concluded by saying he has received no information to expect that Wichita will not be one of the cities that has service under the Southwest/AirTran merger.

Ms. Wise then updated the Board on current Mid-Continent advertising promotions. The Airport has begun digital marketing to geo-target areas identified in the catchment study where Mid-Continent would like to capture more travelers. Salina was identified as one of those areas with a current retention rate of about 55 percent. The digital marketing promotion targets residents within a 20 mile radius of Salina. When someone living within that area searches online for a flight, a banner advertisement with the slogan "Look Before You Book" will pop up on their computer screen that offers them a parking coupon good for one day of free parking in the Short Term or Long Term parking lots. The same promotion will be offered to Facebook account

holders living within the Salina catchment area. This promotion will be offered through March, and radio announcements will be used to increase awareness of this promotion as well. Digital marketing is a relatively low cost advertising strategy. It cost about \$10,000 for the “Look Before You Book” promotion. Since December 22, when the promotion began, there have been 261 people using Google searches that clicked on the banner advertisement to learn more, and 1,074 people using Facebook clicked on the advertisement. There has been a 151.42 percent increase in Salina traffic going to the Mid-Continent Website since December. AMPCO System Parking will track the number of parking coupons received from this promotion.

The Airport had another Facebook promotion, which ended January 19th, for tickets to the Wichita State University basketball game against Bradley University. This promotion resulted in 337 e-mail subscribers and an increase in Facebook Fans for Mid-Continent. There were 726 visits to the Mid-Continent Facebook page.

Coming up for Valentine’s Day, to show all of our travelers how much they are loved, the Courtesy Crew will hand candy bars to all of our passengers that are arriving or departing the passenger ramp. The Mid-Continent logo is on the candy bar, and on the back side of the candy bar is a card promoting a contest to win a bouquet of flowers every month for a year. There will be television advertisements and *Wichita Eagle* coverage promoting the “We Love Our Travelers” contest. Visitors to the Website can also sign up for the flower sweepstakes, which should also add to the e-mail subscriber list.

Over the last three years, Mid-Continent has partnered with the University of Kansas to promote the Pink Zone Game. This event supports the Jayhawks for a Cure campaign for breast cancer research. This year’s Pink Zone Game is February 19 at Allen Fieldhouse, and is expected to draw about 7,500 spectators. Allegiant Air has donated two round-trip tickets to one of the breast cancer survivors, which will be awarded at center court at halftime. The logos of Mid-Continent and Allegiant Air will receive video recognition, there will be public announcements, and a 10 second live read on the Jayhawk Radio Network state-wide broadcast. This is a positive event for the Airport to be associated with and is an opportunity to build affinity with travelers throughout the state. The promotion has an advertising value of \$3000. There is not an advertising cost; it is part of our partnership with the University of Kansas.

Mr. White advised the Board of recent staffing changes. Kelly Fabrizius was promoted to Assistant to the Chief of Airport Police and Fire. She was replaced by Katie Keathley, who will be the Administrative Assistant to Brad Christopher and Victor White. Traci Nichols was promoted to Airport Properties and Contract Administrator.

ACT 3 Project Update

Michael Carter, AECOM, presented to the Board a PowerPoint presentation of the Air Capital Terminal 3 Program (ACT 3) January 2011 Monthly Report.

In the last month, a proposal was accepted for the CCTV System, Head-end and Network Equipment package. TSA has requested to modify the plans for their office space in the new terminal, which is under consideration.

In the next month, AECOM will coordinate plans for the commencement of the CCTV System package, investigate options for the use of facilities during terminal construction, and finalize floor finishes for tenant occupied areas.

Mr. Carter provided an update on the contract packages construction schedule. Two of the four Apron Paving packages are complete. The central portion of the apron will be constructed concurrent with the terminal construction, and the last apron paving project for the east side of the existing terminal will begin after the opening of the new terminal. There are two Landside Utilities packages. The first, that includes Mid-Continent Drive realignment, began July 2010 and will be complete in May 2011. The second will begin in late 2011. The next IT Network, Communications, and Security package for the Surveillance System Head-end and Network Equipment Upgrade will commence in March 2011. The Terminal Building package is projected to be complete three years after the groundbreaking takes place. The Parking Garage and Surface Parking package will begin about 12 months after the terminal construction begins. The Demolition and Renovation of Portion of Existing Terminal will be completed the year following completion of the terminal building.

The package currently in progress is Package 6c: TSA Surveillance System Head-end and Network Equipment Upgrade.

The next project will be Package 12: Terminal Construction. The plans and specifications for Package 12 comprise 10 volumes of drawings totaling nearly 1500 sheets and 4 volumes of specifications and contract documents with more than 4,000 pages. Bid documents can be purchased at City Blue Print, or viewed at the City of Wichita Purchasing Office and the Wichita Airport Authority, along with several other businesses. Plans will also be available at several plan rooms so as to encourage viewing by small and minority contractors.

