KERRVILLE-KERR COUNTY JOINT AIRPORT BOARD

Special Meeting

Monday, June 20, 2011

10:30 a.m.

Airport Terminal Conference Room

1877 Airport Loop Road

Kerrville, Texas

MASTER PLAN PROJECT UPDATE WORKING PAPER

MEMBERS PRESENT:	MEMBERS ABSENT:
Stephen King, President	Fred Vogt
Tom Moser, Vice-President	
Mark Cowden	
Corey Walters	

AIRPORT BOARD STAFF PRESENT:
Bruce McKenzie, Airport Manager
Laurie DeJohn-Ermey, Executive Assistant

VISITORS:
Perry Havenar, Garver Aviation
Michelle Hannah, TexDOT Aviation
Randal Wiedemann, R.A. Wiedemann & Associates
Mike Erwin, Kerrville Finance Director
Ilse Bailey, Airport attorney

I N D E X
June 20, 2011

On Monday, June 20, 2011, at 10:30 a.m., a special meeting of the Kerrville-Kerr County Joint Airport Board was held in the Airport Terminal Conference Room, Louis Schreiner Field, Kerrville, Texas, and the following proceedings were had in open session:

P R O C E E D I N G S

MR. KING: I'll call this meeting to order, the special meeting of the Kerrville/Kerr County Airport Board, Monday June 20th, at 10:30. Visitors' forum. At this time, any person with business not scheduled on the agenda may speak to the Airport Board. No deliberation or action may be taken on these items because of the Open Meetings Act requires that an agenda item be posted for 72 hours. Visitors are asked to limit their presentations to three minutes. Anyone? None being heard, we'll move to Item 2; discussion, possible action. Discussion on the Master Plan Update Working Paper with Perry Havenar -- how do you pronounce your last name, Perry? Havenar. Welcome, Perry.

MR. HAVENAR: Thanks.

MR. KING: And Michelle.

MR. HAVENAR: Mark, could I get you to move your water?

MR. KING: And Randal. How was the grand opening of Austin Executive? Anybody go?

MR. HAVENAR: I did not.

MS. HANNAH: I did not; I was in San Marcos. But I heard it was wonderful.

MR. HAVENAR: Yeah.

MR. KING: I was going to go, but nobody paid for my gas. (Laughter.)

MR. HAVENAR: If you're in Austin, it's worth just going to the airport.

MR. KING: I was looking for it yesterday when I was coming back from Florida; I was flying by, trying to look for it. I couldn't see it.

MR. HAVENAR: The F.B.O. facility there is -- oh, my goodness. And that's -- Ron has a few loves in life, and, you know, one is aviation, one is Indian motorcycles. And so you go into the -- the foyer, basically, or the waiting area in his terminal, and his terminal, the terminal part of his F.B.O. structure there, and he's got an engine from the --

MR. KING: Concorde.

MR. HAVENAR: -- Concorde in there.

MR. MOSER: Really?

MR. HAVENAR: Yeah. Got steps that go up to the second level, and at the landing on the steps where it turns, there's a vintage restored Indian motorcycle sitting there. I'm just, like, whoa. And it's all first-rate.

MR. McKENZIE: Let's get some air in here.

MR. HAVENAR: Well, we're here to talk about the

ongoing master plan, the third working paper in the series of what will be four. We'll get the fourth one to you sometime probably September or so. But on the agenda today, we're going to kind of give you a bit of a schedule review, go back to those preferred alternatives and show you what we've done there, go through the capital improvement program, the phase development program, the financial plan, and then discuss a little bit about what can happen next. Y'all have all met Randal, and you know Michelle. Michelle, do you have anything for this group before we move forward?

MS. HANNAH: Good cookies.

MR. HAVENAR: Good cookies; keep them coming.

MR. WIEDEMANN: Awesome, yes.

MR. HAVENAR: So, here we -- now, I got to remember where the -- there it is. We're here, Working Paper Number 3, okay? So we've gone through the vast majority of Elements 1 through 7, which is the financial plan, and we're going to finish up then with the rest of the management, financial part of things, the economic impact, and then the marketing part, and bring you Working Paper Number 4 around September of this year. And hopefully we'll be back in here doing this again at your September meeting, after your September board meeting. So, that's where we are in the -- in the schedule of things. Here's where we want to -- just to recap the -- the preferred alts on the east side. Here we are in the

terminal building with your apron, and what we've -- what we've proposed is this kind of development here, ranging out into this kind of development, and as well as with some big box hangar development up in here. And I don't want to forget that we've also included some big box hangars down on this end to offset the Brinkman hangar on this end. All right.

On the west side -- and, remember, these are plans, and subject to change, as things do change at your airport. With the plans we have here, with most of all of this being T-hangars or small box hangars, with the 12-unit T-hangars and fitting in the size of the T-hangars that we can here, and making the maximum use of that property as far as hangaring, and then with the small entrance and parking lot down on this end. And this is -- this is build-out of that facility. It doesn't mean that's what's in the phase development plan, but we'll get to that here in a little bit. We're going to talk about your capital improvement program. You're going to be able to get funding from a number of sources, although the primary source is TexDOT, with TexDOT acting as the block grant state and funneling all of the federal funding, or the vast majority, as long as you guys got don't get placing or something. Don't do that; Michelle doesn't like that. But they also have state funding programs, and there's always local moneys as well. We'll

look at some probable project costs and the phase development plan.

So, as far as federal programs go, you can get funding through the use of those fuel and ticket taxes, and that's what funds the Airport Improvement Program. And, again, that's run through the state block grant program, and Michelle is your planning and program manager. She does an excellent job, I think, of -- of lining y'all up and making sure that the right projects are -- are in the queue for you. As far as funding and its availability, we are working on our -- working during our 18th extension, which ends the end of this month, I think, so hopefully the Legislature will finally find a way to pass a multi-year extension to the Airport Improvement Program. When it comes to facilities like your localizer or some of your lighting, like your PAPI's or things like that, you can sometimes get funding -- get those funded through the facilities and equipment program at the F.A.A. However, it would be their equipment, not yours. They would be responsible for maintaining it and -- and all of that. Sometimes I think it's just easier to own it at the airport and maintain it that way.

As far as TexDOT programs, TexDOT has a similar A.I.P. program. It's a 90/10 match for capital projects. You guys are involved in the RAMP program, are using the RAMP program like you should, and TexDOT is very accommodating in

what they will fund through the RAMP program on a 50/50 basis. And if you think it qualifies for RAMP, all you got to do is ask, and Megan Caffall, who some of you probably know, is running that RAMP program again, and is very accommodating as far as projects go. You've got -- you've already got your AWOS program, but they have one that goes on a 75/25 for installation/repair of AWOS. The terminal grant program, which you have taken advantages of with this beautiful structure. And then they do have a hangar program that is an 80/20 or 75/25, depending on whether or not pavement is available. If pavement is not available, it's 80/20. If pavement's already available for the hangar, then it's 75/25 share. And that's in the event that all your airside needs are met and there's funding available for that program. And the same thing goes for the fuel facility program.

So, let's talk a little bit about the phase development plan. We've got probable project costs in the phasing plan that are all based on 2011 dollar figures, so we haven't tried to incorporate any inflationary figure into that. It's split out based on three phases; 0-to-5, 6-to-10, and 11-to-20 year terms. Phase I -- oh, man, that is so small. There you go. That's as good as it's going to get right there, I think. So, Phase I, and we -- it shows easier on the graphic than it does here, but I put this in here

because of the -- because of the costs. With the 0-to-5, your time frame, we're looking at roughly $7.2 million in funding it over the next five years in capital projects with -- it's about an equal split, three and a half local, three and a half state/federal. Look -- realizing that of that three and a half, the vast majority of that is in structures and new hangars and things like that. Whether or not that's funded strictly by the airport or through local investment by leasing the ground and allowing a private builder to come in and build those hangars, that's -- that's -- we're going to leave that up to y'all and how that works out best for y'all.

