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City Manager

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Finance Director

RANDALL D. GRISELL
City Counselor

**CITY ADMINISTRATIVE
CENTER
301 N. 8TH
P.O. BOX 998
GARDEN CITY, KS
67846-0998
620.276.1160
FAX 620.276.1169
www.garden-city.org**

June 16, 2011

Joe Yeager, Chief Executive Officer
REAP
1845 Fairmount
Box 155
Wichita, KS 67260

Mr. Yeager and the REAP Executive Committee,

The City of Garden City and Garden City Regional Airport submit the enclosed application and support information for consideration of grant funding under the Kansas Affordable Airfares Program.

Circumstances have positioned our community to partner with other public and private partners to establish regional jet service in the western half of Kansas. We believe such service will boost enplanements from Kansas airports and prevent leakage to air carriers providing jet service from nearby states. This belief is supported by the recently completed Garden City Market Update (April 2011).

To that end, the City of Garden City and Garden City Regional Airport requests \$250,000 of Kansas Affordable Airfares Program funding to help provide competitive jet service to Garden City Regional Airport and to establish, with the cooperation of regional partners, the regional airport in Western Kansas expressly anticipated in the program's enabling legislation.

We look forward to partnering with REAP to successfully meet the intent of the program with respect to performance and accountability.

Sincerely,

Matthew C. Allen
City Manager

Enc.

cc: Ken Strobel, City Manager, City of Dodge City

Affordable Airfares Program Funding

Applicant: City of Garden City, Garden City Regional Airport
Contacts: Matt Allen, City Manager
301 N. 8th
P.O. Box 998
Garden City, Kansas 67846
(620) 276-1160
mallen@garden-city.org

and,

Rachelle Powell, Aviation Director
2245 S. Air Service Drive
P.O. Box 998
Garden City, Kansas 67846
(620) 276-1190
rpowell@garden-city.org

Purpose

The City of Garden City requests \$250,000 of Kansas Affordable Airfares Program funding to help provide competitive jet service to Garden City Regional Airport and to establish, with the cooperation of regional partners, the regional airport in Western Kansas expressly anticipated in the program's enabling legislation (enclosed).

Background

The City of Garden City is one of three southwest Kansas communities that receive essential air service (EAS) funding for commercial air service, and one of five in the western half of Kansas. All five communities are currently serviced by Great Lakes Aviation with Beechcraft 1900 turboprop planes with service to Denver. Enplanements are higher out of Garden City Regional Airport than the other western Kansas EAS and it has long been a priority of local leaders, the regional business community, and our US Congressional delegation to look for ways to grow Garden City Regional Airport out of the EAS program and into a more commercially viable service provider.

To that end, Garden City conducted a market analysis in advance of the 2011 EAS bidding cycle (enclosed). This market analysis was used to recruit jet service providers in hopes of ultimately landing a carrier capable of capturing the significant market leakage to Amarillo, Denver and Wichita, and growing passenger load to a profitable level. Furthermore, it was a desire to attract an air carrier which would provide service to an international hub which best reflected where our passengers wanted to go.

American Eagle is one of four airlines proposing service to Garden City. American Eagle is the only proposal to offer a southern hub (Dallas – DFW) and is the only proposal to offer jet service. Unfortunately, this is the most expensive of the four proposals. However, it is the intent of the City of Garden City to present a regional

funding solution to the US Department of Transportation which underwrites the \$1.3 million differential between the American Eagle jet service bid and the lowest turboprop bid. The proposal will incorporate regional partners and ultimately bring viable jet service to western Kansas, thereby making it the first truly regional airport in the western half of Kansas.

While at the onset there would only be one carrier out of Garden City Regional Airport, there still exists competition in western Kansas EAS communities and very competitive jet service out of Wichita Mid-Continent Airport (which by our market study, most of our market considers to be their primary airport despite the 200 mile drive). The additional competition will help bring down pricing and make air travel a more affordable option.

Market Study History

The 2011 Market Study by Sixel Consulting is one of six conducted for Garden City Regional Airport since 1990. Highlights from the results of each outline the percentage of passengers within the market that utilize GCK and where the hubs pertinent to the 2011 proposals ranked in the order of top destinations. Please note, a significant portion of what has been reported to in these surveys related to Denver (or Kansas City) actually reflects Denver (or Kansas City) as local traffic, but is going on to other cities.

