



Matthew H. Mead
Governor

WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
Chairman

I. CALL TO ORDER

A quarterly meeting of the Aeronautics Commission was held on Tuesday, August 18, 2015 via teleconference. Chairman Schoonmaker presided, calling the meeting to order at 1:35 P.M.

II. ROLL CALL

The following Commissioners were present, constituting a quorum:

Pete Schoonmaker, Chairman, District 5
Charlie Ksir, Commissioner, District 1
Chuck Wilke, Commissioner, District 4

Jerry Dilts, Vice Chairman, District at Large
Bill DeVore, Commissioner, District 3
John Newton, Commissioner, District at Large

III. INTRODUCTIONS

The following Division Staff Members were present:

Dennis Byrne, Division Administrator
Katie Pfister, Commission Secretary
Shawn Burke, Air Service Development Analyst
Christy Yaffa, Planning and Programming Manager
Emily Miller, Temporary Planning Employee

John Cox, Agency Director
Sheri Taylor, Air Service Development Manager
Cheryl Bean, Engineering & Construction Manager
Cheryl Porter, Grants & Programming Specialist
Brian Olsen, Project Engineer

The following Guests were present:

Pete Illoway, Illoway Consulting
Scott Miller, Kota TV
John Stopka, Sheridan County Airport
Jay Lindell, Gillette – Campbell County Airport
Nick Wangler, Forecast, Inc.
John Heath, City of Sheridan
Brian Mohall, Sheridan Travel & Tourism

Griffin Beach, Big Horn County Radio
Bruce Garber, Sheridan Critical Air Service Team
Mike Kahler, Assistant Attorney General
Jennifer Burden, Buffalo Bulletin
Steve Maier, Sheridan County Commission
Dixie Johnson, Sheridan Chamber of Commerce
Bob Hooper, Wyoming Airport Operator's Association

IV. ADJUSTMENTS TO AGENDA

There were no adjustments made to the Agenda.

V. APPROVAL OF MINUTES

A. Approval of the Draft Meeting Minutes dated July 21, 2015

Motions: It was moved by Commissioner Wilke, and seconded by Commissioner Dilts to approve the Draft Meeting Minutes dated July 21, 2015.

Discussions: As there were no major questions or comments, the Commission proceeded by voting on the approval of the Draft Meeting Minutes dated July 21, 2015. Motion Carried.

VI. UPDATES/DISCUSSIONS

A. Chairman's Update – Chairman Schoonmaker

1. General Matters

Chairman Schoonmaker's General Matters Update included a reminder that prior to September's business meeting, a workshop has been scheduled regarding Air Service Enhancement Program (ASEP) funding prioritization. This concluded the Chairman's Update.



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Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



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VI. UPDATES/DISCUSSIONS (CONTINUED)

B. Administrator's Update – Administrator Byrne

1. General Matters

Administrator Byrne did not provide a General Matters Update.

C. Air Service Development Program Update – Ms. Taylor

1. General Matters

Ms. Taylor's General Matters Update included a status update on the Minerals Report.

2. Standard Monthly Reports

a. Budget Forecast Report

Ms. Taylor informed the Commission that no changes were made to the Budget Forecast Report.

b. Percent of Grant Projects by City Report

Ms. Taylor informed the Commission that no changes were made to the Percent of Grant Projects by City Report. This concluded the Air Service Development Program Update.

D. Engineering & Construction Program Update – Ms. Bean

1. General Matters

Ms. Bean's General Matters Update included construction project status updates, and a discussion regarding a future need to determine prioritization on the Airport Improvement Program.

2. Standard Monthly Report

a. Change Orders Report

Ms. Bean reviewed the Change Orders Report, which included four (4) change orders, one (1) each for Afton, Greybull, Riverton, and Thermopolis. This concluded the Engineering & Construction Program Update.

D. Planning & Programming Program Update – Ms. Yaffa

1. General Matters

Ms. Yaffa's General Matters Update included information regarding staffing changes, the Priority Rating Model Task Force Meeting, the WACIP Annual Update Status Report, the potential for a special meeting in early September for WACIP Modification Approval, and finally a WySASP update.

2. Standard Monthly Report

a. Recovered State Funds Report

Ms. Yaffa informed the Commission that no changes occurred within the Recovered State Funds Report. This concluded the Planning & Programming Program Update.

D. Commission Secretary Update – Ms. Pfister

1. General Matters

Secretary Pfister did not provide a General Matters Update.