MR. MOSER: Perry, a while ago you showed hangars like 80/20 or 75/25.

MR. HAVENAR: Yes, sir.

MR. MOSER: But when I look at those, just -- A-2, okay. Those are box hangars.

MR. HAVENAR: Mm-hmm.

MR. MOSER: That's like -- local funding is --

MR. HAVENAR: What --

MR. MOSER: Go ahead.

MR. HAVENAR: What we did with those is I didn't split them out, as far as the hangar cost goes, as a cost share through TexDOT. I left them as a strictly local-funded project, under the assumption that they would be based on the ground lease, like what you guys did for the 100-by-60 foot

hangar that you got a ground lease over here like that on.

MR. MOSER: Okay. So that's -- but if you did a T-hangar, where is there a T-hangar?

MR. HAVENAR: I did the same thing with the T-hangars. I didn't want to --

MR. MOSER: I see. 'Cause that jumped out at me. I thought, well, that's inconsistent with your --

MR. HAVENAR: It is.

MR. MOSER: -- other things. So, you just assume this is where --

MR. HAVENAR: Yeah, it's a ground lease. And I didn't want -- and I didn't want to assume that TexDOT had money in that program that's available for you, either.

MR. MOSER: Right. Right, I understand that.

MR. HAVENAR: If they do, then that makes -- that makes the local funding column much better.

MR. MOSER: Well, that's what we need to see. We need to see, assuming that --

MR. HAVENAR: Okay.

MR. MOSER: -- TexDOT funding were there, what would it be?

MR. HAVENAR: And we can make -- we can make those changes, and that's reflected in changes in the final report, then.

MR. MOSER: Okay. Or else put a footnote there

that says, "This assumes ground lease only," or something.

MR. HAVENAR: Sure.

MR. MOSER: So if somebody picks this up, you know, two years from now or one year from now, --

MR. HAVENAR: Sure.

MR. MOSER: -- they'll understand what it is.

MR. HAVENAR: I understand.

MR. MOSER: Otherwise, they get sticker shock. Okay.

MR. HAVENAR: I understand.

MR. MOSER: Thank you.

MR. HAVENAR: So, the other -- the other three phases -- or the other two phases, rather, are pretty much the same way, with the second phase at 6-to-10 being roughly 9.8 million, with most of it, though, being federal funding, because it's a lot of upgrades to the facilities that you have here.

MR. MOSER: Right.

MR. HAVENAR: And then the 11-to-20, looking out, you're updating your master plan again, and sealcoats and new hangars and things of that nature in here, with a total over the three-phase development plan of roughly $27 million, with 17 of that being federally -- state or federally funded, and then 10 as it is proposed here. But we'll -- we'll revise that so that it does split those T-hangars out, so that

there's that cost-share basis.

MR. MOSER: Right. And you can do it both ways, you know.

MR. HAVENAR: And we can present it that way. We can leave it this way and then --

MR. MOSER: Sure.

MR. HAVENAR: -- also show you that maybe in an appendix, say, to refer to for -- that the hangar program cost share can be incorporated into an appendix or into another table in this --

MR. MOSER: Yeah, okay.

MR. HAVENAR: -- in this section of the report, either way.

MR. MOSER: Just show them Option 1 and Option 2.

MR. HAVENAR: Okay. So, here's a depiction of the -- the capital improvement programs with the -- those in purple are that 0-to-5 year. So, you can see we've got the hangar lease that you've already got right there, and an additional one here in this -- in that 0-to-5, improving this road here to allow access, and building this apron here to allow building out of these two, coming down on the end and looking at building out on the end here, adding in some revised parking, adding in parking here to the southeast of your terminal building, and then coming across and starting to build taxi lanes across and T-hangars and a partial

parallel on the west side of your crosswind runway to allow for some development over there.

MR. MOSER: And so that other thing, that's leaving the paint hangar there? The paint hangar?

MR. HAVENAR: It shows --

MR. MOSER: Yeah.

MR. HAVENAR: It shows removal of that paint hangar --

MR. MOSER: Okay.

MR. HAVENAR: -- for then Phase II, --

MR. MOSER: Okay.

MR. HAVENAR: -- building several new T-hangars.

MR. MOSER: So, 0-to-5 is just removing it.

MR. HAVENAR: Of that paint hangar, yes, sir.

MR. MOSER: Right. Right, okay.

MR. HAVENAR: And, really, those are -- those are going to be options to -- options to y'all, depending on what happens with --

MR. MOSER: Sure.

MR. HAVENAR: -- the Mooney facility and where that stands.

MR. COWDEN: The parking lot that's kind of behind the -- catty-corner to --

MR. HAVENAR: Right in here?

MR. COWDEN: Yeah. How many parking spaces?

MR. HAVENAR: I think that there were 40 -- 40 additional parking spaces in this one, the way it was laid out. And it also builds in parking here, and builds in parking down in here as well. And then we come back in -- if you're concerned about parking, we come back in Phase II, and where you've got this road going through here, we've got additional parking in here. I think there was, like, 15 spaces here and another 20 spaces in here. So, we continue to, in each phase, add some more parking as we go.

MR. COWDEN: Well, parking's a jam-up, short-term right here. That's why I was asking you how many spaces.

MR. HAVENAR: Yes, sir. And that's why we wanted to add at least -- I think there was, like -- I can't remember. I have to go back and look, but I think I saw it was like 35 or 40 spaces in this parking lot alone.

MR. COWDEN: Yeah. I want to get these guys that park long-term -- move them --

MR. HAVENAR: Out of the -- out of the front of the building. I understand, yeah.

MR. COWDEN: Right.

MR. HAVENAR: We've got a bit of a blow-up of each of the sections here, just so you can see it a little easier. Since most of what we're proposing, other than maintenance projects on your runways and taxiways is -- is development within the terminal areas. And I'm not going to belabor the

graphics. And then again, here we have a closer-up look on the west side with Phase I, Phase II, and then Phase III with long-term development. And, again, all of that over there is contingent on what happens with Mooney, and so there may be options available to you that work better financially for you. So, I'm going to step back and, at this point, turn the time over to Randal and let him walk you through his findings and discovery through the financial process.

MR. WIEDEMANN: Okay. Thanks, Perry. Just a couple of things. We went back over the phased capital improvement program that -- that Perry's group had done, just so that we had it, you know, plugged into our analyses. We looked at your historical revenues and expenses just to see what the airport's been earning as an airport itself, operating-wise. We did a baseline pro forma, and the baseline was essentially the implementation of the master plan. So, the forecasts that were used in the master plan were the same ones that we used to develop what we're calling the baseline. We also did a contingency plan, and, you know, I think if we -- you know, again, I'm not suggesting anything is going to happen, but it would be sort of smart for us to look and make sure that we accounted for some sort of early termination of the Mooney lease, depending upon, you know, how they fare or what happens. But if that property comes back to you, you know, there's -- there's consequences and

opportunities that go along with that.

MR. MOSER: Right.

MR. WIEDEMANN: And we also just sort of hinted at some revenue enhancement actions. And, again, that's part of the talk that we were looking at in terms of -- of doing a marketing program. But our assumptions were this. If -- if this -- if the lease -- if the Mooney lease comes back, you know, we estimated that these four hangars -- you know, you could use those as revenue-generating storage. We didn't -- we didn't touch any of the other parts of the lease. We just said, okay, these are going to be converted to revenue production, so that was our -- that was our assumption. When we looked at those phased improvements, again, this is -- this was, you know, looking at all three phases and, you know, our interest is in this local share, 4.4 million, private. You know, there were some assumptions about the hangar development that --

MR. MOSER: You know, Randal, this was the same thing as before. This is not the 80/20; this is private or local --

MR. HAVENAR: Correct.

