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KERRVILLE-KERR COUNTY JOINT AIRPORT BOARD

Special Meeting

Monday, October 1, 2012

8:30 a.m.

Airport Terminal Conference Room

1877 Airport Loop Road

Kerrville, Texas

MEMBERS PRESENT: MEMBERS ABSENT:

Stephen King, President None

Tom Moser, Vice-President

Corey Walters

Ed Livermore

Bill Wood

AIRPORT BOARD STAFF PRESENT:

Bruce McKenzie, Airport Manager

Carole Dungan, Executive Assistant

COUNTY STAFF PRESENT:

CITY STAFF PRESENT:

Todd Parton, City Manager

VISITORS:

Ilse Bailey, Airport attorney

Joey Kennedy, Kerrville Aviation

Jim Settle

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I N D E X

PAGE

3 CALLED TO ORDER

4 1. VISITORS FORUM 3

5 2. DISCUSSION AND POSSIBLE ACTION:

6 2C T-Hangar project 3

7 2A Airport Board nomination to replace Tom Moser

Review of applicants (Executive Session) --

8 2B Brinkman Hangar lease (Executive Session) --

9 3. EXECUTIVE SESSION

Action taken on Executive Session items --

10 4. ADJOURNMENT 62

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1 On Monday, October 1, 2012, at 8:30 a.m., a special
2 meeting of the Kerrville-Kerr County Joint Airport Board was
3 held in the Airport Terminal Conference Room, Louis Schreiner
4 Field, Kerrville, Texas, and the following proceedings were
5 had in open session:

6 P R O C E E D I N G S

7 MR. KING: All right. I'll call this meeting to
8 order, the special meeting of the Kerrville/Kerr County Joint
9 Airport Board, October 1st, 2012. Visitors forum, Item 1.
10 At this time, any person with business not scheduled on the
11 agenda may speak to the Airport Board. No deliberation or
12 action may be taken on these items because the Open Meetings
13 Act requires an item to be posted for 72 hours before the
14 meeting. Visitors are asked to limit their presentations to
15 three minutes. Anybody want to say anything? Nothing?
16 Item 2, discussion and possible action. Airport Board
17 nominations to replace Tom Moser.

18 MR. McKENZIE: What we need to do, Steve, is go
19 down to the T-hangars first. That's in the open session.

20 MR. KING: Okay.

21 MR. McKENZIE: Then we'll go into executive and do
22 everything else.

23 MR. KING: Okay. Okay. All right, Item -- we'll
24 skip Item 2A and 2B and go to 2C, the T-hangar project.

25 MR. McKENZIE: Okay.

1 MR. KING: Go ahead.

2 MR. McKENZIE: Are you -- you probably want to move
3 around so you don't get blinded.

4 MR. KING: Okay.

5 MR. McKENZIE: Okay. This is what we've been
6 working on now for the last several weeks. Tom and I laid
7 this out, and now we have a voluminous amount of data. The
8 first thing we did, obviously, was define the phased
9 development, and the Airport -- I'll show you a picture of
10 that in a minute, but the Airport Board has seen this.
11 They've seen what we picked out to do with the hangar layout
12 we had, and I'll show you that momentarily. I won't go
13 through all these slides and read them all to you, but we
14 just want to hit the high points on here, and this is what
15 we're looking at. To build -- if we build across from hangar
16 -- I mean Runway 3/21, build the T-hangars on the west side
17 of the airport, this is what the board decided that they
18 wanted to do when we defined this development. This is in
19 the Airport Layout Plan and the Airport Master Plan that we
20 had that Garver did for us. They prepared this document.
21 But what the board decided to do was just build these two
22 hangars here, these two taxiways that you see here, and the
23 ingress/egress, which is the road down -- Peterson Farm Road
24 is here. That's what we decided. That's what the board
25 decided on last year. Then we did the market evaluation for

1 these T-hangars. Here again, I won't read it to you, but
2 everybody's full. That's their hangars.

3 MR. MOSER: Does that include the new ones at
4 Gillespie County?

5 MR. McKENZIE: Yes, sir.

6 MR. MOSER: Okay.

7 MR. McKENZIE: I was over there last Thursday, Tom,
8 after you and I talked on the phone, and we visited with
9 Roger for about an hour and a half that morning about it, and
10 we looked at the new hangars that were going up.

11 MR. KING: When you say "going up," what do you
12 mean?
13 MR. McKENZIE: They're building 10 more new ones in
14 Fredericksburg.
15 MR. LIVERMORE: Is that included in the 70?
16 MR. McKENZIE: Yes, sir.
17 MR. KING: T-hangars? Or --
18 MR. McKENZIE: T-hangars.
19 MR. KING: What's the stage of those?
20 MR. McKENZIE: They're up now. They were putting
21 those up last Thursday, but the steel's up now.
22 MR. WALTERS: Do you have -- on these different
23 airports, do you have prices?
24 MR. WOOD: Before you leave that last slide, I have
25 a question.

6

1 MR. McKENZIE: Sure.
2 MR. WOOD: Of the 25 percent of Gillespie's
3 business that are Kerrville residents, have you checked to
4 see if the people that are on our waiting list for a T-hangar
5 are the same people that have T-hangars over there?
6 MR. McKENZIE: Some of them are, Bill, and some --
7 many of them said that they would come back. Some of them
8 wouldn't give me an answer, so I don't know. It's --
9 MR. WOOD: I was just trying to figure out if we
10 had all the people on the list plus the 25 percent of the
11 people at Fredericksburg, --
12 MR. McKENZIE: And one the determining --
13 MR. WOOD: -- or if some of them were the same.
14 MR. McKENZIE: And some of them are the same, but
15 one of the determining factors is what we've used before, is
16 the \$250. It's -- it comes down to economics. It's the cost
17 of the T-hangar.
18 MR. WOOD: Okay.
19 MR. McKENZIE: Let's see --
20 MR. MOSER: Go back there one. I'm sorry. Let's
21 see. 230 -- 260 hangars. Where's Garner?
22 MR. McKENZIE: Uvalde.

23 MR. MOSER: Oh, Uvalde, okay. So 260 hangars,
24 okay.
25 MR. McKENZIE: This is -- Corey, this is to answer

7

1 your question. Roger Hansen told me when I was over there
2 last Thursday, he said if you folks build your T-hangars, we
3 have the potential -- the potential of losing 20 to 25
4 percent of our clientele. So, that's -- you're going to see
5 as we go through this that "risk" is the main word in this
6 whole thing; risk and assumptions. Risk and assumptions.

7 MR. WALTERS: Was that -- was his statement on the
8 assumption that we charge the same rate as they do?

9 MR. McKENZIE: If we're charging 250 a month, --

10 MR. WALTERS: Okay.

11 MR. McKENZIE: -- they'll come home; that's
12 correct. And Kerrville Aviation, we're calling that the
13 full-service facility. And we all, at the table, know what
14 that consists of. Kerrville Aviation is \$315 a month to
15 store your single-engine, piston-driven aircraft.

16 Normally --

17 MR. MOSER: How many are they storing there?

18 MR. McKENZIE: I don't know.

19 MR. KENNEDY: Quite a few. I couldn't put a number
20 on it without counting, but --

21 MR. KING: Are you full, Joey? If I brought -- if
22 I -- if somebody came over from Fredericksburg, and say I've
23 got a Bonanza I would like to bring over here, do you got
24 room?

25 MR. KENNEDY: Yeah, we got room. We brought two

8

1 new airplanes in last week.

2 MR. KING: Where'd they come from?

3 MR. KENNEDY: They're actually new --

4 MR. KING: New people?

5 MR. KENNEDY: Yeah. One's a Saratoga, a 2002
6 model, and another 182 from somewhere; I'm not sure where.
7 Part of it might be -- I'm not sure exactly which aircraft

8 are over at Fredericksburg, but --

9 MR. KING: I don't know. Well, you -- I know you

10 got -- you got Chris Avery is over there, but he lives --

11 MR. KENNEDY: He lives there, yeah.

12 MR. KING: He lives there.

13 MR. WALTERS: Mike Guerra is there.

14 MR. KING: But he doesn't fly. And you got -- I

15 mean, if you investigate, some of these people probably live

16 in Kerr County, but they may not live -- they may live, you

17 know, like --

18 MR. LIVERMORE: Closer to Fredericksburg.

19 MR. KING: -- Tierra Linda type.

20 MR. KENNEDY: To be honest with you, this is not a

21 popular notion. It's not a popular thing to say, but

22 unfortunately, the reality of the economics of it are my

23 marketing efforts are better spent trying to attract the

24 turbine aircraft out of San Antonio than getting 15 pistons,

25 'cause --

9

1 MR. KING: I agree.

2 MR. KENNEDY: -- 95 percent's tied up in 10 percent

3 of our volume.

4 MR. KING: You don't want a guy like Mike. Mike's

5 a great guy, but if Mike brings his airplanes over here --

6 MR. KENNEDY: Mike had some -- I think he had

7 something going in Fredericksburg at one point. I talked to

8 him the other day --

9 MR. WALTERS: You're talking about Mike Guerra?

10 MR. KING: Yeah. If they don't fly, they're not --

11 they're just -- they're no good.

12 MR. KENNEDY: Right, exactly.

13 MR. KING: We're not going to benefit from it. We

14 don't get 8 cents a gallon off sitting in a hangar.