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Meeting Minutes

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VII. OLD BUSINESS

- A. Consideration of the Revised Wyoming Priority Rating Model (PRM) for Project Evaluation – Ms. Yaffa

Ms. Yaffa reviewed the revised Priority Rating Model's prospective changes.¹

1. Revised Wyoming PRM for Project Evaluation 2014

The following is taken from the Explanation of Agenda:

The Priority Rating Model (PRM) Task Force recommended reconvening after the first year of implementation on the newly revised Model in an effort to evaluate its performance and recommend any necessary adjustments to the Aeronautics Commission. The PRM Task Force met on August 6, 2015, for completion of the revised Model review and assessment.

Overall, the PRM Task Force agreed that the Wyoming Priority Rating Model for Project Evaluation – 2014 (PRM) is performing as anticipated and only minor adjustments were recommended.

Ms. Yaffa then provided the Division's recommendation:

Recommendation: Ms. Yaffa recommended approval of the Revised Wyoming PRM for Project Evaluation 2014 as presented.

Motions: It was moved by Commissioner Ksir, and seconded by Commissioner Dilts to approve the Revised Wyoming PRM for Project Evaluation 2014 as presented.

Discussions: As there were no major questions or comments, the Commission then voted on the approval of the Revised Wyoming PRM for Project Evaluation 2014 as presented. *Motion Carried.*

VIII. REGULAR BUSINESS

- A. Consideration of the Wyoming Aviation Capital Improvement Program (WACIP) – Ms. Yaffa

Ms. Yaffa reviewed FY15 & FY16's WACIP Budget Modifications only, as the remaining fiscal years had no significant changes.²

1. FY15 WACIP Budget Modifications

The following is taken from the Explanation of Agenda:

The FY15 WACIP Budget Modifications included an increased state funding allocation of \$388,867, resulting from several project additions and bid openings.

The changes to FY15 result in a remaining balance of \$788,798, which is still above the desired balance for this point in the fiscal year. Standard practice is to allocate half of the biennium budget funds in the first fiscal year. However, any remaining funds may be carried over to the second year when necessary. Given the lateness in the funding year and the likelihood that additional funds will be requested for FY16 in the annual WACIP update, the Division recommends carrying over the

¹ The newly revised Priority Rating Model may be viewed on WYDOT's website at:

http://www.dot.state.wy.us/home/aeronautics/rules_and_policies.html

² August 2015's WACIP Modifications may be viewed on WYDOT's website at:

http://www.dot.state.wy.us/home/aeronautics/planning-grants--loans/capital_improvement_plan2.html



Matthew H. Mead
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WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
Chairman

VIII. REGULAR BUSINESS (CONTINUED)

A. Consideration of the Wyoming Aviation Capital Improvement Program (WACIP) – Ms. Yaffa (*Continued*)

1. FY15 WACIP Budget Modifications (Continued)

The following is taken from the Explanation of Agenda (Continued):

remaining balance to FY16.

Ms. Yaffa then provided the Division's recommendation:

Recommendation: Ms. Yaffa recommended approval of the FY15 WACIP Budget Modifications as presented.

Motions: It was moved by Commissioner DeVore, and seconded by Commissioner Ksir to approve the FY15 WACIP Budget Modifications as presented.

Discussions: Commissioner Ksir asked for clarification on whether the Division had utilized all Shovel Ready projects for FY15.

Ms. Yaffa clarified that the Division was unable to locate any additional projects within FY15 that could easily be moved forward as Shovel Ready.

Chairman Schoonmaker asked for clarification on whether projects were deemed Shovel Ready internally, or if the Division reached out to sponsors on this.

Ms. Bean clarified that when they came up with the Shovel Ready process it was discussed at length with the airport sponsors and their consultants. She also noted that Shovel Ready projects are quite a commitment for the sponsors in coming up with their commitment share quickly, and giving consultants enough notice and time to complete work.

As there were no additional questions or comments, the Commission then voted on the approval of the FY15 WACIP Budget Modifications as presented. Motion Carried.

2. FY16 WACIP Budget Modifications

The FY16 WACIP Budget Modification includes an increase in state funding allocation of \$20,000, due to one (1) project's postponement from FY15 to FY16.

The change to FY16 results in a remaining balance of \$356,853; which, in the Division's opinion, is an acceptable reserve amount for this point in the funding cycle.

Ms. Yaffa then provided the Division's recommendation:

Recommendation: Ms. Yaffa recommended approval of the FY16 WACIP Budget Modifications as presented.

Motions: It was moved by Commissioner Dilts, and seconded by Commissioner Wilke to approve the FY15 WACIP Budget Modifications as presented.

Discussions: As there were no major questions or comments, the Commission then voted on the approval of the FY16 WACIP Budget Modifications as presented. Motion Carried.



