

Minutes of the March 2, 2017

4:00 p.m.

**Special Called Joint Owensboro City Commission and
Daviness County Fiscal Court Meeting
Held at the Daviness County, Kentucky Courthouse**

Present elected city officials included

**Mayor Tom Watson and City Commissioners
Bob Glenn, Pam Smith-Wright, Larry Conder, and Jay Velotta**

Present elected county officials included

**Judge/Executive Al Mattingly and County Commissioners Mike Koger,
George Wathen and Charlie Castlen**

Judge/Executive Al Mattingly opened the meeting in prayer and led the court in the Pledge of Allegiance to the flag.

Owensboro-Daviness County Regional Airport Executive Director Bob Whitmer and Board Chair Bart Darrell expressed a desire to hear community feedback on the future of the airport. They also want to make sure they, as a board, are fulfilling the community's vision for the Airport. Mr. Darrell stated, "To what extent do we want to ensure participation in this economic engine of aviation? And we need to be looking long-term and asking what we want our community to look like in the future as it relates to aviation and commercial flight. As a community, if we believe commercial flight is important and of high value to Daviness County, we must take a much deeper look at how the airport is marketed."

Mr. Whitmer presented the following (full presentation attached):

Is Commercial Air Service Important to Owensboro-Daviness County?

- Since the renewal of commercial air service in 2009, over 350,000 paying passengers have flown Allegiant Airlines and Cape Air Airlines in and out of the Owensboro-Daviness County Regional Airport.

He asked, "Do we want to continue to fly 350,000 passengers over the next 8-years? This must be answered."

Is Commercial Air Service an Economic Tool?

- Is it beneficial for businesses to have 3 times a day, 7 days a week, flights into Owensboro for bringing customers and suppliers in town?
- Is it beneficial for local employers to have 3 departures per day to fly to their headquarters, conferences, etc. in a timely manner?
- Madison Silvert of the Economic Development Corporation says that the most frequent first question he receives from business prospects is, "Does Owensboro have air service?"

He stated, "The Director of Economic Development has stated that the number one question he receives from prospective businesses is, do you have air service."

Are nonstop flights to Orlando, Florida and St. Louis, Missouri a quality of life benefit for local and regional residents?

- Conveniences
- Many passengers are vacationing; however, many are visiting family in both Florida and here in Daviess County.
- 29% of passengers are Florida residents flying into Owensboro.

Jobs Related to Commercial Air Service

- Air Service creates 26 local TSA, Cape Air and Allegiant jobs.
- Helps retain control tower, which is a vital airport asset for attracting future businesses and commercial airlines.

What is the cost of Commercial Air Service to the local community?

- Allegiant? Operationally and parking charges, the airport makes a small profit. They have no employees as the airport takes care of all passenger needs.
- Cape Air? This is a federally subsidized program and costs the community nothing.
- The local cost to operate OWB is less with air service than without.
- Because OWB exceeds 10,000 enplanements (paid boarding) per year, the Federal Aviation Administration (FAA) provides \$1,000,000 annually instead of \$150,000.

How much does Commercial Air Service cost the local community?

- In 2017, OWB will receive \$3,511,000 in Federal funds that it would not receive if it did not provide PART 139 commercial air service.
- The Airport has received \$11.3 million in Federal Funds since 2009 because of having commercial air service.

Federal (FAA) Funded Airport Capital Projects

• Taxiway Construction to Terminal Apron	\$1,300,000
• ARFF Fire Truck	\$ 656,000
• Instrument Landing System	\$2,300,000
• Terminal Renovation & Expansion	\$2,400,000
• Deicer	\$ 43,000
• MidAmerica Jet Apron Rehabilitation	\$ 420,000
• Runway/Taxiway System Lighting Upgrade	\$ 9,957
• Beacon Light Relocation	\$ 207,015
• Maintenance Road Reconstruction & Widening	\$ 181,444
• Front Loader	\$ 161,337
• Snow Plow & Spreader	\$ 165,575
• Terminal Apron Rehabilitation	\$ 196,221
• Signage Upgrade	\$ 91,968
• Runway 18-36 Markings	\$ 122,366
• Fire Station Approximately	\$5,000,000

What Value is the Airport to Owensboro-Daviess Co. Outside of Offering Commercial Air Service?