15 MR. WALTERS: I bet Mike hasn't flown five hours in

16 the last two years.

17 MR. KENNEDY: But when he first started flying, he

18 learned to fly here in our airplanes. He actually had

19 airplanes here, but at that time -- this was several years

20 ago -- he actually had several things going on in
21 Fredericksburg, which is the reason he had his airplane over
22 there.
23 MR. KING: What percentage are you -- do you think
24 you're full?
25 MR. KENNEDY: Percentage-wise?

10

1 MR. KING: 85?
2 MR. KENNEDY: Probably. If not -- probably 85, 90.
3 we've actually been deliberately -- as people leave, we're
4 not going out actively pursuing --
5 MR. KING: Yeah.
6 MR. KENNEDY: -- attracting every aircraft we can
7 find because of the fact we're trying to market to some of
8 those other aircraft.
9 MR. KING: I agree.
10 MR. KENNEDY: Some of the turbine stuff. That
11 helps take the pressure off the piston market.
12 MR. KING: Right.
13 MR. WALTERS: How many aircraft do you feel like
14 you lose, single-engine, for a year? Can you put a number on
15 it?
16 MR. KENNEDY: Everyone that -- everyone that quits
17 flying, we -- we fill the space probably immediately. And
18 we've had a couple guys that quit flying this year, but
19 shortly thereafter -- I couldn't really put a number on it
20 without really sitting down and looking at it, but there's
21 probably -- it's usually people -- it's not people moving
22 their airplanes off the airport; it's people that are either
23 moving to another town or are giving up flying altogether.
24 It's a retirement community, so that's usually the most
25 common. Osborns are going to sell their airplane this year

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1 'cause their grandson finished flying -- or finished his
2 license. They're going to sell theirs.
3 MR. KING: This slide doesn't have Hondo. Hondo
4 has a bunch of hangars.

5 MR. WOOD: Castroville does too.

6 MR. KING: I rented a hangar down at Hondo for my

7 Lancer 'cause I didn't have a place to put it. It was 160

8 bucks a month. I paid \$160 a month.

9 MR. McKENZIE: 160?

10 MR. KING: For an enclosed hangar with a door on

11 it. I've never seen it, but mostly waterproof.

12 MR. WALTERS: Would you say that you lose maybe, I

13 mean, you know, less than five aircraft a year, singles?

14 MR. KENNEDY: I would say so. When you say "lose,"

15 I mean, define the term.

16 MR. WALTERS: Like, losing --

17 MR. KING: Turnover.

18 MR. WALTERS: Turnover, yeah.

19 MR. KENNEDY: Probably, maybe five.

20 MR. WALTERS: Maybe five a year?

21 MR. KENNEDY: Like I said, they're filled like

22 that. (Snapped fingers.)

23 MR. WALTERS: Yeah, okay.

24 MR. KING: Is Ronnie full up here? He's full?

25 MR. KENNEDY: Yeah, he's full.

12

1 MR. KING: His little thing up there?

2 MR. KENNEDY: Far as I know.

3 MR. WALTERS: And what does he charge? He probably

4 doesn't charge much.

5 MR. McKENZIE: I think he charges 200 a month.

6 It's cheaper than ours.

7 MR. WALTERS: Okay.

8 MR. KING: One more question. When you talk to

9 Roger over there, or you're talking to Snowden, do they give

10 you -- I mean, he's getting ready to build his hangars. Do

11 you have any idea what his budget is for those hangars?

12 MR. MOSER: He told us he exactly what it was. I

13 didn't bring my folder, but he told us exactly what it was

14 costing.

15 MR. KING: You think he'd know right now exactly

16 what it's costing him to build those hangars.

17 MR. MOSER: We know that.
18 MR. KING: I mean --
19 MR. MOSER: It was 20 -- it was -- how much was it,
20 \$20 a square foot?
21 MR. McKENZIE: Or less. But he's not -- we're not
22 comparing apples to apples.
23 MR. KING: What's the difference?
24 MR. McKENZIE: The difference is we're going to
25 have to have a slab that the City is going to have to -- the

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1 metal manufacturer is going to have to give a slab design
2 that the City approves.
3 MR. KING: Right.
4 MR. McKENZIE: He's not doing that over there.
5 He's pouring the slab that he wants to pour.
6 MR. KING: Mm-hmm. And --
7 MR. McKENZIE: He's the general contractor. He
8 buys the steel. He hires the contractor to put it up. He
9 hires the guy to pour the concrete. I mean, they're doing it
10 a little different. And he's not being monitored, if you
11 will.
12 MR. KING: But you've been inside of them and
13 looked at them?
14 MR. McKENZIE: I was over there when they were
15 putting them up.
16 MR. KING: They're a regular -- like, pearling
17 and --
18 MR. MOSER: Yeah.
19 MR. KING: -- I-beam, pearling and sliding doors?
20 MR. McKENZIE: Regular metal building, yes, sir.
21 MR. MOSER: I looked at his specs. He gave us a
22 copy of his specs when I went over there with Mark.
23 MR. McKENZIE: Mm-hmm.
24 MR. MOSER: I should have brought that, but I
25 didn't. And his -- you know, all the specs were -- were

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1 high-quality stuff. He wasn't slinging it up. I mean, the

2 building was designed for 100 mile-an-hour wind, blah, blah,
3 blah, blah. It was -- it was well-constructed. The slab was
4 what you would think would go along with a lightly loaded
5 thing. You're not taking 18-wheelers in there full of
6 concrete. And --

7 MR. LIVERMORE: Which is what the City wants us to
8 do.

9 MR. MOSER: Well, I think, you know, that --
10 let's -- let's arm-wrestle them at that time. It's crazy to
11 put something in when the -- when the columns are the only
12 thing carrying any load. And put a pier underneath that, and
13 that's it.

14 MR. LIVERMORE: Yeah.

15 MR. MOSER: The slab doesn't do anything except --
16 your airplane doesn't weigh very much.

17 MR. LIVERMORE: I understand that. You and I are
18 on the same page.

19 MR. MOSER: Right. So --

20 MR. KING: And he -- but did Bob say to you -- he's
21 not building those things for a hobby, I would assume.

22 MR. McKENZIE: He's not making much money on them,
23 Steve.

24 MR. KING: Why is he building them?

25 MR. McKENZIE: He says that's his legacy to that

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1 airport. That's what he told me. Now, I don't know what
2 he's making; I didn't point-blank ask him that, but that's
3 what he told me.

4 MR. KING: How about a legacy to our airport?

5 MR. LIVERMORE: He apparently -- I understand his
6 wife is very ill.

7 MR. McKENZIE: Yeah.

8 MR. LIVERMORE: He doesn't have children.

9 MR. KING: Yeah.

10 MR. LIVERMORE: That's the deal.

11 MR. KING: Really?

12 MR. LIVERMORE: Isn't that right?

13 MR. McKENZIE: That's my understanding, yeah.

14 MR. KING: Who's doing the taxiways and the aprons
15 for him? I saw the -- I've seen the hangars he's building.
16 There's a lot -- there's some flat work.
17 MR. McKENZIE: There is. And the contractor in
18 Fredericksburg on the highway --
19 MR. KING: I know, yeah. The bank --
20 MR. McKENZIE: Yeah, the bank guy.
21 MR. WALTERS: Keller.
22 MR. KING: Yeah, Keller.
23 MR. McKENZIE: Keller, thank you. That's who's
24 doing the paving and the site work.
25 MR. KING: Who's paying for that?

16

1 MR. McKENZIE: He gets that done with a 90/10 from
2 TexDOT.
3 MR. KING: A 90/10?
4 MR. McKENZIE: Yes.
5 MR. KING: On the aprons?
6 MR. McKENZIE: Yes, sir. And there's not much
7 apron, but he's getting that done with --
8 MR. LIVERMORE: Isn't there some city and county
9 help on that too over there? Or not?
10 MR. MOSER: Ten percent.
11 MR. LIVERMORE: I thought they were providing the
12 workers and equipment, doing the work.
13 MR. McKENZIE: Keller. I asked him point-blank the
14 other day, "Who's doing your site work?" He said Allen
15 Keller.
16 MR. LIVERMORE: Okay.
17 MR. KING: And so he's getting some 90/10 on that.
18 So, this project he's doing right now, when did he put in for
19 that? A while back?
20 MR. McKENZIE: I didn't ask him when he put in for
21 it.
22 MR. KING: I mean, you know, we've been talking to
23 TexDOT for --
24 MR. McKENZIE: We have.
25 MR. KING: -- for two years, and may -- even if we

1 start building today, they don't have any money. Where's he
2 getting the money?