MR. MOSER: -- and land lease.

MR. HAVENAR: So we'll make those revisions.

MR. MOSER: Yeah, okay.

MR. WIEDEMANN: And let me -- there's -- in our --

when we get into our -- our assumptions, I'll give you the take on how we dealt with conventional hangars and T-hangars.

MR. MOSER: Okay.

MR. WIEDEMANN: Conventional -- or the contingency plan, essentially, is about a million dollars less, because you're not building hangars, you know, that are already there, basically. So, that's -- it's less than the baseline, because in essence you're accommodating demand over there versus building new hangars.

MR. MOSER: Mm-hmm.

MR. WIEDEMANN: When we looked at the historical revenues and expenses, I mean, again, this is operating. This isn't total. This doesn't show, you know, when everybody contributes money and when the City and the County contribute money and basically get this net revenue back to zero. We're trying to find out what does the airport itself earn, just as an airport function? You know, how does that -- and then what does it cost, operating -- you know, to operate the thing? And this is kind of where we're at, and so, you know, there's -- there's -- you know, you're looking at net -- net revenue deficits of, you know, probably --

MR. MOSER: I thought in 2009, we had, like, a net revenue deficit of about 400,000.

MR. WIEDEMANN: Well, I --

MR. MOSER: Because we had $600,000 operating; we

had about 400,000 from City and County, and 200,000 from the airport. So, I had in my mind it was, like, about 400,000.

MR. WIEDEMANN: Was that '9 or '10?

MR. MOSER: They were about the same.

MR. WIEDEMANN: Okay. These were the numbers that we received -- you know, that were given to us.

MR. MOSER: Where's Bruce? Am I -- am I --

MR. McKENZIE: Now, I pulled the numbers off of just -- I pulled them off of all the spreadsheets that we had. But it seems like it was around 600,000.

MR. MOSER: Well, 600,000 is -- was basically what our entire budget was. And we generated about 200,000, and we needed about 400,000 from the City and the County. So, something's -- something's --

MR. WIEDEMANN: Okay. So, basically --

MR. MOSER: Check that out, Bruce.

MR. WIEDEMANN: And, you know, it could be -- you know, and I'm not certain, but maybe we got, you know, three-quarters of a year of operating expenses.

MR. MOSER: Okay.

MR. WIEDEMANN: That may not have reflected the entire year.

MR. MOSER: Okay.

MR. WIEDEMANN: You know, we can check that. But, you know, when we went back to do the baseline pro forma,

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there were some assumptions that we used in our forecasting, and one of them was a fairly conservative inflation rate. We used to -- I mean, I remember for years, it was 4 percent. It's probably 2 and a half for the foreseeable future. Existing lease rate growth was based upon the -- the C.P.I. escalations that are in the agreements themselves. Fuel flowage fees, we base those on inflation plus operational growth here at the airport. In other words, the more operations you have, you know, theoretically the greater your fuel sales.

MR. MOSER: Let me ask you another question, or -- for you and Perry also.

MR. WIEDEMANN: Sure.

MR. MOSER: On existing lease rate growth.

MR. WIEDEMANN: Uh-huh.

MR. MOSER: Forgetting what's in the agreements, but just for surrounding airports, what do we know about that? Or Michelle. Do they -- have they been increasing at an escalation rate? Or -- or --

MS. HANNAH: I would say that --

MR. MOSER: -- 10 percent per year?

MS. HANNAH: -- a typical recommendation is to have it tied from whatever to the C.P.I., and adjust it.

MR. WIEDEMANN: Yeah.

MR. MOSER: That's a normal hangar.

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MS. HANNAH: But some of the old ones --

MR. McKENZIE: Normal hangars. What about T-hangars? We have those now; they go year to year. Is that --

MS. HANNAH: If they go year to year, you have more flexibility.

MR. MOSER: Yeah. But what do you know -- and maybe you don't want to say it, like, what Fredericksburg does, or anyplace. Have they been increasing their T-hangar rates above C.P.I.? Or --

MR. WIEDEMANN: Most have not. Most have not.

MR. HAVENAR: Especially not in the most recent economy, they're not.

MR. WIEDEMANN: Yeah, it has to do with market share, and -- and, you know, if you deal with G.A aircraft owners, you know, they'll go to a different state to get a two-cent drop on fuel. I mean, it's -- they're -- it's hard to -- it's hard to --

MR. McKENZIE: That's right.

MR. WIEDEMANN: -- to change the cost.

MR. MOSER: Okay. All right.

MR. WIEDEMANN: We've also seen cases where, if -- if an airport is -- you know, I don't know if they're at the market rate or not for hangars.

MR. MOSER: Mm-hmm.

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MR. WIEDEMANN: What they'll do is they'll raise it, you know, --

MR. MOSER: See.

MR. WIEDEMANN: -- and see what happens. And then, you know, like, we'll tack on a $50-a-month, you know, increase and see if we get -- if we start losing people, you know. In other words, is there still a waiting list, or does it start to drop? I mean, how does this all work?

MR. MOSER: Okay. All right.

MR. HAVENAR: I've also seen airports that have just held it. "We're not going to raise rates. Even though it's in our -- even though it's in our lease agreement, we're not going to raise our rates because of what's happening in the economy."

MR. MOSER: So, it's all supply and demand stuff.

MR. WIEDEMANN: Yeah.

MR. MOSER: Okay.

MR. KING: But under our circumstances, we have how many people waiting?

MR. MOSER: Thirty-something.

MR. KING: Thirty-three on a waiting list. We haven't raised our T-hangar rates in 11 years. I mean, why would you keep them at 250 when we need the extra revenue?

MR. HAVENAR: Right.

MR. KING: About two or three of them are not going

to go anywhere. These guys aren't going to Fredericksburg. We're cleaner than Fredericksburg still. I mean, if I still got 33 on the waiting list, and none of them -- we haven't gotten a guy off the waiting list in how long?

MS. HANNAH: And they're probably people who aren't flying anyway, if you lose them.

MR. KING: Yeah.

MS. HANNAH: And they're not flying.

MR. KING: That's probably very true.

MR. HAVENAR: Not buying fuel.

MR. WIEDEMANN: Yeah. You might as well put people --

MR. KING: There's not going to be any hangars built for two years. I don't know why you wouldn't --

MR. WIEDEMANN: What we're saying here, though, is if you -- if you build hangars -- and again, our -- you know, the assumption that we used in the financial plan was that you build the T-hangars; that there's debt service on the T-hangars, and that you pay them back through the revenues that come out of them. On the conventional hangars, we took it at private investment. You do a ground lease with private investment, primarily because you're not going to find a developer -- a hangar developer to come in and put a set of T-hangars up without putting -- you know, I've seen condo developers come in, but they have a huge markup that they

have that makes it unrealistic to rent them out. I mean, they've got to be in a very high-demand metro area to make that work. So, you know, if it's a -- if a T-hangar's going to get built, it's probably going to get built by you. And we -- as you can see, we -- you know, the rates are -- are up to pay that debt service, 350 a month. The land -- you know, you're not quite at 20 cents, but, you know, really, if you talk about, you know, 20,000 or 30,000 square feet of -- of land, you know, you're still under, you know $5,000 or $6,000 a year, you know, for a big --

MR. MOSER: I mean, it's nothing.

MR. WIEDEMANN: It's a rounding error for somebody that's got a corporate jet. So, 20 -- 20 cents, you know, we assume, just because that's the sort of market rate around here for the land.

MR. KING: And what are we at?

MR. WIEDEMANN: You're at 18.

MR. KING: We're at 18?

