



KANSAS CITY
AVIATION DEPARTMENT

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i on kci

*Kansas City Aviation Department
2000-2001 Annual Report*



i on kci

Kansas City Aviation Department 2000-2001 Annual Report

Kansas City International Airport and Kansas City Downtown Airport

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Dear Mr. Collins,

The Kansas City Aviation Department began the 21st century with an eventful and profitable fiscal year in 2000-01 (May 1, 2000 to April 30, 2001). We continued to upgrade and improve both Kansas City International Airport (KCI) and Kansas City Downtown Airport (MKC), and strengthened our dedication to customer service throughout our organization.

The fiscal year saw the Aviation Department unveil many new plans to enhance our facilities, including the KCI Terminal Improvement Project. Every existing system in the terminals – except the new overhead lighting – will be replaced, including the floor, boarding bridges and baggage systems. Everything will be upgraded – the furniture, the carpeting, the restrooms. The project is equivalent to installing all the modern conveniences into an aging but beautiful house. We are, however, retaining what passengers really appreciate about KCI – the drive-to-the-gate terminal design.

In addition to ongoing facility improvements, KCI added new passenger destinations, including Austin, Buffalo, Little Rock, Los Angeles, Moline, Myrtle Beach, New Orleans, San Francisco and San Jose. This brought the total nonstop destinations to 63. Downtown Airport also experienced more than its share of activity with the Presidential Campaign and Aviation Expo.

Another big success story for the Aviation Department was the overwhelming voter support for future improvements at KCI. In August 2000, voters approved a \$395 million increase in our bond authority to partially fund our five-year capital improvement plan. These bonds, fully supported by airport generated revenues, are scheduled to finance the construction of an enlarged, replacement Satellite Parking Lot, consolidated rental car facility, an on-airport transportation system and overhaul base improvements. Once complete, each of these projects will boost airport service and facilitate increasing customer convenience.

Last fiscal year, we predicted our cost per enplaned passenger rate would fall below \$3. This fiscal year our cost was \$2.86 – continuing our downward trend in cost for the last five years. We have followed this cost reduction philosophy in order to attract and retain new air service, and the results indicate this approach has paid off.

I am proud to report that total revenues generated for Fiscal Year '00-'01 were \$95,562,930, and total expenses were kept to \$65,437,751. Our continued fiscal success is a reflection of the hard work and dedication of many people within the Aviation Department, and our efforts to plan for the future. Because the fiscal year was so successful, we were in a strong financial position to contend with the effects September 11, 2001 had on the aviation industry. Our financial strength will enable us to continue maximizing the economic impact of our facilities in the region.

The impact of September 11 on financial, operational and other areas will be fully reflected in our next annual report. Rest assured that the Aviation Department's vision and goals for the future of KCI and Downtown Airport remain unchanged. We plan to provide modern, safe and secure airports with the highest levels of customer service.

Sincerely,



Russell C. Widmar, A.A.E.



Front row, left to right: Councilman Terry M. Riley*, Mayor Kay W. Barnes and Aviation Department Deputy Director—Finance and Administration Tom R. Jargiello
Second row, left to right: City Manager Robert L. Collins, Director of Aviation Russell C. Widmar, A.A.E., Councilwoman Teresa A. Loar* and Councilman Evert Asjes III*
Third row, left to right: Councilman Jim M. Rowland* and Aviation Department Deputy Director—Operations and Maintenance Philip Brown

"It requires a dedicated team effort to effectively manage, maintain and operate an airport. Hard-working individuals are the ones who comprise that team. For that reason, the Aviation Department recognizes there really is an 'i' in 'we.'"

Kay W. Barnes, Mayor of Kansas City, Missouri



"When we found out we were voted Most People-Friendly Airport, we were thrilled, but to tell you the truth, we weren't surprised."

Officer Larry Tagg and "Mex," KCI Airport Police K-9 Team

i on people

Day in and day out, I see my co-workers going the extra mile to provide excellent customer service.

We take advantage of the many training opportunities that the Aviation Department provides, and strive to give the best possible service to the traveling public. Being selected as the “Most People-Friendly Airport” by *International Travel Magazine* is recognition that our efforts are paying off.

