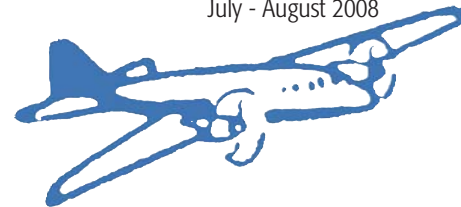


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July - August 2008



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Charles B. Wheeler Downtown Airport Taking Flight

Big changes are afoot at Charles B. Wheeler Downtown Airport (MKC), as the Kansas City Aviation Department continues to invest in airfield improvements, airport tenants continue to grow, and the airport welcomes a major new development.

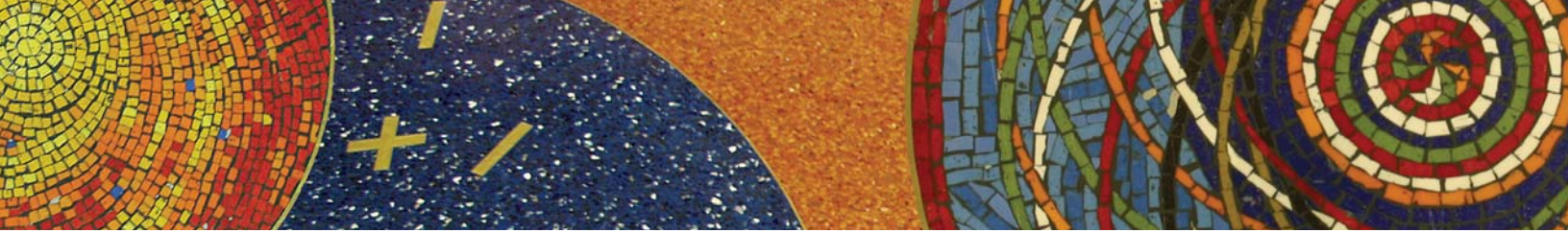
In 2006, the Kansas City Aviation Department initiated a \$69.6 million refurbishment of the main north-south and east-west runways at MKC. Runway 1-19 (north-south) now features new pavement, as well as electrical improvements on portions of the runways, taxiways and ramps. The same updates are underway now for Runway 3-21 (east-west) and should be completed in October.



Additionally, the department has begun a \$22 million construction project on the west side of the field to allow faster access to Runway 1-19 and parallel ramp space for new T-hangars and box hangars that are under construction. The hangar project on the northwest portion of the airfield is scheduled for completion in the summer of 2009 and will consist of 7 buildings containing 96 individual hangars. Also included will be a new general aviation terminal with a pilots' lounge and large waiting room capable of accommodating groups of up to 90 people, an aircraft self-fueling station and an outdoor aircraft wash bay. To make way for the new project, the department will raze 40 smaller, deteriorating hangars that have been on the airfield since the early 1940s, creating a net gain of 56 hangars when construction is completed in Spring 2009. The Aviation Department reports strong demand for these 96 new hangars.

Airport Manager Michael Roper said that the airport is already seeing an increasing influx of corporate jet aircraft operations, partly as the result of the rapid growth of fractional aircraft operators such as Net Jets and the fast growing, locally based Executive AirShare, with a fleet of 15 aircraft serving customers in five states and with firm orders for 28 new jet aircraft for delivery starting in 2009. Another tenant, Executive Beechcraft, was recently acquired by BBA Aviation, a U.K.-based company that is a world leader in aviation services. Executive Beechcraft is now investing half a million dollars to upgrade its fixed-base operation at MKC.

"Charles B. Wheeler Downtown Airport is less than five minutes from the heart of Downtown Kansas City, which is also undergoing a major renaissance," said Kansas City Aviation Department Director Mark VanLoh. "With more businesses and high net worth individuals moving downtown, business and leisure aviators will be seeking greater amenities, and we are preparing MKC to take advantage of this emerging demand."