Local Businesses who utilize OWB:

- Modern Welding (on site)
- Sterett Crane (on site)
- Gateway Development (on site)
- Independence Bank (on site)
- Pilot Steel
- Malcolm Bryant Corporation
- Unifirst
- Ernie Davis & Sons
- BB&T Bank
- Dart Polymer
- Net Jets
- Cromwell Radio
- U.S. Bank

Other Vital Organizations who utilize OWB:

- Kentucky National Guard
- Kosairs Hospital Flights
- Med Evac
- Air Methods
- Kentucky State Police
- Civil Air Patrol
- Kentucky Emerg. Management
 - Disaster Relief Center for Western KY

He stated, "It has been determined that if a major catastrophe, such as the earthquake of 1811, occurred in Western Kentucky, our airport would survive and the only mode of transportation available would be by plane."

Number of Jobs on Site:

- Jobs Directly related to Allegiant and Cape Air Commercial Service: **26**
- Jobs on the Airport Operations Area related to Aviation: **66**
- Jobs on Airport Property (888 acres): **127**

Airport Comparisons (2016-2017 Budgets):

- Bowling Green, KY Serviced by Contour:
 - 6- Fulltime Employees, \$1M Operating Budget, 2 Weekly Departures
- Paducah, KY Serviced by United Express:
 - 7- Fulltime Employees, \$917,246 Operating Budget, 13 Weekly Departures
- St. Cloud, MN Serviced by Allegiant:
 - 7- Fulltime Employees, \$1,081,900 Operating Budget, 2 Weekly Departures
- Hagerstown MD, Serviced by Allegiant:
 - 8- Fulltime Employees, \$1,549,730 Operating Budget, 22 Weekly Departures
- Cape Girardeau, MO Serviced by Cape Air:
 - 8- Fulltime Employees, \$1,045,596 Operating Budget, 21 Weekly Departures
- O'boro-DC Serviced by Allegiant & Cape Air:
 - 4- Fulltime Employees, \$855,228 Operating Budget, 23 Weekly Departures

\$105,000 Decrease in Revenue

	2016-2017	2017-2018	Difference
MidAmerica Jet (Anticipated % loss of gross receipts)	\$24,000	\$15,600	(\$8,400)
Parking Fee Revenue (Allegiant Flight Reduction & less IN residents parking at OWB)	\$145,000	\$94,267	(\$50,733)
Farm Income (Farming bid was \$311.50/acre. New bid is \$232.25/acre. - Farm Lease 15/16 revenue: \$152,146.)	\$127,700	\$108,716	(\$18,984)
Allegiant Turn Fee (Reduction of Allegiant flights)	\$96,750	\$69,015	(\$27,735)

\$105,000 Increase in Expenses

	2016-2017	2017-2018	Difference
Payroll & Benefits	\$501,228	\$525,429	24,201
New Small Cap. Project Account	\$0	\$29,438	\$29,438
Marketing	\$28,000	\$78,000	\$50,000

He stated, "The marketing portion of this budget increase request can be eliminated if local government wanted to request that the Convention and Visitor's Bureau took over airport marketing. Marketing efforts are necessary, if it is believed that commercial flights should remain at our airport. We know we have lost Indiana residents to the Evansville airport. For them, it is closer and more convenient. In May, Louisville is coming on line with Allegiant Air flights. All three of these airports land at the same Orlando airport and all three are within 110 miles of one another. Do we give up and surrender or do we ramp up marketing in efforts to increase customers, particularly in Western Kentucky and to those who typically fly out of Nashville? We are a better option for them as our airport is easy to get to, to get through, and parking is cheaper. However, they do not use us because they simply do not know we are here. Marketing efforts would resolve this issue and help to increase our customer base."

City Commissioner Bob Glenn stated, "A lot of the issues you have faced over the years have been with the federal government's desire to close the tower. If we are going to do this and put in the time and effort, what is the likelihood that we will keep Allegiant Air and for the airport's future success?"