3 MR. McKENZIE: We have money right now. We have
4 \$30,000 that became effective October 1.

5 MR. KING: Do you think he also has that kind of
6 money?

7 MR. McKENZIE: Yes.

8 MR. KING: What do you call that?

9 MR. McKENZIE: It's part of your C.I.P.

10 MR. KING: C.I.P., right. Do you think they're
11 using part of the C.I.P.?

12 MR. McKENZIE: I'm sure he is. I'm sure he is.

13 MR. KING: Okay.

14 MR. WALTERS: How many more is he building?

15 MR. McKENZIE: Well, they just put in the last 10.

16 I looked at it last week.

17 MR. LIVERMORE: They're up to 70 total?

18 MR. McKENZIE: Seventy. Seventy hangars, yes, sir.

19 MR. KING: Any more questions on this?

20 MR. McKENZIE: I showed you the picture a while
21 ago, what the board decided they would like to do. Then when
22 Mike Wellborn became involved at the Board's request to
23 design this, we had to alter that, obviously, with what's on
24 the ground now. So, we -- instead of putting this hangar
25 right here beside it like we originally -- we couldn't,

1 because this is still there, so we just moved it down here,
2 okay. This all stayed the same, and the road in stayed the
3 same. That is not obviously part of it, but this is.

4 MR. MOSER: Okay.

5 MR. McKENZIE: That's why the design -- this is
6 still existing, so we could not go that route.

7 MR. MOSER: Okay.

8 MR. McKENZIE: Okay?

9 MR. MOSER: Mm-hmm.

10 MR. McKENZIE: You've seen these numbers before.

11 MR. MOSER: Are these Mike's?
12 MR. McKENZIE: These are the numbers that Wellborn
13 came up with. Totals --
14 MR. MOSER: I object.
15 MR. KING: I object.
16 MR. MOSER: He was -- his numbers were twice what
17 -- what Hansen had and what Snowden had over there. He was
18 taking stuff -- I just object to that. I would rather -- I
19 would rather use Snowden's actuals than Mike's estimates.
20 MR. LIVERMORE: Well, are you comparing the same
21 slab?
22 MR. MOSER: Yeah. Yeah.
23 MR. LIVERMORE: Same slab?
24 MR. MOSER: Yeah.
25 MR. LIVERMORE: That's the problem.

19

1 MR. McKENZIE: It's not only that. It also is
2 building all -- all of this --
3 MR. LIVERMORE: Why do we have to build that road?
4 MR. McKENZIE: There's no way to get to it.
5 MR. LIVERMORE: You can't get to it otherwise?
6 MR. MOSER: There's nothing there.
7 MR. McKENZIE: You have to get water, electrical,
8 sewer, everything you've got to get to this site. Snowden
9 and those guys aren't having to do that.
10 MR. WALTERS: Isn't there some drainage down there
11 at the bottom too?
12 MR. McKENZIE: Right here.
13 MR. WALTERS: Yeah.
14 MR. McKENZIE: Mm-hmm.
15 MR. MOSER: We've got fill work to do, all in --
16 right there.
17 MR. McKENZIE: Once we do that, but this is pretty
18 well --
19 MR. MOSER: Yeah.
20 MR. McKENZIE: -- leveled out for it.
21 MR. KENNEDY: In fact, they're going to require an
22 engineered slab. It's not like you can just choose to go

23 with his slab design. You have no choice. You're in the

24 city and he's not.

25 MR. McKENZIE: Anyway, that's the -- part of the

20

1 numbers I'm coming up with.

2 MR. MOSER: Okay.

3 MR. LIVERMORE: Well, Option 2, what's the

4 difference?

5 MR. McKENZIE: The difference in those, Ed, is with

6 Option 2, the asphalt is two inches rather than two and a

7 half. And Option 1 is two and a half inches of hot mix, plus

8 a geo-grid underneath that, which is a fabric material that

9 we put under this parking lot last week. It just helps it,

10 gives it more stability. That will kick the price up as

11 well.

12 MR. LIVERMORE: Yeah.

13 MR. McKENZIE: He gives us options.

14 MR. MOSER: Do you have a breakdown of these?

15 MR. McKENZIE: Yes, sir, I've got it all. It's in

16 your packet.

17 MR. MOSER: Okay. You're going to show those?

18 MR. KING: Go back to that picture again, Bruce. I

19 want to ask you a question. That picture right there, what

20 -- what is this road here? I mean, what -- does he show it

21 in his estimate?

22 MR. McKENZIE: Yes, sir.

23 MR. KING: Huh?

24 MR. McKENZIE: Yes, sir.

25 MR. KING: I don't understand -- I mean, when we

21

1 put the whole deal together, I don't know why you couldn't

2 get the County and City to build a road up here like they've

3 done for us on every other place. I mean, I think you're

4 just -- I think we've got this thing -- you're building a

5 taxiway all the way to our hangars. I mean, that's what it

6 looks like to me; looks like a taxiway to be able to get all

7 the way to the hangars, when there's -- I mean, that's

8 probably a quarter -- a quarter of a mile, I bet, of road

9 there, wouldn't you say? Or at least a thousand feet?

10 MR. McKENZIE: It's a thousand feet.

11 MR. KING: At least a thousand feet. I don't

12 understand -- you know, when this whole thing was put

13 together -- I don't think this makes a whole lot of

14 difference in what the outcome of this deal is, but, you

15 know, A, I think this is a crappy -- it was always a bad --

16 it's just a bad setup, I mean, driving cars down a taxiway.

17 You don't have any way to get people to their hangar. I

18 mean, I think you'd have been better off, if we were going

19 to -- if the thing was ever going to come to fruition, I

20 think we're better off just building a -- a paved road that

21 the City and County build to get to the project, and then you

22 build the project.

23 MR. MOSER: Right.

24 MR. KING: And then down the road, if you get any

25 more development, you build back. You build back, and then

22

1 you build improvements back in the deal. I mean, is that

2 a -- is that ill thinking? I don't know. But I don't know

3 how much cost he has in there.

4 MR. MOSER: It's in your handout.

5 MR. LIVERMORE: Well, another thing that I was

6 thinking, Steve, why do -- is it required or is it necessary

7 to build at this time without those other little hangars

8 along the way, those right there?

9 MR. KING: Yeah.

10 MR. LIVERMORE: Do we really have to have a

11 high-quality road, or can we just put in a -- a simple black

12 asphalt -- I hate to use the word "double bituminous," but,

13 you know, something simple that doesn't require a lot of

14 work. You can get a car across it to the hangar. Then later

15 on, if these other things come in, at that point --

16 MR. McKENZIE: Sure.

17 MR. LIVERMORE: -- build a proper road.

18 MR. McKENZIE: Certainly.

19 MR. MOSER: Do you have the --

20 MR. LIVERMORE: See what I'm saying, Steve?
21 MR. KING: I guess that's what I was saying.
22 MR. McKENZIE: I didn't put it all in there, Tom.
23 MR. MOSER: Are you going to put a slide up of
24 these?
25 MR. McKENZIE: No, sir, I just gave everybody a

23

1 handout of all that.
2 MR. MOSER: So you have paving -- Paving Option
3 Number 1, \$722,000. And I was looking at just what the road
4 -- what this road is. It's hard to tell. Can you help me
5 with that?
6 MR. McKENZIE: Asphalt paving is the road, these
7 aprons here, and the --
8 MR. MOSER: Yeah, I know, but what's the road --
9 what's the road from there? What's that 1,000 feet of road?
10 MR. McKENZIE: I'll have to figure it up, Tom. I
11 don't know off the top of my head.
12 MR. MOSER: He didn't bring it out that way?
13 MR. McKENZIE: No, sir.
14 MR. MOSER: Oh, I see. Okay, got you. He just did
15 total square footage.
16 MR. McKENZIE: Yes, sir.
17 MR. MOSER: Okay, I'm sorry.
18 MR. WOOD: Bruce, can you help me with orientation?
19 I didn't see that --
20 MR. McKENZIE: No, that's fine.
21 MR. WOOD: -- the first time. That's -- I can see
22 the Runway 3/21 up there. Where are the present T-hangars?
23 Are they --
24 MR. McKENZIE: Right there.
25 MR. WOOD: Okay. That's them there, so they're on

24

1 the other side. And is that Mooney over there?
2 MR. LIVERMORE: That's Mooney.
3 MR. McKENZIE: This is Mooney right here. That's
4 Steve Drane, this hangar. This is the first T-hangars right

5 here.

6 MR. WOOD: Thanks.

7 MR. McKENZIE: Sure.

8 MR. MOSER: So that is -- all this paving is where
9 the hangars are that you have.

10 MR. McKENZIE: Yes, sir.

11 MR. MOSER: And that road. So, looking at that,
12 that road is probably about 50 percent, --

13 MR. McKENZIE: Probably.

14 MR. MOSER: -- somewhere, 40 percent. So -- so,
15 you're -- you're \$300,000 -- you're at \$300,000 for that
16 road, ballpark.

17 MR. KING: Is that ballpark?

18 MR. MOSER: Yeah. Yeah.

19 MR. KING: What -- how many -- this big block up
20 there, what is that? How many T-hangars was that up there in
21 the big block?

22 MR. McKENZIE: This? Ten.

23 MR. KING: That's 10?

24 MR. McKENZIE: Ten. Ten. When you put these two
25 together, I think it ended up being 10 and 12.

25

1 MR. KING: That's 10, so that's like --

2 MR. McKENZIE: It's 290 --

3 MR. KING: Where are the 10? Coming out on both
4 sides?

5 MR. McKENZIE: Coming out, five and five.

6 MR. KING: That's not very big. How big is the --
7 like, 5 times 40 -- 200 feet long?

8 MR. McKENZIE: About 250 feet long.

9 MR. KING: 250 feet long.

10 MR. MOSER: What's your scale down there?

11 MR. KING: Five and five.

12 MR. MOSER: One inch --

13 MR. WOOD: He's got the dimensions written inside
14 the T-hangars.

15 MR. McKENZIE: It's just hard to see it.

16 MR. WALTERS: Bruce, based on these numbers, good

17 or bad, what did the number come out to be that you'd have to
18 rent these for to be profitable?