MR. WIEDEMANN: And, so, it's not a big deal. But --

MR. KING: What would you think about -- what did -- you brought up condo. What if -- what if the airport tried to condo some things? Can we do that? As long as --

MR. WIEDEMANN: Yeah.

MR. KING: We don't have any money. We don't have

any money, and I don't see any money coming. I mean, unless Michelle's going to help us out, and that's going to be in '14 or '13 -- in 2013. I mean, I don't see this airport building a port-a-potty in three years. Unless -- you know, unless we've got some way -- a private developer's not going to do it. If it's a private developer, we could get somebody to do it tomorrow, but the numbers aren't there. The numbers are not there.

MR. WIEDEMANN: Well, that --

MR. KING: Especially at 250 -- at 250 a hangar, there's no way. There's no way you can build them. So, you know, if we can't get -- if we can't get any help from TexDOT for the ground deal -- which I know we can, but it's not in the -- there's no money available till '13 at least. And -- and so we just took it off our capital -- we took it off our budget, off our C.I.P. on Friday. We took the T-hangars right out of our C.I.P. You know, there's no T-hangars, even looking at T-hangars until 2013. We got 30-something people on a waiting list; been there for three years. So, what would be the -- has anyone ever done a -- a governmental condo-type deal? You know, we can ask those guys, --

MR. WIEDEMANN: Oh, yeah.

MR. KING: -- you know, what if we build those hangars? And we --

MR. WIEDEMANN: You ask them to put money down?

MR. KING: Yeah. It's not the most advantageous way of doing it, because, you know, we go back to the same -- same deal I preached for two or three years, is you don't make any money on ground leases. You lease up your whole airport with ground leases, and you wouldn't have enough money to pay your electricity, barely.

MR. WIEDEMANN: The only -- and we'll go -- you know, just one thing at a time, but basically, the -- the hangar thing, if you try to get people to actually put money in, you'll find it's going to be a much smaller development than you originally thought. That 33 waiting list might, you know, boil down to, you know, seven or something like that.

MR. KING: Yeah.

MR. WIEDEMANN: If there's money on the table. The second thing is, you -- when you go to do the ground lease, if there's a reversion clause in -- in the lease, you're actually gaining equity on that person's, you know, investment. Because, you know, let's say it's 25 or 30 years. At 25 years, you're actually getting 4 percent of that back every year. So, it's the ground lease plus whatever equity that thing is going to be worth at the end of 25 years. And the only other thing I would say about the T-hangars are that if -- you know, if you -- I mean, typically, airport boards are the only ones that can afford to do T-hangars, because it takes so long to actually get

your money back out of them. But what you're actually looking at is the fuel sales, using the maintenance, all the things that are, you know, activity-related at the airport. You need a base of operations for those aircraft to actually come here and be here. You can't count on transient activity to do all your fuel sales and everything. So, part of that is like a known investment where they say, "Well, you know, we're not -- we're not a for-profit company anyway. We've got plenty of time. If it takes us 20 years to get our money back out of it, we'll do that in order to have the activity here and get it going." That's kind of the -- the philosophy that a lot of airports, you know, are using just to make sure that they can have that -- you know, those base -- that base of operations.

MR. KING: So, you think you could convince a governmental body to take a --

MR. WIEDEMANN: Take a loan?

MR. KING: -- a 5 percent -- a 5 percent return on -- R.O.I. on -- on a one million dollar project over 20 years? I mean, 20 years seems like a -- I don't know if I could even see --

MR. WIEDEMANN: I'd love to actually -- personally, I'd love to get 5 percent --

MR. KING: I know.

MR. WIEDEMANN: -- at this point. I mean,

there's --

MR. KING: I don't -- I don't know. It just seems like a long -- we were looking at 10 to 20 years, and that seemed like a --

MS. HANNAH: How'd y'all do the last set?

MR. KING: We did them on about a 10-year payout.

MR. McKENZIE: I think they were on eight years when we built the ones in 2000.

MR. KING: We paid them out in about eight years; we got all the revenue back. We thought about doing a loan -- the possibility of doing a loan, borrowing it from -- borrowing some money, letting them pay them back. The City didn't have any money. Only money available is through our 4B money. You know, asking those guys to loan us, you know, a million dollars -- a million dollars to get it back, and that's just -- you know I don't know that --

MR. COWDEN: How is Fredericksburg -- they built a bunch of T-hangars over there. Is that all private money? Do you know how they've done that?

MS. HANNAH: Yes. Some of it has been private.

MR. KING: Any of them been with you guy's help?

MS. HANNAH: We have a --

MR. KING: You know, y'all have a hangar program.

MS. HANNAH: They have participated in that. And I think we're doing -- doing a P.E.R. next week and going over

current projects for them now, and looking at --

MR. KING: What's a P.E.R.?

MS. HANNAH: Preliminary engineering review report.

MR. KING: They building some more T-hangars?

MS. HANNAH: We're doing apron and rehab work. And then along with that, we are looking at a hangar area, ground, and they're moving forward.

MR. KING: There goes the rest of our airplanes.

MR. WIEDEMANN: Well, and that's --

MR. KING: Airport of the Year with no airplanes.

MR. WIEDEMANN: Yeah. That's --

MS. HANNAH: Well --

MR. WIEDEMANN: And that's the whole thing. It does -- you know, you typically need -- well, even if you're doing a reversion clause, you're thinking long-term. You're not thinking -- you're not thinking about, you know, this board seeing any return, you know, ultimately on the investment. It's going to be well into the future before that.

MR. KING: No, I understand that, but 10 to 12 years is a lot different than 25 to 30. I'll be honest; you get a hangar back in 30 years, and it ain't going to be like a new Chevy.

MR. WIEDEMANN: Oh, no.

MR. KING: You're going to spend a lot -- there's a

hangar down here, Hangar 4 down here. We had the opportunity to get that back about five or six years ago, and, you know, we didn't. The wisdom of another board, they gave them another 10 or 11 years on a hangar that's probably -- when we do get it back, it's not going to be worth --

MR. MOSER: Costs you to bulldoze it.

MR. KING: Be good for demo.

MR. COWDEN: Right.

MR. KING: You know, the hangar we're going to get back down here in two and a half years is a little different story. We're probably get some rent out of it, but we're going to have to go in there and spend -- we got to bring it up to A.D.A. standards. It's got, you know, 1,500 foot of office space. It's been stripped, basically, on flooring and everything.

MR. WIEDEMANN: Yeah.

MR. KING: We're going to have to probably spend 50, 75 at least, wouldn't you say, Corey, on that Brinks hangar?

MR. WALTERS: Just the A.D.A. is going to cost us a bunch.

MR. KING: A.D.A., yeah. So if you're talking 25, 30 years, it's not a bed of roses. It's not like you're going to get something for free. It's going to cost us probably two years revenue. Two years revenue on a hangar to get it back -- get our money back to bring it up to standards.

MR. WIEDEMANN: Right.

MR. KING: Because there's --

MR. WIEDEMANN: I guess what I'm saying is after the two years, you know.

MR. KING: After the two years.

MR. WIEDEMANN: Basically, I mean, that's -- a lot of this is sort of long-term thinking.

MR. KING: Yeah.

MR. WIEDEMANN: It's not an immediate -- again, when we do a business plan for a business, we have a five-year horizon. So, you know, we are thinking now, making things happen fairly quickly, and that's our area of interest. Master plan, you know, you're talking 20 years. This is sort of like just out there, and are we going in the right direction? You know, and so just, you know, moving along here, the supplies and maintenance growth, one of the things that we did with that category is -- is we grew it at the same side of --

(Mr. King started to leave the meeting.)

MR. KING: Thank you very much.

MR. WIEDEMANN: Yeah, you bet.

MS. HANNAH: I have one more pearl of wisdom before you leave.

MR. KING: I'm impressed. I'm going to go fly.