Matthew H. Mead
Governor

WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
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IX. NEW BUSINESS

A. Consideration of the Sheridan Air Service Enhancement Grant Application – Ms. Taylor

Ms. Taylor reviewed the Grant Application, as well as the Initial Project Summary.

1. Grant Application

The following is taken from the Explanation of Agenda:

The Sheridan Critical Air Service Team (CAST) is requesting state support for Key Lime Air, in order to provide non-stop service to Denver International Airport. The service period requested would run from November 1, 2015 through October 31, 2016. Key Lime Air is seeking a Minimum Revenue Guarantee (MRG) in the amount of \$2,800,783; therefore, CAST is requesting a grant for a maximum state share not to exceed \$1,600,783, at a state matching rate of 57.155%. The proposed service for grant consideration is new, and will bring air service back to Sheridan, following Great Lakes decision to vacate this market in April of 2015.

2. Initial Project Summary

The following is taken from the Initial Project Summary:

Intended Benefits:

Critical Air Service:	Yes, this project is considered critical air service as there is currently no commercial air service in Sheridan (SHR).
Economic Benefit:	Yes, without commercial air service SHR is unable to realize the \$23.4 million in total economic impact, as indicated in the 2013 Economic Impact Study conducted by the Division. Further, without meeting the 10,000 passenger enplanements threshold, SHR can lose up to \$1 Million in federal Airport Improvement Program (AIP) funding.
Enplanements:	When compared year-over-year for the same time period as the proposed project (November-October), SHR enplaned just 862 passengers in the 2014/2015 period. For the same 2013/2014 cycle, the airport enplaned 10,198 passengers, as operational issues at Great Lakes Airlines began to effect service levels; a decline that becomes evident when compared to the 14,047 passenger enplanements for the same 2012/2013 period. For the duration of the proposed contract, 14,268 passenger enplanements are projected.
Passengers Under Contract:	The passengers under contract for this service will account for 100% of the airport's annual passenger totals.
Passenger Retention:	Passenger retention for 2014 averaged 13.7%, which is down 17.6% from the previous year's 31.3%. Great Lakes Airlines, the former sole air service provider to SHR, suffered crew issues, resulting in industry subpar reliability and on-time performance. This forced passengers to seek other airports for more reliable options, including Billings Logan Airport capturing 55% for 2015 versus 45% in 2014, and 40% in 2013. We anticipate retention to improve to 2013 levels with the addition of reliable air service and the introduction of the first jet service for SHR since deregulation.



Matthew H. Mead
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WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
Chairman

IX. NEW BUSINESS (CONTINUED)

A. Consideration of the Sheridan Air Service Enhancement Grant Application – Ms. Taylor

2. Initial Project Summary (Continued)

The following is taken from the Initial Project Summary (Continued):

Intended Benefits (Continued):

Capacity: The proposed service to DEN will be operated with a 30 seat Fairchild-Dornier 328JET aircraft, and will result in approximately 20,385 seats out of SHR. This would be an increase of 33% from the November 2013 - October 2014 period, when the airport was last continuously served.

Air Fares: The air fares and revenue management for this project will be managed by a designee of CAST, allowing community engagement and ownership of the service. Stakeholders will be able to closely monitor demand and keep prices competitive, as opposed to having an airline dictate pricing where small, low frequency communities are a lower priority. Based on forecasts, we anticipate the average fare to be competitive with surrounding airports for service to DEN.

3. Sheridan's Critical Air Service Team Representative(s) Presentation

Mr. Garber began CAST's presentation by expressing gratitude for not only the Commission's consideration of their application, but also the immense community wide support from Sheridan and Johnson counties. He mentioned that Sheridan's biggest challenge has been leakage into Montana, with numbers nearing 80% with the inclusion of both Montana and Denver. Mr. Garber stressed that leakage resulted in various other incidental losses for Sheridan as well, stating that with the support of Mr. Nick Wangler of Forecast, Inc., they now have a great understanding of where they are at with their numbers.

Chairman Schoonmaker asked for clarification on whether the community holds a contractual agreement with Mr. Wangler of Forecast, Inc.

Mr. Garber clarified that Sheridan County Airport and Forecast, Inc. do have a contractual agreement for consulting services, highlighting Mr. Wangler's industry knowledge and experience.

Mr. Garber proceeded by outlining the unique benefits of attaining services with Key Lime Air versus a larger regional carrier, as the proposed service would allow for unprecedented community decision-making on scheduling and fares. He impressed upon the Commission that this enables the community to base pricing on either weekly, event-based, or seasonal trends; thus, allowing for increased chances for success.

Chairman Schoonmaker asked for clarification on whether the basis for the contract would be to aid the community with revenue management.