19 MR. McKENZIE: I didn't run that out, but the
20 people that I've talked to, Corey, and I talked to several,
21 are telling me that there's no way --

22 MR. LIVERMORE: You don't have to sit out here,
23 Todd. He was sitting outside; he thought we were in
24 executive session.

25 MR. McKENZIE: That there was no way that this

26

1 would work for -- not even charging \$450 a month, not in this
2 environment.

3 MR. MOSER: But did you do a pro forma?

4 MR. McKENZIE: I did, but I didn't run it out with
5 these numbers, Tom, to the very end. With this at
6 \$800,000 --

7 MR. MOSER: That's what we got to do. We got to do
8 that. I don't want to take this to a guy from Tennessee and
9 say, "You got to do \$450 a square foot." I want us to do a
10 pro forma.

11 MR. WALTERS: What's the total number that you're
12 looking at? I mean, what was that, a million, one?

13 MR. McKENZIE: It's 2,800,000 if we build those
14 hangars and do the paving.

15 MR. WALTERS: 2,800,000? Can we go on to the next
16 topic?

17 MR. KING: Well, let's -- let's don't worry about
18 the money any more. Let's just forget about the building of
19 it. What's the demand? I mean, I thought you guys --

20 MR. McKENZIE: That's -- that's what I'm --

21 MR. KING: Let's look at the demand side of it
22 first. I think we can always juggle these numbers around and
23 figure out a different way to do it. And, I mean, I'm
24 like -- I'm like Tom. I just don't -- I don't -- I've seen
25 too many projects out here we put together that have been

27

1 \$300,000, \$400,000, and then when we get down to the meat of

2 it and everything and we figure out a way to do it and
3 everything, it ends up being a \$150,000 or \$200,000 project.
4 You know, it's just -- I mean, there's other ways to -- to do
5 these things, and I think this one here is done like you had
6 \$3 million sitting in the bank and you just wanted to spend
7 it. I just don't think there's -- that project is not
8 feasible done like that. You know, like that, I just don't
9 think it's feasible at the cost that you can -- I mean, our
10 rent is held down by the -- our surroundings. If we were in
11 San Antonio, it would be a great deal; we could do it and get
12 \$600 a month, and everybody would be happy. But, you know,
13 we're pretty much stuck with \$275 a month, 'cause we know
14 there is a demand. \$275 a month, 'cause we have 16 hangars
15 that are full. So, you know, whether you go to 300 over
16 there and half of them leave, I don't know, you know, in our
17 T-hangars over there.

18 MR. WOOD: I would assume that Boerne and
19 Castroville have people from San Antonio that are out there
20 renting T-hangars.

21 MR. KING: Sure.

22 MR. WOOD: I don't know if we're too far away to
23 get any of that market or not.

24 MR. KING: Boerne's 30 minutes from San Antonio. I
25 mean, it's less than that. I used to have an airplane there

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1 for four years.

2 MR. LIVERMORE: Well, we -- I participated in
3 sifting through the list we have, the famous list. I'm just
4 not sure how many -- what the quality level of that list is.
5 The people that I talked to in the first place, there are
6 several -- there's several of them that just quit flying.
7 They're still on the list because they never thought to call
8 and take it off. There were several of those. And I just
9 felt like that, A, we didn't find a lot of -- of positive
10 response from that list for what we're talking about, and B,
11 I just wasn't sure it was a quality list to begin with. I
12 mean, there's -- a lot of it was just a lot of people that
13 said, "Oh, yeah, put me on the list," you know, and that was

14 two years ago, and they're still on the list. I've kind of
15 forgotten now; there really -- out of all the people I
16 called, only three, maybe, really showed capability to do
17 something and serious interest.

18 MR. KING: Really?

19 MR. McKENZIE: At 325 a month?

20 MR. LIVERMORE: At 325.

21 MR. McKENZIE: Mm-hmm. 250 they like, but anything
22 above that, they backed out on me when I called them.

23 MR. LIVERMORE: Yeah. I mean, I said 325. Most of
24 them -- and that's why I'm talking about the quality of the
25 list. Most of them just said, "I'm out of it."

29

1 MR. WALTERS: I think that's -- you know, again, if
2 you go back to the price, I think in -- like, I think in the
3 case of Mike Guerra -- you know, I mean, I can visit with
4 Mike or his wife Penny, 'cause I know them well, but I doubt
5 Mike's going to do -- if his rent goes from 250 to 350 --
6 even 350, coming over, Mike's not going to come over. I
7 mean, for as little as he flies.

8 MR. McKENZIE: Sure.

9 MR. LIVERMORE: Well, for some reason -- oh, here's
10 what continues to make me wonder about the quality of our
11 list. The people up the road at -- well, all these places
12 are all full. And Fredericksburg built what, 10 new ones
13 right now?

14 MR. McKENZIE: Just finished them.

15 MR. LIVERMORE: They're full. So, they're out
16 there; we're just not talking to them.

17 MR. MOSER: I think they think it's -- put your
18 chart back up there that shows the percentage with all the
19 hangars. No, go back to -- yeah, right there.

20 MR. LIVERMORE: They're out there.

21 MR. MOSER: They're out there. And as Steve said,
22 that doesn't include Hondo. And --

23 MR. KING: They have about 30 -- I think they have
24 35 or 40 hangars at Hondo, all the old military stuff. They
25 turned it into hangars.

1 MR. WOOD: They're doing two things that we're not.
2 They're building them for less money, and they're filling
3 them up. And my question is, why can't we do that? What are
4 we doing different, and how could we change?

5 MR. WALTERS: I think it's part of the issue that
6 we're in the city; it's going to cost us more money to do it
7 than Snowden's. I think that's an accurate statement.

8 MR. WOOD: So, maybe our -- our attention ought to
9 be directed at how to fix that relationship with the City to
10 where they get real with what we're doing. And -- I mean, I
11 don't think Snowden and those guys are building products that
12 are substandard or anything.

13 MR. MOSER: Let me ask -- put it a different way.
14 If we assume -- okay? If we assume that we could build the
15 hangars for the same price as Snowden right now, and we
16 assume that that 1,000 feet of roadway we could do for less
17 than \$300,000 -- you know, make it a road rather than a
18 taxiway.

19 MR. LIVERMORE: A highway.

20 MR. MOSER: Okay? Then we could determine what our
21 costs would be. And if we assume that we charge the same
22 that we're charging now, does it make sense economically?
23 Does the pro forma say we -- we return the investment to the
24 City and the County for those kinds of numbers? Because if
25 we can't do that, then I think if that -- then if that

1 works -- Todd, what we're talking about is -- is they're
2 building 10 new hangars at Fredericksburg right now, and
3 they're probably skinning them today, or skinned them last
4 week or something like that. And they have -- they have a
5 slab comparable to what you would expect to have in a lightly
6 loaded -- very, very lightly loaded thing. I mean, I looked
7 at the specs, and they had rebar and everything else in
8 there. It was, you know, not to be -- not have an 18-wheeler
9 or concrete truck loaded with, you know, 50,000 pounds
10 rolling in there. So, that was -- that was a part of the --

11 the cost difference that Mike Wellborn had here. So, just
12 assuming that we could get this working with the City, and
13 having a -- you know, having a good, stable thing with --
14 with piers underneath the columns and all, and so the
15 bottom-line question, assuming we could get there with the
16 city inspectors, do we -- can we make money on this? That's
17 the question I have. Do you have any --

18 MR. PARTON: Will it work even now if it just
19 breaks even? It doesn't necessarily turn a profit, but --

20 MR. MOSER: So that's a pretty quick exercise,
21 Bruce, is to --

22 MR. McKENZIE: Okay.

23 MR. MOSER: -- run a back-of-the-envelope pro forma
24 on that and see what the -- see if it makes sense. And then
25 if it doesn't make sense with those conditions, then --

32

1 MR. KING: Yeah.

2 MR. MOSER: -- then let's walk away from it. If it
3 does, let's pursue it.

4 MR. KING: On that same line, what I would do,
5 Bruce, is -- why don't we do this? I mean, this is what I'd
6 do if I was building this project, if it was something I was
7 going to do, is let's look -- just go reverse on the thing.
8 Reverse it, and figure out -- you're going to build 20
9 T-hangars, 10 and 10. That's what the project was
10 originally.

11 MR. McKENZIE: Two tens.

12 MR. KING: Take the 20 T-hangars, take your
13 estimated rent, and you can take your rent at a couple of
14 different levels there. Take that, multiply that out. Take
15 your expenses, subtract that. Get a monthly and a yearly
16 revenue stream off of that thing, and then take it out at 8
17 percent, 10 percent cap rate. And take, you know, 8, 10
18 percent cap rate, and let's see what kind of budget you got.
19 That's going to tell you your budget right there. That's
20 what the City's going to ask.