Mr. Whitmer replied, "Without a tremendous effort to increase our customer base, we will more than likely lose Allegiant Air. That is the question for today. Do we want to put forth the effort and finances to retain Allegiant Air? There is no guarantee that even if we take prudent steps to keep them, that they will stay, but I just hate to sit back and do nothing."

Because the Daviess County Fiscal Court has a regularly scheduled meeting today at 5:00 pm, and the time was 5:00 pm, **a motion was made by County Commissioner Castlen, seconded by City Commissioner Glenn**, to momentarily recess this meeting.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All city and county elected members voted in favor; motion passed. Said meeting recessed at 5:00 pm.

A motion was made by County Commissioner Castlen, seconded by County Commissioner Koger, to reconvene this meeting.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All city and county elected members voted in favor; motion passed. Said meeting reconvened at 5:07 pm.

County Commissioner George Wathen stated, "If Allegiant Air leaves, what is your "Plan B"?"

Mr. Whitmer replied, "When Allegiant came here in 2009, they had different criteria than they do today. If they were looking at Owensboro today, they would not come. Originally, they required to be two hours away from the lowest cost carrier and at that time, that was Southwest Airline and we fit that criteria in 2009. Today, Allegiant Air is a different animal. They have grown tremendously and have taken on Southwest Airline and are now located in many large city airports. Another challenge is keeping Cape Air. To answer Commissioner Wathen, the Board has suggested going after another airline. However, with this industry today, no airline is going into small markets. We could try, but it would be very unlikely.

City Commissioner Larry Conder asked, "Of the airport's 888 acres, can any of it be developed?"

Mr. Whitmer replied, "Yes, there are few slots that can be developed, including one 96 acre tract. That is another advantage; we are not landlocked like other small airports like Bowling Green and Lexington."

Mr. Whitmer stated, "Aviation and aero-space is getting a lot of attention right now. Thirty-one percent of Kentucky's exports are aviation and aerospace related. Cars and auto parts only represent 19%. Kentucky is only second to Washington State in this area. While most items in the state budget are being cut, aviation and aerospace budgets are being doubled. So the Governor and state legislators recognize the importance of this industry, as do Kentucky universities with aerospace engineering programs and lucrative scholarships for students

interested in aerospace related degrees. The question becomes, can we afford to lose commercial air service knowing the importance aviation may be to us?"

Commissioner Koger suggested that the marketing departments within Allegiant Air and Cape Air would be willing to promote or market our airport since it would benefit them as well. He asked, "Is the budget increase request of \$105,000 just for this next budget year or will this be an ongoing request?"

Mr. Whitmer clarified that everything outside of marketing relates to safety, security, and maintenance, which cannot be changed and may very well be an ongoing budgeted expense. He stated, "However, if additional flights are added from marketing efforts, this could increase revenues and decrease budget line items in the future."

City Commissioner Pam Smith-Wright stated, "Why don't we market the runway? I have never understood why we have this huge runway, but do nothing with it."

Judge Mattingly replied, "EDC markets the runway."

County Commissioner Castlen asked, "Regarding the airport comparison slide you presented, are you comparing apples-to-apples?"

Mr. Whitmer replied, "No, they do not have what we do with MidAmerica Jet. The other airports do not have people to fuel the planes, nor do they do everything that is necessary that MidAmerica Jet does for us."

City Commissioner Glenn asked, "Do you have the ability to increase fees, such as baggage fees independent of us handing you a check?"

Mr. Whitmer replied, "No, neither carrier would allow it."

Commissioner Wathen stated, "One of the biggest obstacles I see is the size of Cape Air's airplane. I feel that many people don't fly out of here because they don't want to fly on that small airplane. Is there a solution to the size of the plane?"

Mr. Whitmer stated, "All I can tell you is that this service was subsidized at \$9.5 million and Cape Air was the only one that bid."

Mayor Tom Watson stated, "One thing the runway did do was provide us the opportunity to get the armory here. I think our problem is that we are too big to be little and too little to be big. I see no reason not to fight."

Without objection, Judge/Executive Mattingly adjourned the meeting at 5:28 p.m.

Thomas H. Watson, Mayor

ATTEST:

Beth Cecil, City Clerk