Flying Vs. Driving

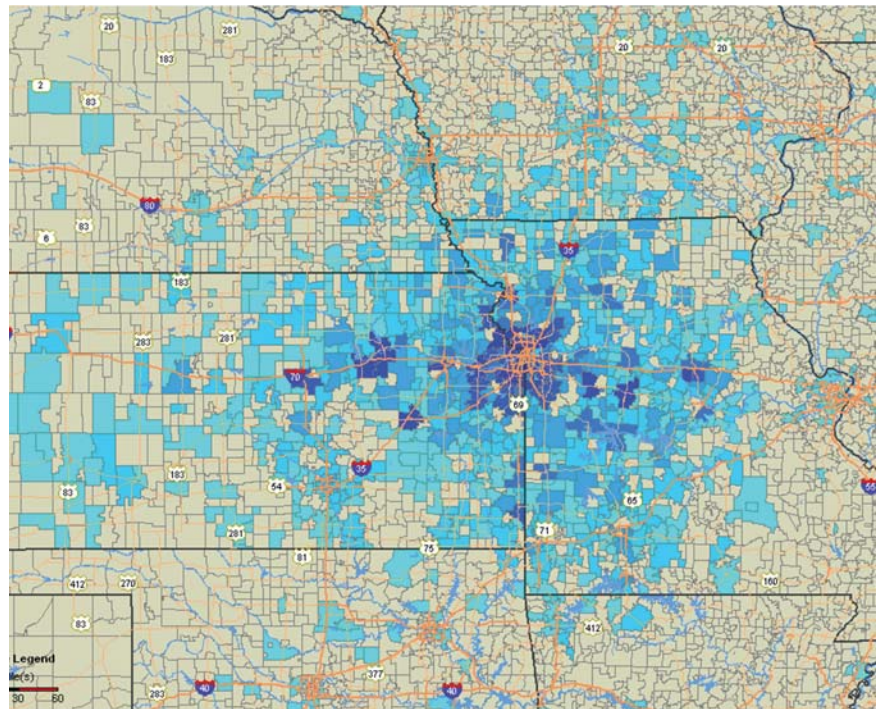
With gas costing so much these days, flying can be less expensive than driving, depending on the destination. The Kansas City Aviation Department examined the 50 most popular destinations from Kansas City International Airport, ranked by daily passengers, and looked for cities where the average fare from KCI is less than the cost of fuel consumed if driven. The study determined that air fare costs less than gas to 12 of KCI's top 20 markets and 18 of the top 30 markets. That means travelers can fly for less to Boston, Las Vegas, Los Angeles, New York, Orlando, Phoenix, San Francisco, Seattle, Washington, D.C., and other cities! Additionally, KCI has nonstop service to 61 domestic and 2 international destinations, so it is likely travelers can fly quickly and directly to their city of choice.

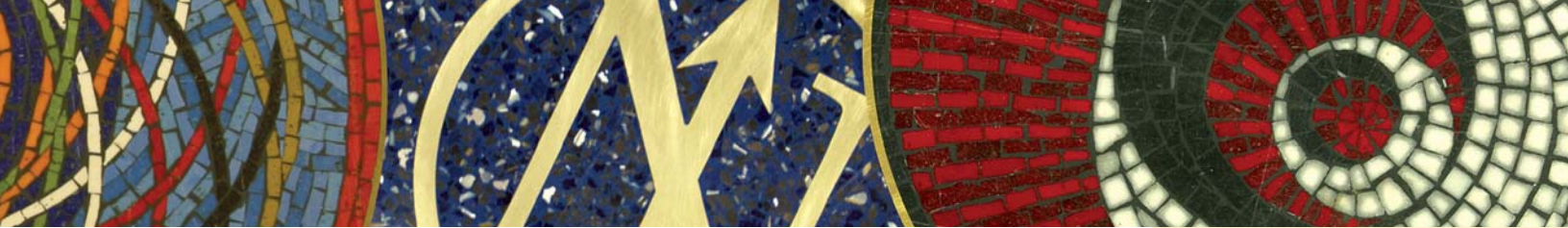
Fare data is year-ending fourth quarter 2007 (the most recent available) and is one traveler going one way, including all taxes and fees. MPG is estimated at 25 and the gas price is estimated at \$4.00 per gallon. The analysis only compares air fare to fuel cost and does not calculate additional costs for driving, meals, hotel, etc. or parking, ground transportation, etc., if flying.