21 MR. LIVERMORE: And can you build it for that?

22 MR. KING: That's what the City's going to ask.

23 You come up with -- is Todd there?

24 MR. MOSER: Yeah.

25 MR. KING: Todd, what would you -- okay, let's see.

33

1 MR. LIVERMORE: He wasn't in the light.

2 MR. KING: If you had -- if you had a proposal --

3 and I'm not going to hold you to this, but if you had a

4 proposal, and let's say you were going to come to the City,

5 to E.I.C. or the County -- Tom's going to be on the

6 Commissioners Court. What -- what kind of cap rate are you

7 looking at as far as a return on investment on something that

8 has economic -- let's say it has two purposes; it has

9 economic benefit to the city and the county, and it also has

10 some bit of -- you know, more than just, you know, economic

11 benefit to the airport, but --

12 MR. WOOD: Intangible benefits, more people.

13 MR. KING: -- economic benefit to the City and

14 County. And some of these people -- Joey -- Joey brought in

15 two people this month that moved here to Kerrville. You

16 know, they moved here to Kerrville. They put up -- brought

17 an airplane here to Kerrville. You know, they're putting an

18 airplane in a hangar here. Well, obviously, you know, I've

19 moved to places before. When I look to move to a place and I

20 have an airplane, the first thing I look at is the airport

21 facilities. I'm not going to move to Comfort if there's no

22 airport. You know, I don't -- if I don't have a place to

23 fly, I'm not going to move to, you know, someplace in west

24 Texas that doesn't have an airport, that's 50 miles away.

25 That's one of the decisions I make. Obviously, two people

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1 moved here from somewhere else, brought an airplane in here,

2 and Kerrville had a good enough airport and a good enough

3 quality of services and facilities that they moved their

4 airplane here, and now they're going to make this their home.

5 So, taking into consideration what type of a -- if I went to

6 E.I.C. and said, "Look, we'd like to borrow \$750,000 for a

7 project, and here's the project, dah, dah, dah, dah, dah,"

8 what kind of a -- what kind of an R.O.I. would you think is
9 -- assuming I'm going to give your money back to you. I'm
10 not just going to keep it like a lot of projects do, you
11 know, where it's just a donation, or it's -- because it's
12 quality of life or whatever. But let's say we're going to
13 actually give it back to you. What type of cap rate or sort
14 of R.O.I. would you look at as being sensible and something
15 that you can live with?

16 MR. PARTON: Well, I think a couple -- and I don't
17 know if I can give you an exact number right now, but --

18 MR. KING: A range. How's that?

19 MR. PARTON: Yeah. You know, I think we have to
20 factor in depreciation; you'll have to look at that. You
21 would have to, I think, look at, too, what is the market?
22 What is the true market that we're after? And I'm thinking
23 about the master plan that was done, and there's a whole
24 discussion in there about trends in aviation.

25 MR. KING: Sure.

35

1 MR. PARTON: And where all those things are going.
2 You know, I'm thinking back to some prior board meeting that
3 we had where we talked about if we can move, you know, the
4 small aircraft out.

5 MR. KING: Right.

6 MR. PARTON: Make more room for jets.

7 MR. KING: Yeah, sure.

8 MR. PARTON: It sounds to me that our real strategy
9 is trying to attract current flyers, particularly jets and
10 the larger aircraft, hopefully corporate, here into town.

11 MR. KING: Sure.

12 MR. PARTON: And so I think with that, I think the
13 cap rate on this project is somewhat offset by figuring out
14 how we can better utilize the existing assets that we have
15 out here on the airport as well. And, you know, to me, I
16 think, you know, if -- you know, if you buy a building for
17 two million, it depreciates over 30 years, let's say. Now,
18 if you run the straight math, that's about 70,000 a year,
19 roughly, on it.

20 MR. KING: Right.

21 MR. PARTON: The depreciation. I think you have to
22 factor in the occupancy rate not at 100 percent, but I think
23 you have to run your pro forma at your current rental rate,
24 at about 75 percent occupancy. And I think with those, you
25 know, you may be talking 20 percent margin, perhaps, if you

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1 look at that, I would say, maybe.

2 MR. KING: Twenty?

3 MR. PARTON: Right, I'd say off the cuff.

4 MR. KING: Yeah.

5 MR. PARTON: It could maybe reduce less if you can
6 incorporate into the pro forma, you know, better leverage of
7 Kerrville Aviation and that open hangar over there.

8 MR. KING: Obviously, with a 30-year -- if you have
9 a 30-year life on a hangar, you don't want to -- you don't
10 want to pay the thing out in 20 years, because then you only
11 have 10 years worth of, you know, revenue before you have
12 to --

13 MR. MOSER: Mm-hmm.

14 MR. KING: -- tear the thing down. That's the
15 problem. That's some of problem we've seen with some of
16 these hangars now that -- some of these things we're getting
17 back now after 20 years and 30 years, you know; we're seeing
18 maintenance issues with them and stuff like that. And, you
19 know, there's a real reason that they're depreciating. I
20 mean, there's a real reason that's been depreciated down.

21 MR. PARTON: And I would say I'll just step right
22 in the door.

23 MR. KING: What, now?

24 MR. PARTON: You open the door from the aircraft;
25 we'll just step right in. The other thing in terms of the

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1 design, you know, I think the slab is key. You know, and not
2 just today -- what you're building for today, but what you're
3 thinking about over the long haul. Because I think -- I
4 think what's on top of the slab is temporary. It may get

5 wrecked in, you know, 10, 15 years; you may rebuild

6 something.

7 MR. KING: Sure.

8 MR. PARTON: So whatever you can maximize on the

9 slab --

10 MR. MOSER: Sure.

11 MR. PARTON: -- to me would be the ideal thing.

12 MR. MOSER: Right.

13 MR. PARTON: If you can attach to it and expand off

14 of it, you know, if you can scrape what's on it and redo.

15 You know, so to me -- you know, and you can rebuild roads.

16 You can put a lighter road in today. But --

17 MR. KING: Yeah.

18 MR. PARTON: -- that's the component to give the

19 airport as much flexibility as you possibly can, is the slab,

20 and -- and then leveraging off of the existing asset.

21 MR. MOSER: Mm-hmm.

22 MR. KING: Okay. Well, I mean, I still think -- I

23 think that -- I have a concern over the -- I have a concern

24 over the occupancy, as far as the demand. I have a concern

25 over the demand. I do. But I have a bigger concern over the

38

1 fact that whether, you know, these numbers that we've been

2 given over the last year are -- how real they are and how

3 correct they are. And that's why I think we should -- I

4 mean, my suggestion would be that we reverse-engineer this

5 thing and find out what kind of budget we actually have based

6 on, you know, an occupancy rate and number of hangars. Corey

7 probably can do it. I think it's about a million.

8 MR. LIVERMORE: He's working on it.

9 MR. KING: A million, two. Or million, one.

10 MR. WALTERS: Less than that. At 275, 20

11 hangars --

12 MR. KING: I did three and a quarter.

13 MR. WALTERS: Well, I just did what -- based on if

14 we kept the rent the same as Fredericksburg. I think that's

15 your closest competition. I don't know that you're going to

16 get a lot of people to move over if you're -- you know.

17 Well, anyway, but at 275 -- I mean, it's a bad number either
18 way; \$50 isn't going to make that much difference. But at
19 275, 100 percent occupancy, a 7 percent yield based on a
20 66,000-a-year income, your budget number's 943,000 total.

21 MR. KING: Right. So maybe a million bucks.

22 MR. WALTERS: And if you go 80 percent occupancy,
23 it's 660,000.

24 MR. KING: Yeah.

25 MR. MOSER: So what -- where was -- Bruce, go back

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1 to your number. You had 1.3 and 1.2. So -- oh, that's --
2 those are --

3 MR. LIVERMORE: That's pavement.

4 MS. DUNGAN: Just the infrastructure.

5 MR. McKENZIE: Just the infrastructure. Just the
6 pavement.

7 MR. MOSER: Where's the total cost? Where was --

8 MR. LIVERMORE: This is the total cost to build the
9 20?

10 MR. McKENZIE: No, just the infrastructure.

11 MR. MOSER: Where's the total cost to build this?

12 Where's the total cost to build the units?

13 MR. McKENZIE: We were going to get into that more
14 shortly, but it's going to be -- I'm figuring \$38 a square
15 foot. And that's the number I'm getting from most of the
16 folks.