MS. HANNAH: Okay. I did have one thought, though, about the ground lease. There's two ways you make revenue; one is fuel sales and the other is your -- your lease. And so maybe you get that 5,000 a year, but in the meantime, if that's a jet based in there, you get your -- your based jet and your fuel sales, and then --

MR. KING: I agree. And most of our cases --

MS. HANNAH: -- that kind of helps in the other area.

MR. KING: An airplane came out of this hangar right over here, and he's moving right over there. And so we don't gain any fuel sales. We gain 5,300 bucks a year. And I'll say in this case, the one we just did, the location of the hangar was not much use -- it wasn't good for any other use other than a corporate hangar, and so -- or T-hangars. Or T-hangars. It's right next to our T-hangars. So, we will get 5,300 bucks a year out of the guy, but we didn't increase it. And the City and the County and the school will get more tax revenue. You know, we'll not benefit from either. So --

MS. HANNAH: Right.

MR. KING: You know, has this ever been looked at?

MS. HANNAH: How much based --

MR. KING: You know, we probably have $400,000 a year in -- I think we figured it up one time, $400,000 a year

in tax revenues.

MR. COWDEN: No, three.

MR. MOSER: That's money --

MR. COWDEN: 300,000.

MR. KING: 300,000 in tax revenue out here, you know, that leaves this airport. A year.

MR. COWDEN: I think there was 13 maybe at that time.

MR. WIEDEMANN: When you start weighing in against, you know, the deficit, all of a sudden the deficit doesn't look so bad, you know.

MR. KING: No, I know. We can talk about that.

MR. WIEDEMANN: Yeah.

MR. KING: But, you know --

MS. HANNAH: But now that y'all have this board, y'all -- I think y'all could be more savvy in your renegotiation of leases, and you can take a look at how -- whereas in the past, like you said, they just, you know --

MR. KING: Gave that one away.

MS. HANNAH: Yeah, without conditions or -- you know, you will leave this in a better condition than you came in at.

MR. KING: That's one of the problems on these
hangars, is that after 30 years, if you don't have some sort
of aggressive mechanism for them in there keeping those

hangars up, keeping them up to status that you would take it,
it would be like somebody renting your house for 30 years and
you never went by there and checked it. When you go look at
it, the roof's bad, plumbing's bad, and he moved out. And,
sure, you got your house back, but what did you get? And so,
if --

MR. MOSER: Liability.

MR. KING: Got a liability. So, you know, we
haven't really done a very good job of that, or the
predecessor boards have not done a very good job of requiring
these buildings to be kept up according to the leases. And
maybe it's not written in the leases, but I think it is.
But, you know, if you get a 30-year -- a building back after
30 years -- and I will admit to you, it's better than
nothing. It's better than nothing. We'll get 50,000, 60,000
a year off that building down there, which is going to be a
great deal, but that's also a million and a half dollar --
shoot, probably a $2 million building. If you had to build
it today, it's a $2 million building.

MR. WIEDEMANN: Right.

MR. KING: So, you know, we -- and for the past 30
years, we've basically received peanuts for it.

MR. WIEDEMANN: Right. And so now you're going to
actually cash in on that, the peanuts. But --

MR. KING: Exactly.

MR. WIEDEMANN: But the thing that some airports
do -- and I'm not saying -- suggesting -- I mean, you have to
look at everything. But one of the things that they do in
their leases is to say, okay, we will pay you fair market
value of the -- of the improvement when it's over.

MR. KING: Right.

MR. WIEDEMANN: And so if they let it -- if they let it go, then you don't owe them anything. If they've kept it up, you know, there's some payment for that. In other words, it gives them an incentive to keep the thing, you know, from just going terrible.

MR. KING: I can understand that.

MR. WIEDEMANN: So, anyway -- but there's different ways to go about it.

MS. HANNAH: Protect your own investment.

MR. KING: I think that's a big thing. I think y'all should do a seminar on that at the TexDOT aviation conference on protecting your investment. You know, 'cause I fly around all kinds of these airports and see these, you know, ugly looking hangars and stuff like that. And I know if you ever get those back in a 25- or 30-year deal, what are you going to get? A liability, you know. Just a liability. So, I mean, I think that's an good thing you should look at, 'cause if we would have looked at it a long time ago, we would have forced Mooney, when they were booming and had

money, we would have forced them to reroof their hangars, keep them up to quality. Now, instead, we're going to end up with 365,000 square feet of -- of new liability.

MR. WIEDEMANN: Yeah, right.

MR. KING: So, something -- we're not going to solve the problem in three years of us being on the board, but we hopefully, you know, can help it down the road.

MS. HANNAH: Y'all can establish -- get your leases and your structure for that.

MR. KING: Right.

MR. WIEDEMANN: You can do -- do some force directions here.

MR. KING: One more thing before I leave. Michelle, we want to get -- on these T-hangar projects, we would like to get -- I know you guys can't do anything on money, but we would like somebody to sit down with Bruce and explain to him what -- on a 50-unit building or something like that, what realistic moneys we could possibly expect from the state for help in construction, so that we can kind of get together on a budget. We can get together a budget, and we can't depend on the county --

MR. MOSER: Get in the queue, right.

MR. KING: We can at least figure out what we need, and we quit standing -- you know, we've been standing outside the line. We're not even back of the line.

MS. HANNAH: I think y'all need to be -- I think y'all need to be back in the C.I.P. You just took it out of the C.I.P. What year did y'all have it in y'all's C.I.P.?

MR. MOSER: For next year.

MS. HANNAH: Oh.

MR. KING: 2012.

MR. WALTERS: We took it out partly because of your previous comments when you were here last time, when you said that money had been, you know, already allocated.

MR. KING: We moved it to 2013.

MR. MOSER: We based it on the fact that it wasn't available till 2014.

MR. KING: The City and County had a $300,000 liability hanging over their heads, and they never knew when we were going to drop the bomb on them and say, "Hey, we're here." And they're trying to budget in a tight process; they got a real tight budget. They didn't see this --

MS. HANNAH: You don't have any other current active projects other than this one finishing up?

MR. MOSER: But, Michelle, we took it out, but the budget's not settled yet either. We can put it right back in if we had a reason to, or if we could see --

MS. HANNAH: Well, you have your N.P.E., which you can accumulate, and I don't know if you've spent '11. In '12, you could at least start your engineering design.

MR. McKENZIE: 150,000 a year.

MS. HANNAH: Yes, 150,000. And we will fund up to 600,000 of a million dollar project, which would be our -- yeah, 'cause what we do after you get it rolling, we'll slide the next one in, 'cause -- before it expires, because it's active. We can --

MR. McKENZIE: But --

MR. MOSER: What can we do to -- to focus on this and accelerate it so that -- 'cause we're going through our budget stuff right now.

MS. HANNAH: Well, after this meeting, we'll sit down and talk.

MR. KING: Yeah.

MR. MOSER: Good, we need to. Let's do it.

MR. KING: We think -- what we need to do is, we think we could get the City and the County or the E.I.C. or economic board -- they're not -- I don't think they would be opposed to giving us money -- some money as a loan towards an investment payback, but we'd need to drop that -- we need to drop that -- realistically drop that total investment -- their investment down to a point where their return on investment is livable, that you can live with it and everything. We don't know. You know, if you look at it, and it takes you $2 million to build -- what did you say, Perry? Like, $2 million to build some T-hangars? You know, I'd fall

over backwards or something thinking about that. How would we ever get our money back? It was a big project.