Parking Study Expected To Enhance Revenue

Kansas City International Airport provides a variety of parking options for travelers - - from covered garages to economy lots. These vast concrete and steel pastures may not appear valuable, but they represent the majority of the airport's revenue. As a result, the Kansas City Aviation Department has interest in identifying and getting to know its target markets. In June, the Aviation Department and parking lot operator Standard Parking paired up to collect approximately 33,016 zip codes from customers as they exited all on-airport parking lots. The zip codes were then separated by which type of parking they chose. Once entered into the database, a map was created displaying the geographical concentration of travelers' origins.

The study found 49% of parking customers were from Kansas, 45% from Missouri and 6% from various surrounding states. When broken into counties, seven of the top ten with the highest concentration came from zip codes located in Johnson County, Kansas. Although, this is just a glimpse of the type of information KCAD is collecting - it's main purpose is to communicate parking benefits and features to existing and potential customers. The department's current promotion offers printable coupons for free parking at www.flykci.com.





Weak Economy Brings New Flight Opportunities

Kansas City International Airport's passenger airlines have undergone route and equipment changes due to the rise in fuel prices and sluggish economy. However, many of the changes are turning positive as the fall schedules unfold and airlines take advantage of underserved markets. Here are a few of the highlights:

- Southwest Airlines adds nonstop service to Ft. Lauderdale in November
- Southwest adds two more frequencies to Denver, for a total of 6 per day
- Frontier adds additional capacity between Kansas City and Denver, Cancun and Puerto Vallarta starting in December
- Frontier resumes nonstop service to Puerto Vallarta and Cancun in October
- Great Lakes loads new service to Joplin beginning in September
- Continental adds an additional daily frequency to Newark, in November only
- Air Tran reenters the Kansas City to Orlando market; new weekend nonstop service begins November 22

"While down from a record 2007, the recent traffic at KCI marks the second busiest June in the last seven years," said Director of Aviation Mark VanLoh. "With reduced flight schedules at KCI, we are expecting to report year over year traffic declines for the remainder of 2008. Though down from 2007, I expect to this year's passenger total to come in at 2005 or 2006 levels."

Out of approximately 601 airports KCI ranks as number 32 when it comes to the amount of nonstop destinations offered. Despite all of the passenger airline changes, Kansas City International Airport will have 50 nonstop destinations by fall and is far from the bottom of the list for efficient travel.

KCI Airport Noise Plan Examined

On August 5th, the Kansas City Aviation Department hosted a public workshop/hearing on the Part 150 Noise Program for KCI Airport. This Noise Compatibility Study examines existing noise conditions and makes an assessment of noise mitigation alternatives. While there are two other studies ongoing, KCI Airport Master Plan and Area Plan, they were not covered at this particular event. The informal format allowed the public to view exhibits, ask questions of the project team members and provide written or oral comments to a court reporter. The City has contracted with Landrum and Brown, Inc. to complete the three studies. More information on the KCI Airport Master Plan, Noise Compatibility Study, and Area Plan can be found by visiting www.flykci.com/kcistudies. The final public open house will be on September 4, 2008.

New Concession Added In Departure Lounge

Travelers can now enjoy a cold Budweiser selection while awaiting their flight inside the American Airlines departure lounge in Terminal C at Kansas City International Airport.

An 8-foot, self-contained bar, complete with a 6-foot cooler, has been installed. Additionally, high-top tables with bar stools have been placed near the window for those wanting to relax with a brew prior to their flight.