17 MR. KING: Now, what does that include?

18 MR. McKENZIE: That includes the slab, the steel,
19 the bifold door, electric included in the hangar.

20 MR. KING: Okay.

21 MR. McKENZIE: \$38 a square foot.

22 MR. MOSER: That's another thing that -- that
23 Hansen --

24 MR. McKENZIE: 23,000 square feet.

25 MR. MOSER: -- and Snowden did. They put a single

40

1 110-volt --

2 MR. McKENZIE: Yeah, one.
3 MR. MOSER: -- outlet in there.
4 MR. KING: Say that again? 38-what?
5 MR. McKENZIE: \$38 a square foot, and 23 -- those
6 are 23,000 square feet.
7 MR. WALTERS: 23,000 square feet.
8 MR. McKENZIE: 23,000 square feet.
9 MR. KING: 23,000 times 38?
10 MR. McKENZIE: 38 cents (sic) a square foot.
11 MR. KING: Then we're going to have about \$120,000
12 left for infrastructure.
13 MR. McKENZIE: \$38, I'm sorry.
14 MR. WALTERS: They're not going put electric doors
15 on all these T-hangars in Fredericksburg?
16 MR. McKENZIE: No, sliders. I'm talking about
17 putting bifold doors up, Corey.
18 MR. KING: And you're talking about -- you're
19 talking about a pad with no apron?
20 MR. McKENZIE: No.
21 MR. KING: Is that a pad with a 50-foot apron?
22 MR. McKENZIE: No, that's just the pad. That's the
23 apron.
24 MR. MOSER: Apron's here.
25 MR. PARTON: If I could offer something, too, if

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1 you've contemplated debt at all, now's the time. If you were
2 to contemplate a debt issuance to cover the construction, now
3 would be the time. Because the County, I think, debt rate
4 came in at 2.15 percent. The last we sold was 2.17, 2.18.
5 If you look at a 3 percent coupon rate, and you look at a
6 20-year issuance on a million, your debt service is going to
7 be about \$78,000, \$79,000. If you look at a 3 and a half
8 percent over 20 years, you're talking about an 84,000 annual,
9 so it's per million. So, you know, if you look at this, and
10 maybe you did a partial funding component for the
11 infrastructure and the slab, and maybe you look to cash, or
12 you look to some other mechanism to get the others funded,
13 that may help on the cash flow significantly. And I think,

14 you know, the core infrastructure's going to -- is going to
15 have a 20-, 30-, or 40-year lifespan to it. So, to me, that
16 would make sense to contemplate in the pro forma.

17 MR. MOSER: Don't forget, we were looking at this
18 with a 90/10 or 80/20.

19 MR. McKENZIE: 90/10.

20 MR. KING: When?

21 MR. MOSER: But we're in the queue. We're in the
22 queue.

23 MR. McKENZIE: We're in the queue. We have --

24 MR. MOSER: For 2013-2014?

25 MR. McKENZIE: Here's where we are with funding.

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1 We have \$30,000 today. We have 300 -- and this is in TexDOT.

2 MR. KING: Yeah.

3 MR. McKENZIE: We have \$360,000 available to us one
4 year from today in the C.I.P., in TexDOT's \$390,000.

5 MR. MOSER: Yeah.

6 MR. McKENZIE: Next October 1, we'll have \$600,000
7 available to us through non-primary entitlement funds.

8 That's almost a million dollars right there.

9 MR. MOSER: Right.

10 MR. McKENZIE: Now --

11 MR. LIVERMORE: That's two years from now?

12 MR. McKENZIE: That's one year from today.

13 MR. MOSER: One year from today.

14 MR. McKENZIE: One year from today.

15 MR. LIVERMORE: We'll have a million dollars?

16 MR. McKENZIE: Well, 390 and 600.

17 MR. KING: Yes, a million bucks. Keep going.

18 MR. McKENZIE: Now, that's assuming that TexDOT has
19 the funding. This is all under assumption -- back to what I
20 said when we started. It's risk and assumption that they
21 come through with this. But we're in the queue, and I've got
22 it in writing from TexDOT.

23 MR. MOSER: Right, I know. We got in the queue six
24 months ago.

25 MR. McKENZIE: Now, here's the caveat to that.

1 When we get up to that \$600,000, if we don't start spending
2 that non-primary entitlement funds set aside, then they start
3 incrementally taking it away from us.

4 MR. KING: Boy, we're starting to sound like the
5 federal government here. "If we have enough money, let's
6 just build it." I mean, that's exactly what y'all are
7 saying. Y'all are saying if we can get enough money
8 together, let's just build it.

9 MR. MOSER: This is 90/10 money we're talking
10 about.

11 MR. KING: That's what I'm telling you. You're
12 thinking -- you guys are looking at this totally backwards.
13 You're thinking --

14 MR. MOSER: I agree with you, Steve.

15 MR. KING: I'll tell you what, I'll loan y'all four
16 million dollars and y'all can just build it, but you're not
17 going to make any money; you're going to lose money. You
18 can't make money on it if it doesn't have a return that is in
19 line with an established 7 percent cap rate. I'm not loaning
20 you my money for 7 percent -- on a 7 percent cap rate right
21 now. I mean, I -- I hate -- it's probably good for a lot of
22 people, but I can do better than that.

23 MR. WALTERS: Not at that risk.

24 MR. KING: Not at that risk. Do a 7 percent cap
25 rate, it's 14 -- what's the -- 14 years? What's pay-out?

1 That's half the life -- that's half the life of the building.
2 That's half the life of the building. So, you got 15 years
3 left to -- to get a return on your investment and get ready
4 to do some maintenance on this thing when it starts, you
5 know, getting old and falling down. So, if you look at -- I
6 mean --

7 MR. MOSER: It's 11 years.

8 MR. KING: I don't care if you've got \$2 million in
9 your checking account and we can build it tomorrow. If it
10 doesn't make sense economically, then you don't even look at

11 the -- we got three million dollars coming in; we got a
12 million dollars coming in. You got to look at whether it
13 makes sense feasibly, economically, whether there's a return
14 on investment. Because when you go to the owners, they're
15 going to ask you what the return on the investment is. "Oh,
16 it's a .5 percent cap rate; you know, I think we can get it
17 paid out in 40 years." You know, I mean, and that's what --
18 that's what I think I'm going to look at if I'm a taxpayer.
19 I'm going to say, "Okay, y'all are going to spend three
20 million, two and a half millions dollars on a project that's
21 going to bring in \$61,000 a year?" So I don't care where the
22 money -- I don't -- I think you got to look at it from a
23 different line.
24 You guys are -- if you look at it from a point of
25 it's going to cost \$874,000 to build 20 hangars on a flat

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1 piece of ground -- that's about what it would cost to build
2 20 hangars on a slab. Now you got to figure out what it's
3 going to cost to get the infrastructure, to build the pad,
4 the apron, and the road to get there, and the sewer and the
5 water and electric to service it.

6 MR. McKENZIE: And taxiway.

7 MR. KING: And the taxiway. Whatever adds onto
8 that is coming straight out of your return. So, I just --
9 like I said, I think you go back to the same thing I said
10 earlier. Just reverse-engineer the thing, figure out what
11 your budget is. And whatever your budget is, you have to
12 live within that. I don't think you can start adding to the
13 top of your budget, 'cause for every \$100,000 you add to your
14 budget, that's where your cap rate's going down. You know,
15 pretty soon you're going to be 7, 6, 5, 4, 3, 2, 1. And, I
16 mean, I just don't -- somebody tell me if that's the wrong
17 type of thinking, but --

18 MR. McKENZIE: That's about it.

19 MR. LIVERMORE: That's exactly right.

20 MR. KING: I don't think you can look at the fact
21 that we got 600,000 here, we got a million here, we got two
22 million, 'cause the money's not the problem. I mean, I think

23 if the project was feasible and it had a good return on
24 investment, I think the E.I.C. or the -- we could borrow
25 money. I don't think we'd have any problem with our owners

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1 finding capital to do the project. I don't think there's
2 ever been anybody in the City or the County that said, "We
3 don't want to build anything at the airport." If it's a
4 feasible project, they've always said they'll build it.

5 MR. WOOD: Was the premise of doing this -- I
6 wasn't at the meeting, being relatively new, but was the
7 premise that we had that list of people that wanted the
8 T-hangers and couldn't get one? Was that the whole basis
9 for --

10 MR. MOSER: Let me help. Back up one. What we
11 said was exactly what Steve said. We started with we have a
12 potential for revenue, and we wanted to -- bottom line is,
13 what's the R.O.I. for the owners? That's -- that's all we
14 want to do. And then --

15 MR. LIVERMORE: The land's there. What can we do
16 with it?

17 MR. MOSER: -- then we want to try to get it to
18 where it's revenue neutral. So, if we invest -- what were
19 the two or three different ways that we can bring in revenue?
20 And step number one was if the City and County did it, what's
21 the return on investment? Well, we don't -- sitting here
22 today, we don't know what that number is, okay? We've got a
23 lot of variables, but we still do not have that answer, which
24 we said we'd have on October the 1st, so we're still missing
25 that. Then you got to look at, well, it looks like we have

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1 the kind of return on investment, but what is the risk
2 associated with it? And that's the market, and that's having
3 the --

4 MR. LIVERMORE: To add to that, back in August,
5 when there was a series of correspondence between Bruce and
6 Corey and myself about this, the key question I wrote at the
7 time, the key -- and this is kind of what we're saying. The

8 key question is, how do we determine what is the market?

9 What's the need?

10 MR. MOSER: Well, but that's the second step. I'll

11 argue with you; that's the second step. First -- I want to

12 go back to Steve's -- the first thing is you can assume

13 different -- different occupancy rates, and if it doesn't pan

14 out, then forget it. Okay? If it does pan out for the good

15 return on investment, then you say, "What's the risk

16 associated with getting that kind of occupancy?"

17 MR. WALTERS: Well, at three and a quarter, I mean,

18 you can -- the number is about a million, one, if you look at

19 three and a quarter at 100 percent.

20 MR. MOSER: Mm-hmm.

21 MR. WALTERS: I mean, it's significantly less; it's

22 down to about, you know, 900,000 at 80 percent.

23 MR. MOSER: Mm-hmm.

24 MR. WALTERS: And that's your total amount of funds

25 available if you assume a 7 percent yield.