Mr. Wangler of Forecast, Inc. clarified that this was indeed the basis for the contract.

Commissioner DeVore asked for clarification on what benchmarks must be reached in order to attain a zero dollar net impact to the state.



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WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
Chairman

IX. NEW BUSINESS (CONTINUED)

A. Consideration of the Sheridan Air Service Enhancement Grant Application (*Continued*)

3. Sheridan's Critical Air Service Team Representative(s) Presentation (*Continued*)

Ms. Taylor explained that Key Lime Air provided several illustrative scenarios in the form of a Cost and Revenue Management Model. She added that a breakeven point was based upon assumptions from two (2) distinct indicators, which included passenger numbers and average fare, meaning:

- Higher Fares = Fewer Passengers
- Lower Fares = Increased Passengers

She then referred to Mr. Wangler & Mr. Garber for figurative clarification on a breakeven point.

Mr. Garber pointed out that the applications intent was ideally filling 25-30 seats, at an average fare of \$200, which would indicate they are doing well. He also stressed that some of the models factors were skewed to represent worst-case scenarios, such as fuel pricing in order to obtain a more realistic forecast throughout the duration of the contractual agreement.

Mr. Wangler suggested that the mass of the Cost and Revenue Management Model might be a bit deceiving, as there are some inflated numbers such as fuel. He further explained that the forecast over the course of the year projects revenues of approximately \$4 Million, passengers totaling around 28,000 in comparison to a capacity of 40,000, which would suggest a load factor of 70%. He stressed that every point above 70% causes a rise in fares to rise as well, and he also indicated that a definitive answer could not be easily attained. Mr. Wangler added that the most conclusive estimation he could give based on the current model, is a need to run load factors of approximately 80-85% to breakeven.

Mr. Wangler impressed upon the Commission that as the newly proposed contract continues, Key Lime should be able to get a better handle on cost structures for working with Sheridan and the state.

Ms. Taylor proceeded in reviewing potential challenges foreseen throughout the Divisions vetting process, mentioning the lack of codeshare and baggage agreements upon arrival at Denver International Airport. Additionally, Ms. Taylor stressed that marketing education and promotion, and strict revenue and price management oversight throughout the duration of the proposed agreement would be crucial.

Ms. Taylor impressed upon the Commission that the proposed agreement would meet five (5) of the six (6) statutorily mandated benefits of the Air Service Enhancement Program. She also highlighted Key Lime's on-time performance and reliability, and the potential of reaching for reaching 100% on-time performance due to an agreement for two (2) dedicated aircraft. Ms. Taylor stated that another key point of future success is the already widespread community support and backing for air service, coupled with Key Lime airs commitment.

Chairman Schoonmaker asked for clarification on how to truly mitigate risks to state dollars.

Ms. Taylor explained that the combination of revenue management, marketing education and promotion, and proper leadership would be key elements in mitigating those risks. She assured the Commission that leadership had been impressive through the duration of the vetting process, and that Sheridan and Key Lime Air seem to have formed a good partnership to date.

Mr. Garber added that the community has a broad base of skilled professionals who shall oversee



Matthew H. Mead
Governor

WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
Chairman

IX. NEW BUSINESS (CONTINUED)

A. Consideration of the Sheridan Air Service Enhancement Grant Application (*Continued*)

3. Sheridan's Critical Air Service Team Representative(s) Presentation (*Continued*)

information provided by their consultant at Forecast, Inc, as well as vast community-wide support for aiding in marketing education and promotional efforts.

Administrator Byrne pointed out community need for setting appropriate expectations in terms of service usage, given the lack of a Codeshare or Interline Agreement. He also highlighted that Divisional support is provided throughout the duration of projects, and that periodic updates could be provided for the Commission as well for financial investment oversight.

Commissioner Ksir asked for clarification on whether they could anticipate monthly reports for monitoring the state's investment.

Administrator Byrne Confirmed that the Division could commit to providing monthly progress reports.

Ms. Taylor then impressed upon the Commission the economic benefits of the proposed service to the community, as well as the unprecedented revenue management possibilities. She also pointed out that Wyoming's smaller communities are given lower priority when utilizing a larger regional carrier, making Key Lime Air's services ideal in terms of on-time performance and reliability.

Ms. Taylor then impressed upon Mr. Garber for clarification on where Cast was at in terms of contract revisions.

Mr. Garber expressed that contract revisions were nearing completion.

Mr. Byrne asked for clarification on whether there were any outstanding issues of significance in terms of the proposed contract agreement.

Mr. Garber explained that the only significant issue was regarding payment schedules, and that he anticipated discussions taking place within 3-4 days time.