- Maintenance employees continuously met the challenges of efficiently and effectively operating KCI, a 30 year-old facility. These employees will have the benefit of working with updated facilities upon completion of the KCI Terminal Improvement Project in 2004.
- Because of the tireless efforts of Operations and Maintenance employees, KCI and Downtown Airport withstood the heaviest snowfall since 1996 without airfield-related delays.
- The 66 KCI Airport Ambassadors worked a total of 10,726 hours in Fiscal Year 2000-2001, with 30 volunteers serving the program since its inception in June 1998.
- In cooperation with its tenants, the Aviation Department celebrated National Customer Service Week in October 2000 at KCI, the

first time this celebration was observed airport-wide.

- The Aviation Department completed a baseline customer service survey in all three of KCI’s terminals, and will continue to conduct surveys to track customer satisfaction and identify areas needing improvement.
- A total of 44 KCI bus drivers and police officers completed customer service training.
- All Aviation Department supervisory staff completed the Human Resources Management Academy offered by the City of Kansas City, Missouri.



i on air service

KCI continues to support the increasing number of business and leisure travelers nationwide.

Spurred by low air fares, KCI passenger counts have increased nearly 6.5 percent per year over the last 10 years, exceeding the national average of less than 2 percent annual growth. In 2000 alone, nearly 12 million passengers passed through our gates – an airport record! That’s a 3.7-percent increase over 1999, and ranks KCI as the 37th busiest airport in the U.S.

- Frontier Airlines began three daily nonstop flights to KCI from its hub in Denver on June 15, 2000. Two of the three departures are same-plane service to Portland and Seattle.
- Midwest Express Airlines named Kansas City its third base of operations. The airline continued to expand its nonstop jet service and develop a regional air service network at KCI. Also, Midwest Express and Air Midwest, a subsidiary of Mesa Air Group, agreed to a new codesharing structure that enables Midwest Express to provide connecting service between Kansas City and 14 other cities in the Midwest.
- Midwest Express started nonstop service from Kansas City to Atlanta, Des Moines, Little Rock, Moline, New Orleans, Omaha, and Ronald Reagan Washington National Airport, as well as an additional flight to San Antonio.
- Vanguard Airlines revamped its air service network to focus on Kansas City as a hub.
- Vanguard introduced eight new routes during the fiscal year: Austin, Buffalo, Las Vegas, New Orleans, Myrtle Beach, New York LaGuardia and San Francisco. In addition, Vanguard increased daily flights to Denver, New Orleans and Pittsburgh, but suspended service to Minneapolis/St. Paul.
- Southwest Airlines added new nonstop flights to Raleigh-Durham and San Jose. The addition of these nonstop flights also created same-plane service between Raleigh-Durham and San Jose via Kansas City.
- Trans World Airlines (TWA) ended its 75-year run as an independent carrier when American Airlines officially acquired it in April 2001. American Airlines plans to update TWA/AA’s Overhaul Base with the potential for future expansion.
- The Aviation Department was awarded “Campaign of the Year” at the Air Transport World’s (ATW) 27th Annual Airport Awards ceremony for its air service marketing campaign. Also at the ATW Annual Airport Awards, the Department was honored for its first-place finish in the Airport Advertising category. The winning four-color, two-page “Parking Meter” ad emphasized to airlines the lower cost of operation at KCI.





"We understand how crucial good air service is to our region. That's why we work closely with our airline partners to seize opportunities to build air service here at KCL."

Tara Smith, Air Service Development Manager



"We're aware of KCI's regional importance to businesses as a shipping provider. The airport's central location and superb infrastructure make it a viable option for the efficient movement of goods."

Gary Bartek, Cargo Development Manager

i on cargo

KCI is the largest cargo facility in a six-state region, with nine all-cargo carriers and 20 daily cargo flights operating around the clock.

We're one of only a handful of airports in North America that still has room to grow, and if we continue to expand like we did this year, the sky is really the limit.

- Cargo carriers processed 234.6 million pounds of air freight and 92.9 million pounds of air mail, making KCI the 41st busiest cargo airport in North America.
- Aero Kansas City L.L.C. leased the former TWA Air Cargo Facility at 594 Mexico City Avenue. The terms of the lease agreement included 587,732 square feet of land and a 48,406-square foot building. United Parcel Service and American Airlines are major tenants.
- KCI hosted and partnered with the Federal Aviation Administration to produce two seminars on "Dangerous Goods Safety" for the local air freight industry. The seminars were held to increase safety awareness in the handling, processing and transporting of dangerous goods.
- The Aviation Department's cargo ad placed first in the print advertising category in the Airports Council International-North America 2000

Excellence in Communications Contest.

The winning four-color, half-page cargo ad, "Introducing KCI's Space Program," promoted KCI's abundance of ground space available for development and minimal flight restrictions to air cargo companies.