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1 MR. MOSER: Yeah, 7 percent.

2 MR. WOOD: Now, based on Tom's statement of the

3 original premise, that if you -- if you build it, they will

4 come, and you have the available space, and it's a

5 possibility to make income, if you build T-hangars, you're

6 going to get single-engine, general aviation small airplanes,

7 or possibly twins, but you're limited in how big of airplane.

8 Now, what does the Airport Board, who represents the public,

9 want to encourage to come into the Kerrville airport? Do you

10 want the single engines? Do you want the turbos? Do you

11 want the big airplanes? Is a T-hangar the right way to use

12 that land? Just an innocent question.

13 MR. MOSER: Well, but that's a good question. And

14 in looking at the master plan, we have the -- the box hangars

15 and the hangars for the larger aircraft on the other side, so

16 we started looking at this first, since this was easily

17 accessible and the infrastructure could be implemented pretty

18 quickly. But it could be that, you know, the market for

19 larger aircraft could be a hotter market. We just haven't

20 done a good marketing analysis to answer your question.

21 MR. LIVERMORE: Well, the whole -- I think what
22 we're here for is to serve the general aviation community,
23 whatever that is. And I understand there's more bucks that
24 come from jets, but, you know, there's -- the numbers are
25 bigger on the other side of the ledger.

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1 MR. KING: How many T-hangars are these, Bruce?

2 MR. McKENZIE: Two -- oh, there's 10 in each one of
3 those buildings.

4 MR. KING: What's the -- is that 10, too?

5 MR. McKENZIE: There's 10 and 8, and then there's
6 4. We had to split them up, because we couldn't put them
7 side by side. There's 20 there together.

8 MR. KING: That's a terrible use of land.

9 MR. WALTERS: Yeah. I'd almost, if we were going
10 to do this, say we just build 20 straight out.

11 MR. KING: Why can't you build 20 straight out
12 there, which --

13 MR. McKENZIE: We can. That's what -- the board
14 decided that.

15 MR. KING: Let me tell you this; here's my opinion
16 of this thing. It costs \$900,000 to build 20 T-hangars this
17 way. Just on this slab here costs \$900,000 to build this,
18 okay? That's, we think, a pretty good number. Come up with
19 a number what it costs to build this and this, the slab,
20 the -- the apron and everything, and then a dirt -- a road
21 here that is marginal at best, something that the City and
22 County could build, and then the utilities.

23 MR. WALTERS: And the taxiway.

24 MR. KING: The taxiway.

25 MR. McKENZIE: There's two taxiways.

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1 MR. KING: And this thing here. That's the only
2 thing I want to know. That's all I'm interested in. All the
3 rest of that stuff, I don't -- I don't really care about, and
4 I don't want it to be built like it's -- you're building an

5 interstate. I mean, this here has to be built according to
6 TexDOT, and this stuff here needs to be built. But any of
7 this other stuff, you know, that's -- that can be a
8 cooperative between the City and the County to build
9 something like that. If you can come up with a number,
10 'cause anything you spend above \$900,000 -- let's say a
11 million -- a million dollars. Anything you spend above a
12 million dollars is far -- the only way that's going to work
13 is that's going to have to be 90/10. That's going to have to
14 be a 90/10 deal. I don't care if you can go borrow the money
15 or what, but it's going to have to be 90/10, because if we do
16 it at 50/50 or anything else than that, you're adding to --
17 you're your reducing your cap rate, and it ain't going to
18 work.

19 MR. WALTERS: Bruce, how many --

20 MR. MOSER: Let me ask you a question on what you
21 said. 90/10 -- we were getting 90/10 even for vertical
22 construction?

23 MR. McKENZIE: We can probably -- vertical -- and
24 we're in the queue for that, too. It's going to be probably
25 80/20.

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1 MR. MOSER: 80/20. So, I want to make sure I
2 understand that. At first we thought there was zero/zero. I
3 mean --

4 MR. LIVERMORE: It was zero/zero.

5 MR. MOSER: No, it's 80/20. 80/20 for the
6 vertical. 90/10 for the horizontal or flat, 80/20 for the
7 vertical. So, it makes a huge difference.

8 MR. LIVERMORE: Well, sure.

9 MR. MOSER: So I'm with Steve. I tell you what,
10 I'll volunteer to work with Bruce to come up with that
11 number.

12 MR. KING: I think you just got to look at a bare
13 minimum deal and find out -- you know, find out what it costs
14 to build those aprons around there, and check --

15 MR. McKENZIE: I'll have that for you at the board
16 meeting on the 15th.

17 MR. KING: Find out what it costs to build those.
18 We know what the water, sewer, electricity is. That's pretty
19 much a good number.
20 MR. WALTERS: How much is that?
21 MR. MOSER: It's in here.
22 MR. McKENZIE: It's in your --
23 MR. WALTERS: How much is the best numbers you got
24 for the vertical?
25 MR. KING: 38.

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1 MR. McKENZIE: \$38 a square foot.
2 MR. WALTERS: 38?
3 MR. McKENZIE: That's including the bifold door,
4 Corey.
5 MR. WALTERS: We're over budget already.
6 MR. KING: What's that, 900 -- 900,000?
7 MR. WALTERS: You're going to be over your budget.
8 You're over budget already with just the vertical.
9 MR. KING: That's what I'm telling you.
10 MR. MOSER: And with -- with Snowden, it was 20.
11 MR. McKENZIE: They're not putting electric doors
12 and stuff, either.
13 MR. MOSER: His doesn't have electric doors? Good
14 god almighty, let's take electric doors out of it.
15 MR. McKENZIE: The reason I did that was because
16 all I hear is negative about the sliding doors and the --
17 and the angle iron. I'm just -- I was just trying to
18 accommodate what the pilots tell me constantly.
19 MR. LIVERMORE: Okay. I'm one of those pilots, and
20 I don't know that I've ever said -- made that impression, but
21 I understand what the objection is.
22 MR. McKENZIE: That's what they're telling me.
23 MR. LIVERMORE: But it's something you can
24 overcome.
25 MR. McKENZIE: Absolutely.

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1 MR. WOOD: Would you pay \$50 a month more for rent

2 to have it?

3 MR. LIVERMORE: Probably not.

4 MR. McKENZIE: Most T-hangars aren't going to have
5 recessed rails like this; most T-hangars are going to have
6 flush.

7 MR. KING: Bruce, would it be too --

8 MR. LIVERMORE: Recessed track is really nice.

9 MR. WOOD: Fritz's hangars were the bifold, and
10 Snowden's were the sliders when I was there.

11 MR. McKENZIE: Right, but those sliders don't have
12 a piece of angle iron on top of the ground. They're
13 recessed, I promise you.

14 MR. LIVERMORE: Even the angle iron on top of the
15 ground such as we have now, you just put -- we have these
16 boards you put between the rods, and it comes right on out.
17 It's really not a big deal.

18 MR. KING: Would it be too much to ask Snowden to
19 give us a copy of his budget?

20 MR. MOSER: I've got it.

21 MR. KING: Okay.

22 MR. MOSER: He gave it to us.

23 MR. LIVERMORE: Like talking to the CIA here.

24 MR. MOSER: Yeah, he gave it to us.

25 MR. KING: Okay.

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1 MR. MOSER: I have it; I just didn't bring it
2 today.

3 MR. KING: I'll work with Tom on this to try to get
4 some real numbers at a -- I mean, at a bare bones deal, to
5 see what it would be, and then you can tell how much money
6 you got to get 90/10. Or I'm just saying, if there's --
7 \$900,000 is about all we can put into the deal, then I don't
8 care if it's 90/10, 80/20, whatever. Then anything over
9 that, you know, if we can -- if our share is only 700, then
10 that's fine. But if it comes up and gets over 900,000, if it
11 gets over a million dollars, that our contribution's over a
12 million dollars, then I think we're out of the water there.

13 MR. MOSER: I agree.

14 MR. KING: I mean, that's assuming we can get
15 somebody to rent the things. But I'm not even worried about
16 renting them, because I think there's a bigger problem. The
17 biggest problem is whether you can build them within a budget
18 that will have a good return on investment.

19 MR. LIVERMORE: Bruce, the only real problem that
20 worries me about the sliding doors is -- and it'd probably be
21 pretty hard to -- the way these over here are, particularly
22 the inside ones, but Joey had a problem with this where we
23 had a big windstorm about three, four years ago. Didn't it
24 lift those doors up?

25 MR. KENNEDY: It actually lifts -- you get a

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1 straight-line wind, and it lifts the roof line of the
2 building up. But, you know, these -- those T-hangars are a
3 little different. They're -- they're a narrow building.
4 There's not as much roof surface in one general area to where
5 it's going to lift. The problem we had was we had actual
6 straight-line windows that were creating an air foil out of a
7 roof, lifting the building up off its foundation. The door
8 didn't have nothing to hold in the tracks.

9 MR. LIVERMORE: Well, as long as you -- as long as
10 that's not an issue with the door falling in due to some
11 windstorm, then I don't really know what the -- what's wrong
12 with sliding doors, personally.