But, you know, let's say if you -- if it was a -- if you could knock that down and say, "Well, you know, I think the State would help us with this." We can do the design work through the other program, save a hundred -- you know, knock off 150,000 off of that. If you can knock some of this down, we can get it to a project -- whittle it down to something where it's, like, "Do you know what? If you guys would help us with $750,000 or 800,000, and here's how we're going to pay it back." We don't have to pay back the state; we can pay it back through rent over here. Here's all the names we got. We'll get these guys to put a, you know, $3,000 nonrefundable deposit, and we're going to start building. As soon as we start building, and we kind of look at it like that, then the City and County can go, "Whoa."

You know, "Hey, this might actually work."

MS. HANNAH: We got a plan.

MR. KING: We got a plan. But, you know, telling them, "Hey, we think if you loan us $2 million, we can get your money back to you in 23 years," you know, E.I.C.'s' going to go, "Well, we're not -- that's too long. We've got other things to do with that money. We need some sort of revenue stream coming in." And so then you run out of people to borrow from. I mean, Mark won't loan us money at his bank

at the deal in a 23-year --

MS. HANNAH: Come on, Mark.

MR. KING: So -- you know, but if we can figure out what the section that you guys can help us can be, what part you can help with, we can reduce that overall cost number through the other deal, do a little bit there, and we might be able to say, "Hey, this might be doable." So, we don't know that. We just don't know that.

MS. HANNAH: Yeah.

MR. KING: We need to know that.

MS. HANNAH: Does E.I.C. expect everything to be paid back?

MR. KING: Not really, but you sure got a better chance of getting money if you tell them you're going to pay them back. Isn't that right, Mike?

MR. ERWIN: Yeah.

MR. KING: They are a big help for development. Now, if you can prove that -- what's the new rules? If it's development, arts, or -- they got different rules of getting it.

MR. ERWIN: Basically, if you can prove that it creates permanent jobs, and that it basically creates a product that is bought by money outside your community, that's the two big things.

MR. KING: Like those 33 people that move in here

from Fredericksburg, or move airplanes in here, we need to show how these guys are participating in our community a little more and, you know, buying gas here.

MS. HANNAH: Yeah, buying gas here.

MR. KING: Any way we can reduce our budget overall by increased fuel cost, then the City and the County don't have to put in as much money, and that's a good deal. You know, the more budget-neutral we become, then that's a good thing for them, and then E.I.C. looks at that and goes, "Well, that's good." Council looks at it and goes, "That's good," you know. But it has certain parameters. They don't just give the money away.

MR. MOSER: So, after this meeting, all the parties that are here, can we work on this just to get a strawman?

MR. KING: Y'all get this. I'll see you later.

(Mr. King left the meeting.)

MR. WIEDEMANN: Sure.

MR. MOSER: I mean, we've got the basic stuff. We got --

MS. HANNAH: Well, and you got the financial guys here --

MR. MOSER: That's it.

MS. HANNAH: -- to help you with the --

MR. WIEDEMANN: Right, we do.

MR. MOSER: Okay.

MR. WIEDEMANN: Well, let's just run through this real quick, then.

MR. MOSER: Okay.

MR. WIEDEMANN: Okay. The operating -- cumulative operating subsidy required for the baseline is about 3.9 million, you know, over the 20-year period. So that, you know, if you look forward and see what you're going to do based upon -- I mean, it's -- you know, the -- the nets are -- you know, you're basically starting to get those under control. You're losing less, that kind of thing. And then for the contingency plan --

MR. MOSER: Go back to that previous chart.

MR. WIEDEMANN: Okay, sure.

MR. MOSER: See, what we're trying to do is get that right-hand red over there to be --

MS. HANNAH: Black.

MR. MOSER: To get it to be black, right.

MR. WIEDEMANN: Absolutely.

MR. MOSER: Right. Like, by 2015 or earlier.

MR. WIEDEMANN: Well, that's -- we've got some ideas about how to do that.

MR. MOSER: Okay.

MR. WIEDEMANN: But that's not part of -- you know, like the master plan has got a -- I mean, there's planned growth and development that's -- that is in there. Revenues

come off of that. What we're -- what we would propose in sort of a marketing plan would be, you know, to actually be proactive about going after the corporate stuff and accelerating your revenues. If we -- if we look at the contingency plan, you know, that's the early termination of the Mooney lease, but what we're assuming there is that 18 single-engine aircraft can park in that long sort of open hangar, four corporate aircraft over there, and it would -- would use that storage space over there. This -- this subsidy -- it reduces your subsidy need by about one and a quarter million over the planning period.

MR. MOSER: Over what period is that? 30-year?

MR. WIEDEMANN: It's 20-year.

MR. MOSER: Oh, 20-year, okay.

MR. WIEDEMANN: 20-year period.

MR. MOSER: Okay.

MR. WIEDEMANN: The savings is primarily in, you know, the -- the cost of the --

MR. MOSER: That's just ready to -- it's really revenue-generated.

MR. WIEDEMANN: Yeah, it's ready to go.

MR. HAVENAR: Very little money input by you.

MR. MOSER: Right.

MR. WALTERS: How would you -- what's your income based off of? I mean, how much per plane?

MR. WIEDEMANN: We assumed -- going back here, we assumed that -- I'm trying to remember the dollar per square foot. I think it was -- it was whatever you're making today on your -- your hangar lease per square foot. I'm trying to remember if it was $4 a square foot or something like that.

MR. WALTERS: But that's -- I mean, really, those T-hangars, people self-operate them. These are not T-hangars, and you'd have to have somebody actually pull planes in and out, close doors and make it secure. I mean, you'd have to almost really contract at a -- if he was agreeable, with somebody like Joey at a lesser rate to really operate those.

MR. WIEDEMANN: Well, it would just be this hangar that you're talking about with the 18. We assumed that -- and, for one thing, we're only putting 18 in here, which basically leaves the whole center open. In other words, it would have individual -- you could park aircraft just -- it's like in an open --

MR. McKENZIE: Could put 27 in there if they were Mooneys.

MR. WIEDEMANN: Yeah, you can park 27. We were saying 18, because the center aisle would be open, so you could actually go in and tow your own airplane out and move it in. It would be -- you know --

MR. WALTERS: I wouldn't put my plane in there.

MR. COWDEN: I wouldn't put my plane in there.

MR. WALTERS: I mean, somebody else towing their plane in and out around my plane --

MR. COWDEN: True.

MR. HAVENAR: That kind of situation puts the airport on --

MR. MOSER: Liability.

MR. WIEDEMANN: Yeah, liability.

MR. HAVENAR: Liability around that hangar-keeper's insurance.

MR. WIEDEMANN: If -- if -- again, if there is a way to -- yeah, we did not figure a management fee of coming in and -- and pulling the things out. It was cheaper -- we assume that this would be cheaper than your T-hangars, basically, by at least 50 bucks a month. So, whether you could use that money then to --

MR. WALTERS: I mean, I understand your numbers. I just think you got to look at the practical aspect of it, and I don't think that's practical.

MS. HANNAH: I've seen plenty of maybe more rural airports, but I've seen large conditional hangars run by individuals very conscientiously, most of them. I think they have their own insurance.

MR. WIEDEMANN: Well, it's -- and it just --

MS. HANNAH: Can't have --

MR. WIEDEMANN: Right. This -- you know, we limit it. You know, basically we're saying that there's people on either side with the center aisle. But, again, this -- I mean, whether or not that's workable, that's another issue. If you wanted to lease the whole thing out, you know, to an operator, --

MR. COWDEN: One operator?

MR. WIEDEMANN: -- you know, then they -- they worry about how to get planes in and out, and you don't. But, basically, these -- those three hangars are self-serve anyway. I mean, those -- those are for corporate guys, and we assume that you can -- those would hold actually four corporate aircraft. So that's kind of what went into this just getting back to, you know, where would you take this? How would you improve the situation that we're showing? And one thing is -- and we'll get into a little bit of the economic analysis that we did, but attraction of corporate aviation is probably your highest and best money-making operation. You know, you have hangar development and you can look at those, whether it's -- when we say publicly funded, that would be probably debt financing or something like that versus privately funded. Non-aviation property development, that's another area that airports look at. I'm not sure how much property you have to do that with, but those are typical revenue enhancement actions. And then a lot of times, if

you're actually in a marketing plan, you will identify potential airport users, and it comes from this whole list of -- of potential users that we see down through here. I'm not going to read them all.