- 1990 Air Service Study
 - Leakage
 - Only 8.4% of passengers used GCK
 - Top Destinations
 - #2 Dallas – Love Field
 - #5 Chicago
 - #6 Dallas - DFW
 - #22 Denver

- 1995 Air Service Survey
 - Leakage
 - Only 18% of passengers used GCK
 - Top Destinations
 - #1 Denver
 - #2 Dallas
 - #3 Chicago

- 1999 Ticket Lift Study
 - Leakage
 - Only 16% of passengers used GCK
 - Top Destinations
 - #2 Chicago
 - #5 Dallas - DFW

- 2000 Wichita Study for air service originating for Garden City and Dodge City
 - Leakage

- Only 15.8% of passengers used GCK
 - Top Destinations
 - #1 Dallas/Fort Worth
 - #2 Chicago
- 2005 Air Service and Traffic Demand Analysis (Garden City, Dodge City, and Liberal)
 - Leakage
 - Only 12% of passengers used GCK
 - Top Destinations
 - #1 Denver
 - # 7 Chicago
 - #13 Dallas – DFW
- 2011 Passenger Retention Study and True Passenger Market Size Analysis
 - Leakage
 - Only 15% of passengers used GCK
 - Top Destinations
 - #1 Dallas Love Field
 - #2 Denver
 - #5 Dallas - DFW
 - # 7 Chicago

Use of Funds

The primary use of funds is to assist in filling the gap between American Eagle's proposed cost to serve Garden City Regional Airport and the apparent low cost proposal to the USDOT. Our community has until July 15, 2011 to respond. In addition, there will be some one time capital expenses necessary to accommodate jet service at Garden City Regional Airport and the anticipated significant increase in passengers.

Those costs are outlined below:

\$1.3 million per year carrier subsidy.

\$40,000 jet service environmental assessment

\$150,000 baggage handling equipment

\$50,000 airline counter renovation

\$500,000 parking lot expansion

These costs are all necessary to bring competitive jet service to Garden City Regional Airport. We also understand that any funding awarded through the Kansas Affordable Airfares Program would be contingent on such service being approved by the USDOT and could not be used to simply underwrite existing services. The requested Kansas Affordable Airfares Program funding would ideally be flexible enough to compliment the funding from other partners and therefore be eligible to be used for any of the expenses outlined above. However, we anticipate that it will most likely be used for the \$1.3 million guaranteed costs to bring in the carrier.

Local Match

The City of Garden City local government commits to the local match from local regional partners (public and private) in an amount equal to or greater than the required 25% local match (\$83,333.33 or greater as the 25%). Our proposal requests that the 75% or less portion from the fund equal \$250,000.

Performance Measurement

Garden City Regional Airport commits to providing current and historical data for American Eagle enplanements as well as enplanement numbers for other western Kansas airports with commercial service to provide analytical evidence of the “regional” nature of the service being provided. Garden City Regional Airport also commits to providing average daily fare information to validate the “competitiveness” of that service.

Additional Information

Affordable Airfares Statute
Garden City Market Update (April 2011)

74-50,150: State affordable airfare fund; purpose and administration; duties of secretary of commerce; reports to legislature; study by legislative budget committee.

(a) There is hereby established in the state treasury the \$5,000,000 state affordable airfare fund, which shall be known and referred to as the state affordable airfare fund and which shall be administered by the secretary of commerce. In accordance with the provisions of appropriation acts, moneys shall be transferred to the state affordable airfare fund from the state general fund or one or more special revenue funds in the state treasury as specified by appropriation acts. All expenditures from the state affordable airfare fund shall be for the program to provide more air flight options, more competition for air travel and affordable air fares for Kansas, including a regional airport in western Kansas. All expenditures from the state affordable airfare fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of commerce or the designee of the secretary.

(b) The moneys credited to the state affordable airfare fund shall be disbursed as an annual grant by the secretary of commerce to the regional economic area partnership (REAP) and shall be used for the development and implementation of a program to provide more air flight options, more competition for air travel and affordable air fares for Kansas, including a regional airport in western Kansas. Each annual grant shall be matched by moneys received by the regional economic area partnership (REAP) from local units of government or private entities on the basis of 75% from the state affordable airfare fund to 25% from local units of government or private entities.

(c) Annually, beginning by January 15, 2008, at the beginning of each regular session of the legislature thereafter, the regional economic area partnership (REAP) shall evaluate and present a report on the effectiveness of this program to the house of representatives committee on appropriations and the senate committee on ways and means. Commencing with the regular session in 2008, the regional economic area partnership (REAP) shall prepare and submit a report on the expenditures of the state annual grant and local matching moneys under the program and the results obtained for such expenditures to the legislature at the beginning of each regular session.

(d) During the interim between regular sessions of the legislature, commencing with the 2006 legislative interim period, the legislative budget committee shall study and review the activities of the regional economic area partnership (REAP) under the program to provide more air flight options, more competition for air travel and affordable air fares for Kansas, including a regional airport in western Kansas.

History: L. 2006, ch. 138, § 1; July 1.