13 MR. McKENZIE: Take the bifolds out?

14 MR. KING: Yeah.

15 MR. LIVERMORE: What do you think, Bill?

16 MR. WOOD: I agree. Yeah, we don't need bifolds.

17 MR. LIVERMORE: I don't want the door falling in.

18 MR. WOOD: They're not going to fall in.

19 MR. KING: We'll look at Snowden's numbers. We'll
20 look at -- then we'll look at that \$38 number and see how --

21 MR. MOSER: Precisely.

22 MR. WALTERS: You need to get the building down to
23 \$25 a foot. You need to cut your -- your -- not flat work,
24 but the -- well, it is flat work. All your utilities and
25 paving -- not flat work, but the off-site work, down to --

1 cut it by 55 percent.

2 MR. MOSER: Okay.

3 MR. KING: Yeah. Unless -- that's assuming no
4 funding. Assuming no funding from anyone else.

5 MR. WALTERS: That's just a total cost amount.

6 MR. KING: Right.

7 MR. WALTERS: 80/20, 90/10.

8 MR. LIVERMORE: The money's got to have the same
9 return.

10 MR. KING: That's what I'm saying. You can't put
11 in more than a million dollars on this project. I don't care
12 if you -- whatever you build. If you build 20 hangars, you
13 can't spend more than \$50,000 a hangar on the total cost,
14 with contributions or whatever. But when it comes down to
15 it, Kerrville and the County are not going to put over a
16 million dollars into the project.

17 MR. WALTERS: At \$25 a foot, it's 575,000, not
18 including any cost for, you know, plans or engineering.

19 MR. KING: Exactly.

20 MR. WALTERS: And so it leaves you very little for
21 all your off-site --

22 MR. KING: Right. So I -- but I think that's a
23 good way to do it. I think we should look at it that way,
24 and just say a million dollars is the max, total output on
25 the deal. And I'm not saying you can't spend two million

1 dollars on it. If you can find another million dollars for
2 free, that's fine; I'd be interested in that. Or if you find
3 a million dollars that someone's going to put in 90 percent,
4 we're going to put up 10, that's 100,000. Then, you know,
5 that works too. But, I'm not interested in a million
6 dollars -- us spending a million dollars, and then borrowing
7 a million dollars. I mean, that's not going to work. I
8 mean, it's a million dollars, and that's all it is.

9 MR. McKENZIE: One way to significantly reduce the
10 cost of that is if we don't run water over there, we don't

11 run sewer over there, and we have no electricity. And there
12 are T-hangars like that in Texas.

13 MR. MOSER: You got to have electricity.

14 MR. McKENZIE: Then we cut the water and sewer.

15 MR. LIVERMORE: Security, if nothing else.

16 MR. KING: Tom and I will meet with you, Bruce.

17 We'll look at the cost of that. I want to see what the cost
18 of that water and sewer and electric is, because, I mean --

19 MR. MOSER: Let's do that.

20 MR. KING: Pretty cheap right now, isn't it, Todd?

21 Right now it's pretty -- isn't it a very advantageous time to
22 be putting water and sewer and electric in the ground? Is
23 the market pretty good for --

24 MR. PARTON: So far. The --

25 MR. KING: Bid price is holding pretty good? Last

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1 couple of times I've seen you guys do projects, I mean, they
2 were considerably below your engineer's estimates, weren't
3 they?

4 MR. PARTON: The one that came over significantly
5 was the Birkdale lift station project, which came over a lot
6 -- 10 percent over our budget.

7 MR. KING: Okay.

8 MR. PARTON: So -- the others have come in below.

9 MR. KING: Okay.

10 MR. PARTON: So it's something about that one.

11 MR. KING: All right.

12 MR. MOSER: Let's choose a date -- choose a day to
13 do that, and then have the results at the board meeting.

14 MR. WALTERS: Let me ask you a question. Where is
15 the closest water and sewer location?

16 MR. McKENZIE: The sanitary sewer runs right to
17 here and then 90's and goes underneath the taxiway and
18 runway. That's the sanitary sewer. The water's -- there's a
19 water line to here, but we'd probably have to tap into our
20 own water line back here. There's water right here.

21 MR. KING: Why?

22 MR. McKENZIE: Well, this may not be a large enough

23 line, Steve.

24 MR. KING: How big a line do you need for a water

25 faucet? I think we should look at that.

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1 MR. McKENZIE: Probably 2-inch.

2 MR. KING: I think we have pretty good negotiating

3 skills with those guys over there.

4 MR. McKENZIE: You're going to have to have fire

5 hydrants over there.

6 MR. KING: Have to have fire hydrants. How close

7 do those have to be?

8 MR. PARTON: Probably 8- to 12-inch main for fire.

9 MR. McKENZIE: That's what we had.

10 MR. WALTERS: You have to have a fire hydrant by

11 the T-hangars.

12 MR. KING: How close do you have to be?

13 MR. McKENZIE: Within 50 feet away from the

14 hangars, I'm pretty sure.

15 MR. KING: You have to have --

16 MR. McKENZIE: May have to have three or four of

17 them over here. It's in the city limits.

18 MR. WOOD: Do we have fire hydrants by our

19 existing hangars?

20 MR. McKENZIE: Yes, right behind it -- right behind

21 them.

22 MR. LIVERMORE: Yeah, we do.

23 MR. McKENZIE: They're right adjacent to them.

24 MR. KING: So, 8 to 10 inches for water.

25 MR. LIVERMORE: They're recessed, aren't they?

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1 MR. McKENZIE: The ones on the hangar side -- on

2 the taxiway side are recessed. The one behind it -- there's

3 two behind the T-hangars.

4 MR. WALTERS: So, you're going to have to bring

5 water over there.

6 MR. McKENZIE: Yes, sir. So, that killed that

7 idea.

8 MR. KING: Yeah.

9 MR. WALTERS: Then the other thing is, I would look
10 at doing a septic as opposed to running a sewer line there.

11 MR. MOSER: Sure, right.

12 MR. McKENZIE: Can you put a septic system --

13 MR. PARTON: No. I mean, if you're, quite
14 honestly, trying to compete with Fredericksburg, places that
15 are putting nice amenities into the T-hangars, I mean, if
16 you're not going to provide the comparable service...

17 MR. KING: I agree. I agree.

18 MR. PARTON: Seriously.

19 MR. KING: Okay. All right. We can --

20 MR. LIVERMORE: Well, a big advantage that the
21 Fredericksburg budget has is that -- you know, and I don't
22 mean this in any way that we can't be as efficient, but when
23 you're negotiating your own costs on your own project, you
24 get a lot better deal than going to a public bid.

25 MR. MOSER: Okay, so we'll do that.

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1 MR. KING: I think we've beat this to death. Let's
2 move on. Are y'all in agreement with that?

3 MR. McKENZIE: That's the Brinkman hangar; that's
4 in executive session.

5 MR. KING: Does that sound feasible, what -- the
6 next step we should take on this thing?

7 MR. LIVERMORE: Yes, I agree with you.

8 MR. KING: Okay. All right. Okay. Let's -- the
9 next item --

10 MR. McKENZIE: The Brinkman hangar, that's in
11 executive session.

12 MR. LIVERMORE: Are we going into executive now?

13 MR. KING: Todd, are you leaving?

14 MR. PARTON: No, I'll be here.

15 MR. KING: I'd like to -- on this Brinkman hangar,
16 I'd like to ask Todd to step in a few minutes. I have a
17 couple questions to ask him. We can maybe get some
18 information on that thing.

19 MR. MOSER: He can be in our executive session?

20 MR. MCKENZIE: Can he, Ilse?
21 MS. BAILEY: Well, he's --
22 MR. MOSER: Can we -- can we have people in our
23 executive session?
24 MS. BAILEY: Well, not just everyone, but I think
25 Todd can be in.

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1 MR. MOSER: Okay.
2 (Recess taken from 9:35 a.m. to 9:40 a.m.)
3 -----
4 MR. KING: Okay. We're back in session -- in
5 regular session. Item 2A and 2B, we're going to -- we're
6 going to take into executive session. Item 2A, we're going
7 to do it under 55.074, personnel matters, and looking at the
8 replacement for Tom Moser on the Airport Board seat. And
9 Item 2B, the Brinkman hangar, we'll do that under economic --
10 551.087. And we'll -- after we get out of executive session,
11 then we'll come back into regular session and see if we made
12 any decisions. So, at this time, we'll go into executive
13 session at 20 minutes till 10:00.

14 (The open session was closed at 9:40 a.m., and an
15 executive session was held off the record.)
16 -----

16 MR. KING: All right. We'll come back into regular
17 session at four minutes till 11:00. In executive session, we
18 took no action on either of the items. And I'll take a
19 motion to adjourn.

20 MR. MOSER: So moved.

21 MR. WALTERS: Second.

22 MR. KING: All in favor?

23 (The motion carried by unanimous vote.)

24 MR. KING: Adjourned.

25 (Airport Board was adjourned at 10:57 a.m.)

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1 STATE OF TEXAS |
2 COUNTY OF KERR |
3 I, Kathy Banik, official reporter for Kerr County,
4 Texas, do hereby certify that the above and foregoing is a

5 true and complete transcription of my stenotype notes taken

6 at the time and place heretofore set forth.

7 DATED at Kerrville, Texas, this 3rd day of October,

8 2012.

9

Kathy Banik, Texas CSR # 6483

10

Expiration Date: 12/31/14

11

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