There's other things that you can do, and that is number one; prepare your airport product for the market. One of the things that we found is that, you know, if there's something broken at the airport or any product that you're trying to sell, if you market it, then more people know about it quicker, and you don't want that. That's -- it implodes faster, so you want to fix that. Develop a marketing approach for those segments of demand that execute the plan. And part of the marketing thing that we were -- I think you talked to Rob Barber when he was here last, and he talked a little bit about, you know, video and those kinds of things, the tools that airports use to actually go down and -- you know, in this particular case, let's say we're targeting San Antonio. You know, that would be how we would reach those -- those operators down there.

There's this marketing analysis and branding part, which was part of our contract as well. We went and talked to your economic development people when we first came -- came here, and -- you know, just to find out what was going on. We did a competitive position analysis. You know, somebody was asking, "Well, what do they charge, you know,

for hangars and so forth?" We compiled information on that, and then we looked at some branding considerations. In other words, what -- what can you become when you grow up, or what do you want your -- what do you want your consumer or customer -- how should they view you? And so we had some of those -- we brought that in to bear.

As far as the economic development efforts are concerned, we -- we identified a number of issues here for the community. First of all, you know, it is a retirement community, and an interesting stat was that, you know, the average age of the citizen here is seven years higher than the state, so it shows immediately that you've got an older population here. You have a health care industry with three hospitals, one of which is generally open, you know, to everybody, and then the others are specialty hospitals. A telling figure is the tax base; 21 percent non-residential is the fact that, you know, it's not industrialized, per se. You know, you've got two small colleges here. One is -- you know, the Alamo is really focused on sort of job training and preparing technical-type things. The camps, I got these numbers -- you know, I tried to recreate these numbers, and I had trouble doing it. But, you know, it was printed in your -- in one of the things that -- a report that I had looked at, your economic development plan, and that is that 26,000 visitors, 23 million impact. You know, those camps charge,

you know, between $2,500 and $6,000 for a stay, and if you multiply it by the number of attendees, you know, it came out a lot higher than 23 million.

But, anyway, the work force, when we looked at -- at, you know, well, what is -- what happens here? You know, what is the major industries? Well, the major industries are health care -- you know, older population -- education, and retail. And that's over half of your work force. Only 4 and a half percent is manufacturing. So, if you're talking about organically growing corporate aviation here, it's going to be a very difficult process, just because corporate is supposed to -- to support, you know, the activity -- the business activity that's going on around it. And so if you don't have the companies that are flying and stuff, you know -- you know, you do have high-end, you know, campers that come in from all over the world. You know, and some of those use the airport. You've got -- you know, typically the medical profession, you know, those doctors, they all -- you know, they'll go to conferences and so forth, or they'll fly G.A.

So, I mean, there's -- you have professional there, and the schools too in that regard.

But in -- you know, we -- in looking at the competitive position, our -- our job was to look around 50 miles on either side of the airport, and there's basically nine airports in that service area. And I've -- you know,

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we've got the data; I'm not going to go into that right now, but you're pretty much mid-range on your fuel pricing and your aircraft storage. You basically have the third longest runway, and only by, you know, 2 feet, with Hondo. You know, Hondo's 6,002, and, you know, that depends upon, I guess, if it's a hot day; you know, it expands a little bit. But anyway, the -- you know, so you're right up there. I mean, you know, San Antonio International's the only airport with a longer runway than you have, so you're in an excellent position there. You're in the mid to upper range for the services offered here. You've got a great F.B.O. Those are all, you know, really good things. And when we, you know, sort of laid out the -- you know, the map as to how it looked, I mean, Hondo -- that's your other large airport. I guess the -- you know, according to the data, Boerne Stage has one base jet. Hondo has zero. It's saying Kerrville has six. Is that right, Bruce?

MR. McKENZIE: Yes.

MR. WIEDEMANN: Okay. And San Antonio has 71. Okay. Well, if I'm going to put a big "X" over, you know, where my target is, you know, for corporate aviation, it's going to be, you know, San Antonio International. Obviously, they've got a lot of air carrier stuff there, and that's not their main business. Their main business is air carriers. So, I mean, we -- we did a plan in Memphis once, and talked

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to Larry Cox, the Airport Director there, and we said, "Well, you know, is it possible -- you know, would you be upset if we tried to get one of your F.B.O.'s to come over to this other airport?" He goes, "I'd love it." He says, "I could rent every square foot to Fed Ex if I had it," you know. "We bought a military -- you know, moved the military; we moved the post office. We -- we've done everything that we can, you know, to give them space. We'd love to have it if those guys would get out of here."

With the branding considerations, again, branding is that developing of a unique identity in the minds of your consumers or users. It involves a lot more than just a logo or -- or name change. As far as the brand is concerned, it's the philosophy behind that. It's the goals and the visions for the future, what you want to become, and then the discipline to work toward that, despite, you know, conditions on the outside that seem negative. You know, Kerrville has a brand right now. Whether you like it or not, you've got a brand. The only question is, should that be changed or enhanced? I mean, you know, do you want to keep it the way it is, or do you want to change or enhance that?

A couple of things. You've got the runway length. You've got the F.B.O. and services. You have economic base, and the airport -- I want to say airport community identity. Now, you do -- this is Mooney -- this was the sort of the

home of Mooney. We did a business plan for William Piper Airport in Lock Haven, and, you know, when we're talking about, you know, name change, they don't want a name change. That's their identity. They -- they're the Piper -- William Piper Airport -- Memorial Airport. So, you know, same thing in Wichita, you know. You get to -- you go there, and all those manufacturers are right there at the airport. It's got a -- it does have a -- it's got a brand. It's got an identity. We're thinking that your brand should target corporate aviation. And there's a lot of financial reasons for that. The only question is --

MR. MOSER: How can you say that it ought to be targeting corporate aviation? You just got through saying we don't have an industry here.

MR. WIEDEMANN: Well, we're not talking about -- we're talking about getting market share, for example, from

San Antonio. We're not talking about --

MR. MOSER: Yeah, but we don't have the corporations here to have corporate jets here.

MR. WIEDEMANN: Well, you do have six corporate jets here.

MR. MOSER: Yeah, I know. But realistically, when you looked at your statistics a while ago, if we change our brand to corporate aviation, I don't -- I'm not following you at all.

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MR. WIEDEMANN: Okay. Well --

MR. MOSER: If 4 and a half percent of our revenue comes from manufacturing, it's a retirement community, I don't see how you go from -- to that point.

MR. WIEDEMANN: Well, what we're saying is you have the facilities to attract corporate aviation. You have an airport that corporate operators would like to use.

MS. HANNAH: And they do use it.

MR. WIEDEMANN: And they do use it.

MR. MOSER: But not -- but not for their corporations.

MR. HAVENAR: Not as a destination.

MR. WALTERS: As a base.

MR. HAVENAR: But as a base of operations, by pulling some of those tenants --

MR. MOSER: Okay.

MR. HAVENAR: -- that are at San Antonio to Kerrville, is what we're talking about.

MR. MOSER: Okay.

MS. HANNAH: That's the market.

MR. COWDEN: They may still operate out of San Antonio, but the pilot comes --

MR. HAVENAR: Exactly. The pilot and airplane are here.

MR. MOSER: Okay.

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MR. HAVENAR: They stay here.

MR. MOSER: I can buy that.

MR. HAVENAR: They still have to go drop into San Antonio to pick up passengers.