Mr. Gooch asked if the delay in the ACT 3 Project completion has given AECOM more time to determine more accurately what the cost will be. Mr. Carter said the estimate of probable cost has already been determined. They are still comfortable that the project is within that estimate given the current project completion projections. It would not be cost effective to re-price the project at this point. The best way to determine the price right now is to request bids. AECOM's work is focused on making sure that the plans are exactly what the Airport wants, and the quality of the facilities meets the Airport's needs. Mr. Gooch asked if the cost savings that were anticipated in the original projections have been depleted during the delay. Mr. Carter said the cost increases of materials and commodities are continuing. Contractors have reached the point where they are no longer absorbing the cost increases. The cost savings have flattened out. Cost savings will be lost if we change the bid date by a month or two.

Mr. Wooten asked about the status of the artwork being coordinated by the Greteman Group. Mr. Carter said the artwork is complete and in the budget. The art graphics that describe the

history of aviation have been complete for some time and will be part of the competitive bidding process. The artist selection is also done. Mr. White added that the City of Wichita has a process for art selection which was followed for this project. Once the City Council has approved the terminal construction for bidding, then the artist will bring in his sample to the public art selection committee. If the public art selection committee approves the theme of the work, it will be presented to the City Council for approval. The budget for each piece is \$500,000. The artist was prepared to meet the City Council last July, but that was postponed. Mr. Wooten asked if Mr. White would have to go before the design review board. Mr. White said it will probably have to be presented again to the Design Council, but we hope we do not have to change the artist selection, as it is a lengthy process.

Mr. White informed the Board that he will be meeting with a private firm that has expressed interest in financing and building a parking garage at Mid-Continent. A few years ago, there was another group that showed an interest in building a parking garage in a public-private partnership, but it was not going to be profitable for them because the parking lot revenue is dedicated as part of the funding of the terminal. Another factor limiting the interest in parking garage development are the high durability standards required for the facility we build. A parking garage design must meet specific longevity requirements, and many private firms have indicated that they would build an inexpensive garage that wouldn't be planned to last for the length of time the Airport needs.

Mr. White advised the Board that he expects to come back to the Board and present revised drafts of the brokerage policy and minimum standards in response to discussions and feedback from the January 2011 Board meeting. He has not had a chance to meet with the Airport's General Counsel, Jay Hinkel, regarding these topics, so he plans to include them on a future Board agenda.

Other Business

Mr. Fletcher asked Chairman Greenlee if there was anything the Board could do to change the City Council's mind about waiting until June to make a decision. Chairman Greenlee said he did not have additional suggestions, other than to continue communicating with the City Council. Dr. Rosenberg said Manager Layton made it clear he was waiting for the elections. Chairman Greenlee said he believed Manager Layton and none of the current City Council members appeared willing to broach the subject publicly prior to the elections and completion of the state legislative session. Mr. Gooch said Mayor Brewer's State of the City Address emphasized the Airport and Southwest Airlines. Mr. Gooch felt those were the two items Mayor Brewer spoke firmly about, so he must have had an indication from the City Council that the terminal and Southwest are projects that they would support. Kevin Myles said he noticed that the audience did not applaud after Mayor Brewer's comments about the terminal, which Mayor Brewer and the City Council may have interpreted as a sign that there is not enough support right now to approve the terminal construction.

Chairman Greenlee said there are indications that we have support at the federal and state level. At this time, he does not know what more we can do.

Rebecca Pilshaw asked if the Board could speak more to the press to get more of their support. Ms. Pilshaw suggested it may help if we could get some positive press from the *Wichita Business Journal*.

Mr. White said the Airport staff will not take a public position on the decision to proceed with the terminal construction. Manager Layton acknowledged in his interview that costs could go up. It is not secret that there are risks to waiting too long. The consultants continue to proceed with project planning and design. One of the risks of waiting that has not really been discussed much until recently is that the longer the project plans are delayed, the more opportunity there is for people to want to change things in the plans. Not so much on the Airport's part, but there is the risk that the airlines will want to make changes to their operational areas now that they see the project is on hold. The FAA could come back with changes. The TSA has already requested changes in the plans because new guidelines have been developed that we must comply with. There is a similar risk with city guidelines. The City of Wichita Central Inspection Department approved the plan last summer, but we were cautioned that if we waited too long, we would have to start the approval process again. And, new city storm water regulations went into effect this year that will probably have an impact on the design in such a way that certain items will have to be changed at an additional engineering and construction cost.

The next WAAB meeting will be Monday, March 7, 2011 at 2:30 p.m.

Meeting adjourned at 4:03 p.m.

Kathryn J. Keathley, Clerk