This is the first Budweiser bar located inside a security screened area and is predicted to be open 5:00 a.m. to 8:00 p.m. daily, depending upon flight schedules.



Airport Bonds Given Good Ratings

Fitch, Moody's and Standard & Poor's (S&P), major bond-rating organizations, have given Kansas City International Airport (KCI) strong bond ratings. The City of Kansas City, Missouri, Aviation Department is issuing bonds to refinance the \$29.5 million outstanding 1997 revenue bonds and pay the cost of issuance.

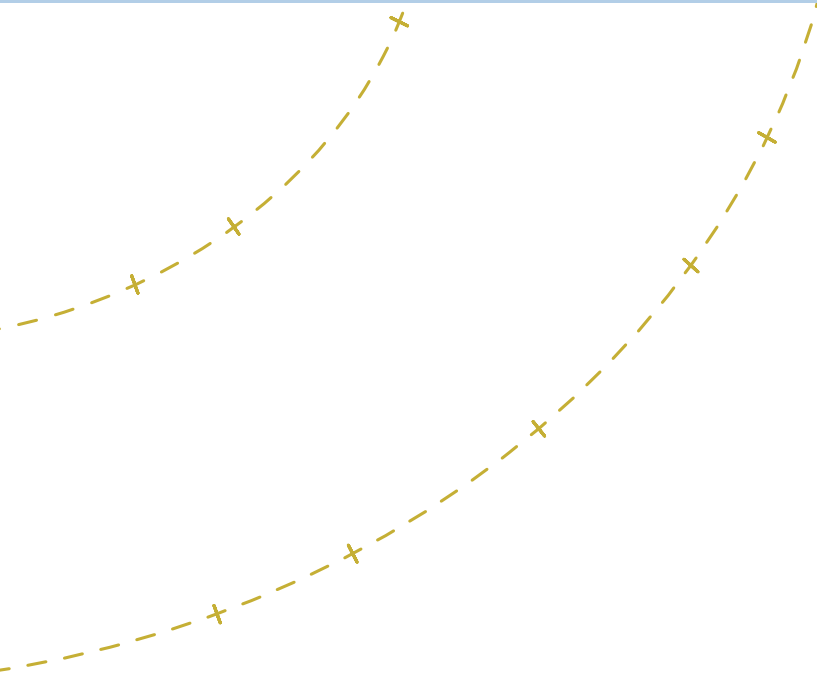
The ratings reflect KCI's competitive airline costs, conservative capital improvement plan, no additional debt expected in the next five years and the rating agencies' faith in airport management to proactively manage its financial operations amidst the challenging economic environment facing the domestic airline industry and the resulting service cuts. Also cited were the airport's solid market position with no significant competition within 170 miles, diverse and stable air carrier base and strong and diverse local economy.

Fitch assigned an A+ underlying long-term rating to the Aviation Department's approximately \$30 million General Airport Revenue Bonds (GARBs) Series 2008A, an A+ on the approximately \$200 million in outstanding airport revenue bonds, and an A on the approximately \$117 million outstanding 2001A passenger facility charge bonds.

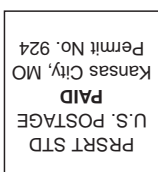
Moody's Investors Service has assigned an A1 underlying rating to the 2008 GARBs. Moody's is also affirming the A1 underlying rating on the airport's parity senior revenue bonds outstanding in the amount of \$169.9 million, the A2 rating on the outstanding subordinate revenue bonds in the amount of \$54.0 million, and the A3 rating on the outstanding passenger facility charge (PFC) revenue bonds.

S&P assigned an A+ rating to the 2008A GARBs, A+ to the outstanding GARBs, A on outstanding senior revenue bonds, A on outstanding subordinate revenue bonds, and A on outstanding PFC bonds.

The "FlyKCI.com" newsletter is the official publication of the Kansas City Aviation Department and includes developments at both Kansas City International Airport and at Charles B. Wheeler Downtown Airport. Editorial comments may be directed to kathleen_hefner@kamo.org.



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