Ms. Taylor then provided the Division's contingent recommendation:

Recommendation: Ms. Taylor gave her recommendation, contingent upon a signed contractual agreement between CAST & Key Lime Air, for the approval of CAST's grant request for service with Key Lime Air, at a maximum state share not to exceed \$1,600,783, at a state matching rate of 57.155%.

Motions: It was moved by Commissioner Ksir, and seconded by Commissioner Newton to approve CAST's grant request for service with Key Lime Air, at a maximum state share not to exceed \$1,600,783, at a state matching rate of 57.155%.

Discussions: Chairman Schoonmaker asked CAST for clarification on whether the contract revisions presently underway might impact state or local shares.

Mr. Garber clarified that state and local shares would remain unchanged.



Matthew H. Mead
Governor

WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
Chairman

IX. NEW BUSINESS (CONTINUED)

A. Consideration of the Sheridan Air Service Enhancement Grant Application (*Continued*)

Discussions (Continued): Commissioner Ksir asked for clarification on the difference between the proposed service, and regularly scheduled services. He also inquired on the type of certification Key Lime Air operated under.

Ms. Taylor clarified that Key Lim Air operates under Part 380 – Public Charter, and that they hold a Part 121 certificate as well.

Commissioner Ksir asked for clarification on whether ticket holders would be required to go through a security checkpoint upon arrival at Denver International Airport.

Ms. Taylor explained that only those connecting through another airline must go through a security checkpoint. She also mentioned that they would first need to re-claim their checked baggage, and then have them rechecked with the other carrier as well.

Commissioner DeVore expressed support for bringing air service into the Sheridan community; however, he cautioned that \$200 ticket pricing seems extremely optimistic, and expressed doubt in the notion.

Administrator Byrne agreed with Commissioner DeVore, and stated that he wanted to be clear about what is trying to be accomplished. He acknowledged the desire for the state to break even, explaining that this is simply not a reality for most of Wyoming's communities at this time, and that the goal is to provide reliable and affordable air service to the community of Sheridan. He then referred to Ms. Taylor for discussion regarding the economic benefits of the project.

Ms. Taylor explained that in accordance with the Economic Impact Study, Sheridan generates \$23.4 Million in total economic impacts for commercial airports within the state. She also highlighted the loss of visitor spending without air service, which totaled \$3.5 Million in 2013, and \$768,700 when accounting for annual local and state tax dollars generated through the program.

Chairman Schoonmaker asked for clarification on how leakage from Gillette to Sheridan could be mitigated given low ticket pricing.

Mr. Wangler explained that he and Ms. Taylor examined this possibility through forecasted data, and determined this would likely only account .4% of Gillette's entire traffic that was gained from Great Lakes exiting Sheridan. He also mentioned the advantage of Gillette having a Codeshare Agreement in place.

As there were no further questions or comments, the Commission then voted on the approval of CAST's grant request for service with Key Lime Air as presented. Motion Carried.

X. ANNOUNCEMENTS/REMINDERS

The following announcements were provided:

- A. Sheridan County Airport shall be hosting a Fly-In & Air Show on August 29, 2015.
- B. Ralph Wenz Field out of Pinedale shall be hosting a Fly-In and Pancake Breakfast on September 5, 2015.



Matthew H. Mead
Governor

WYOMING DEPARTMENT OF TRANSPORTATION'S AERONAUTICS COMMISSION

Meeting Minutes

Teleconference Business Meeting, Held August 18, 2015



Pete Schoonmaker
Chairman

X. ANNOUNCEMENTS/REMINDERS (CONTINUED)

The following announcements were provided:

- C. The Air Transportation Liaison Committee shall be convening on September 9, 2015, in conjunction with the annual Jackson Airline Rendezvous.
- D. Hunt Field out of Lander shall be hosting an Air Show & Fly-In on September 12, 2015.
- E. Uinta County Airport out of Evanston shall be hosting a Fly-In and Air Show on September 12, 2015.
- F. Our next meeting shall be held in conjunction with WAOA's Annual Conference in Lander on September 28th – 30th, 2015; event times are still pending.
- G. Hot Springs County – Thermopolis Municipal Airport shall be holding a Grand Opening, which is tentatively scheduled for late October at this time; an exact date and event time is still pending.

XI. EXECUTIVE SESSION

There was no need for an executive session.

XII. ADJOURNMENT

Motion: It was moved by Commissioner Wilke, and seconded by Commissioner Dilts to adjourn the August 18, 2015 business meeting.

Discussion: As there were no questions or comments, the Commission then voted on the adjournment of the August 18, 2015 business meeting at 3:19 P.M. *Motion Carried.*