- Eagle Global Logistics became the ninth all-cargo carrier at KCI.



i on business

It's easy to see why KCI is considered one of the nation's most versatile and dependable airports.

Our central location offers convenience and easy access, and we're widely recognized for our dedication to providing first-class service to a broad scope of patrons. The numbers don't lie: over 12 million passengers served, over 235 million pounds of air freight shipped. That's commitment.

- KCI generates nearly \$3.2 billion in economic benefits for the region annually, increasing its total economic activity by more than 50 percent since 1994.
- With nearly 7,500 people directly employed at KCI, the airport is the fifth-largest employer in the Kansas City area. KCI trails the federal government, Sprint, state government and Health Midwest.
- As an economic engine, KCI produces employment, payroll and spending throughout

a multi-state area, with the most significant impact within a 24-county primary market area. The airport is credited with bringing more than 67,400 jobs to the region and payroll benefits of \$1.5 billion.

- Kansas City citizens voted "YES" to approve a \$395 million airport revenue bond initiative to pay for capital improvements at KCI. These improvements include a new consolidated car rental facility, upgrades to the TWA/AA Overhaul Base, new automobile parking facilities, and an on-airport transportation system. With results tallied, the issue was passed with about 75 percent of the voters in favor. The City's last bond authorization vote for aviation was in 1988.
- Airport officials continued the planning and design efforts for a consolidated rental car facility and a new satellite parking lot. A study was also conducted on the feasibility of building an automated people-mover system at KCI.
- The Aviation Department lowered landing fees from 86 cents to 84 cents per 1,000 pounds for carriers at KCI. The cost per enplaned passenger also decreased from \$3.17 to \$2.86. These fee reductions are the result of effective cost management at the airport.





"Call it what you will, but at its core, this airport is a business, and we run it that way. We build our product, create our service, market it, earn our revenue, and invest it back into the business to provide even better customer service. That's fundamental."

Zoe Holmes, Assistant Director of Aviation-Commercial Development



"There's more to running an airport than just providing a place for boarding airplanes. At KCI, it takes a lot of effort and coordination to ensure its efficient operation."

Andrea Capps, KCI Maintenance Repairer

i on operations

We work with high standards and a commitment to quality in all facets of our operation to assure a safe, satisfying experience for travelers.

Like the fine-tuned engines of the planes that soar in our skies, airport operation requires a team effort to effectively run the many parts. We are fortunate to have talented people and other resources to provide a safe, convenient and efficient facility.

- For the second consecutive year, KCI has achieved zero discrepancies in its annual Federal Aviation Administration (FAA) inspection. The successful outcome of the inspection is the result of hard work and cooperation from the Operations, Field Maintenance and Engineering divisions of the Aviation Department, and the Aircraft Rescue and Fire Fighting (ARFF) arm of the Kansas City Fire Department.
- In a continued effort to improve runway safety at KCI, Aviation Department crews doubled the width of taxiway hold lines, installed signs directing vehicle traffic to service roads and established a recurrent two-year driver training program for anyone who is licensed to drive inside the air operations area.
- To enhance the life of KCI's infrastructure, the Aviation Department rehabilitated Taxiways B, G and M, parts of Terminals A and B parking garages, several airport roadways and the north half of the Satellite Parking Lot, as well as parts of the Circle Parking Lot.
- All phases of a seven-phase, multi-year project to reconstruct terminal aircraft parking aprons were either started or completed. The entire project will be finished in the next fiscal year.
- In a continuing effort to keep all three terminals at KCI well-maintained and energy-efficient, new roofs were put on the buildings, and all heating plants were replaced.
- KCI placed into service two new 35-foot, disabled-accessible buses with lift devices that comply with the Americans With Disabilities Act. In addition, the Aviation Department's Airport Bus Service Division added 10 new bus operators in order to expand service during peak times for passenger convenience.
- The Department established a limousine staging and fee collection area that reduces curbside vehicle congestion with a waiting area for limousines.
- KCI is proactively taking steps to ensure the safety and well-being of airport users by exploring where to strategically place additional Automatic External Defibrillators throughout the terminals, and ways to train airport personnel in their use. These units will supplement those already in airport emergency vehicles.



i on environment

Caring for land, the life it sustains and keeping people safe requires a balance of priorities.

It starts with keeping wildlife and aircraft out of harm's way during takeoffs and landings, and continues with balancing land use and economics. We are constantly researching and implementing new strategies that benefit the surrounding environment and maximize safety. It's a never-ending task that reflects our commitment to our passengers' safety and environmental responsibility.