MR. MOSER: Right, okay.

MR. WIEDEMANN: And, you know, the other issue is the quality of life here. I mean, if you're talking about a pilot, you know, where he's got to live, you know, this is --

MR. MOSER: Yeah, I agree with all that.

MR. WIEDEMANN: Okay.

MR. HAVENAR: That's what we're getting at.

MR. MOSER: Okay, got you.

MR. HAVENAR: That's the whole idea.

MR. MOSER: Okay.

MR. WIEDEMANN: I'm sorry that wasn't clear.

MR. MOSER: No, it's me.

MS. HANNAH: The communicator here.

MR. WIEDEMANN: Yeah. The -- you know, one thing that airports, you know, do is they -- you know, there is a possible name change that -- that signifies that they're reaching out to a larger market. And whether -- and a lot of times the word "regional" is incorporated in there. I mean, "municipal" is definitely not -- doesn't have with it a connotation of -- of an airport that can do jet type of stuff.

MR. HAVENAR: When you think a municipal airport, you're thinking of a 4,000-foot runway and --

MR. WIEDEMANN: Right.

MR. HAVENAR: -- T-hangars all over the place, and that's it.

MS. HANNAH: I think of a public works department.

MR. HAVENAR: Well --

MR. WIEDEMANN: Yeah, right. Right.

MR. HAVENAR: You guys are far from that.

MR. WIEDEMANN: Well, and so -- and then "South Central Texas Regional Airport," there's even that possibility. But it just -- it depends upon, you know, putting a geographic --

MR. MOSER: Got you.

MR. WIEDEMANN: -- aspect in there, and --

MS. HANNAH: You could do Mooney Memorial.

MR. WIEDEMANN: You could do Mooney Memorial.

MS. HANNAH: I mean, they're effectively memorialized, aren't they?

MR. WIEDEMANN: That's right. Right. Usually they're dead and buried when you do that, but -- so you might have to wait.

MS. HANNAH: They're somewhat living.

MR. MOSER: Don't take that down.

MR. HAVENAR: Oh, boy.

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MR. MOSER: Go ahead.

MR. WIEDEMANN: So, anyway, the -- the deployment of the brand, basically what we're saying is there's a vision, there's a name, there's esthetics. You know, and you've done all of that. I mean, the entrance that you've got, the -- this building that we're in, you know, all of that is already leading up to this -- this branding. The facilities, the services, I mean, you're really well on your way in that. You're preparing this airport product for the -- for the brand, marketing. Probably the next step is to identify, you know, who your potential airport users are in the target groups that you're looking for. You know, that's part of a marketing plan that we would propose. Developing those tools, you know, your enhanced website, possibly some brochures and video. I mean, we are in the 21st century, and -- and streaming video from, you know, You Tube or whatever is -- is just -- that's how people operate today, so that would be important. And then, obviously, developing and executing a marketing plan. So, that's it.

MR. MOSER: Okay. So, let's say right now, we got six -- six jets are based here.

MR. McKENZIE: More or less, right.

MR. MOSER: Let's say -- I mean, put the marketing thing aside for a second.

MR. COWDEN: How many aircraft -- not just jets, but you got --

MR. McKENZIE: Many.

MR. COWDEN: -- many, you know, that are based here.

MR. McKENZIE: Like Steve. That's not a jet; that's a prop.

MR. MOSER: Yeah, I understand.

MR. McKENZIE: But they're based at our airport and buy jet A fuel.

MR. MOSER: Okay. So, let's say we double that. Okay, so now we need more hangars. That's probably a reasonable thing. Say the potential is out there; the market's there to double what we have. We've got 33 people waiting for T-hangars, okay. And you and I ran some numbers before. We've got -- we probably have a 90 percent chance of getting -- what do we have, 55 or 60?

MR. McKENZIE: Almost half of them, or a little more than half.

MR. MOSER: No, no, that was 33 waiting. We were -- we had those, and then -- you and I laid that out before.

MR. McKENZIE: Yes.

MR. MOSER: We could see that we could get 60 or so --

MR. McKENZIE: Yes.

MR. MOSER: -- pretty reasonable. So, if we take

where we are today, we've got the concept of where to build these things, okay. The box hangars for the corporate guys, the jet A's, okay. We've got the T-hangar concept. But as Steve said a while ago, we don't have any idea how to make this business plan work. So now let's fast forward to the right-hand column. We said by 2015, we want to be in the black, so what do we need to do? That's the question. What do we need to do to get in the black? Double the -- double the corporate, bring in -- and having 60 -- we're just going to pick a number; then we'll figure out how to go market them -- 60 T-hangars occupied, what would our revenue be? What would our revenue be? What would the -- what would the cost be to do it?

MR. WIEDEMANN: We've --

MR. MOSER: I know you can't answer that, but that's --

MR. WIEDEMANN: No, that's --

MR. MOSER: -- that's what -- we need to make that a project with those goals.

MR. WIEDEMANN: Basically -- and that's the whole thing. I mean, I did work with an airport, which it's a private airport, but they -- they do a lot of government contracts on -- they've got the -- the Huey helicopter stuff. Bottom line was they were going to -- they came in and asked for a business plan and said, "Here's what we want to know."

And just like you, they said, "What is it that -- what do we have to do? How does this translate into facilities and marketing" --

MR. MOSER: Right.

MR. WIEDEMANN: -- "to increase revenues by 25 percent?"

MR. MOSER: Right.

MR. WIEDEMANN: By 50 percent.

MR. MOSER: Right.

MR. WIEDEMANN: By 100 percent.

MR. MOSER: Right.

MR. WIEDEMANN: And so, you know, they had to put together some very aggressive scenarios --

MR. MOSER: Right.

MR. WIEDEMANN: -- as to what would make that work. And it sounds like that's kind of what -- what you're doing -- you're asking, is okay, here we have something that might -- if you just let it go the way everything's happening you know, by 2035 or '40, you know, you might be breaking even.

MR. MOSER: Right.

MR. WIEDEMANN: Whereas if you want to move it up to 2015, what has to happen?

MR. MOSER: Right, that's the question. Let's set a goal and say, "What does it take to get there?"

MR. WIEDEMANN: Right.

MR. MOSER: It may not be feasible, but that's -- rather than sitting back and saying, "Well, let's do this" --

MR. WIEDEMANN: You at least need to know --

MR. MOSER: Yeah.

MR. WIEDEMANN: If you knew what it took, you could at least have an aggressive plan to get there.

MR. MOSER: Right. Okay.

MR. WIEDEMANN: Yeah.

MR. MOSER: So, okay.

MR. WIEDEMANN: Basically, that's what we do in a business plan.

MS. BAILEY: Before Mark leaves, you don't have a quorum if he's gone.

MR. McKENZIE: But we started with a quorum, though.

MR. MOSER: Okay.

MR. McKENZIE: Right.

MS. BAILEY: Yeah, but --

MR. MOSER: Probably what we should do is, Corey's going to be here. We should adjourn this meeting. You've presented it. We've got this. Now we're off. And --

MS. BAILEY: And since there's only two of you, you can still discuss.

MR. MOSER: So, do I hear a motion to adjourn at --

at 11:55?

MR. WALTERS: Motion.

MR. COWDEN: Second.

MR. MOSER: All in favor? Aye.

(The motion carried by unanimous vote, 3-0.)

MR. MOSER: Passed. We're out of session.

(Airport Board meeting adjourned at 11:55 a.m.)

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STATE OF TEXAS |
COUNTY OF KERR |

I, Kathy Banik, official reporter for Kerr County, Texas, do hereby certify that the above and foregoing is a true and complete transcription of my stenotype notes taken at the time and place heretofore set forth.

DATED at Kerrville, Texas, this 8th day of July, 2011.

____
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