- KCI was awarded "The Best Friend to the Environment" distinction by *International Travel Magazine*.

- In efforts to better coordinate land usage, good stewardship and landscape aesthetics, the Aviation Department engaged Farm Management Associates, Inc. (FMA) to manage nine farmers who lease 6,500 acres of Department-owned farmland outside the airfield's perimeter.

- With the assistance from FMA and the United States Department of Agriculture – Natural Resources Conservation Service (NRCS), the Aviation Department is making headway with its soil conservation, crop rotation and water management efforts.

- The Aviation Department, with the help of FMA and the United States Department of Agriculture – Wildlife Services (USDA-WS), embarked on an initiative to introduce cattle to newly released Conservation Reserve Program lands.

- The Aviation Department created a 2,000-foot no grain crop zone outside of KCI's airfield fence, preventing the growing of corn, soybeans and wheat – significant food sources for wildlife – within 2,000 feet of a runway. Brome grass was planted, which is known to prevent soil erosion and not attract wildlife as much as other types of grasses.

- A three-year, \$575,000 tree removal program was completed at KCI. Nearly 50 acres of trees and shrubs near the perimeter fence were cleared to reduce wildlife habitat near aeronautical areas.

- USDA-WS completed an Environmental Assessment to manage potential threats that white-tailed deer pose to safe operations at KCI and Kansas City Downtown Airport.

- The USDA-WS located its first district office in Kansas City at KCI.

- In the past three years, the Aviation Department has been able to reduce by 72 percent air emissions generated by its vehicles and facilities at KCI. The Department initiated and continues an aggressive program to phase in new alternative-fueled vehicles. Significant increases in the use of environmentally friendly products and replacement of inefficient infrastructure systems also contributed to reductions.





"We are accountable for more than 10,200 acres at KCC. We take our environmental stewardship responsibilities very seriously in the management of air quality, land and wildlife."

Bob Jones, Environmental Project Manager (right), pictured with Bob Johnson, Assistant Manager of Operations



"We've always been proud of our airport, and we know everyone who sees the results of our KCI Terminal Improvement Project will be impressed that everything really is 'up-to-date' in Kansas City."

Gary Marr, Airport Engineer

i on TIP*

Upgrading KCI greatly benefits our community and traveling public.

Location, accessibility and quality service certainly are key ingredients in the overall product mix, and a beautiful, top-notch facility makes a significant first impression. That's why airport leadership saw the need to upgrade our terminal buildings as they approached 30 years of wear and tear from serving over 200 million passengers.

Every step of the design phase considers, "What is the best design for the safety, security and convenience of the airport user?" With this guideline, we are confident that the traveling public will find the new facility meets their expectations for a clean, modern and convenient airport – a point of civic pride.

- KCI Terminal Improvement Project addresses a variety of customer, structural, aesthetic and operational needs of KCI to meet the demands of the future. The project is planned in four phases to minimize impact on travelers and tenants. The Aviation Department broke ground on Phase I in the spring of 2001, and a portion of Phase I will be unveiled to airport users in the summer of 2002. The remaining phases of the project are scheduled to be completed in 2004 with minimal disruption to airport operations.
- KCI Terminal Improvement Project construction packages were introduced in Seek-N-Find sessions to inform the contracting community about the project, and provide a forum for firms to build partnerships with minority- and women-owned businesses.
- The Aviation Department held a Media Day on March 5, 2001, where the KCI Terminal Improvement Project was announced before an audience that included Kansas City Mayor Kay Barnes, the Aviation Committee of the City Council of Kansas City, Missouri, and other City officials, airport tenants and local and regional news media.
- The Aviation Department's Marketing Division created and launched a Terminal Improvement Project public awareness campaign to alert travelers of the changes to the terminal. The ongoing campaign's theme, "KCI – Jazzin' Up the Place," captures the flavor of Kansas City while describing the project's mission.
- To help airport users during the project, a Web site, iflykansascity.com, was developed. When checking out the site, visitors may provide feedback or sign up to receive e-mail alerts prior to any major changes. The site also features a project overview, virtual tour, architectural renderings, progress updates and cellular phone and personal digital assistant (PDA) access. In the first six months that the construction site was online, 67,992 people visited it. Airport users may also obtain construction updates by calling a 24-hour automated information line, (816) 243-3KCI, or tuning into KCI's radio station, 1610 AM, en route to the airport.

* KCI Terminal Improvement Project



i on MKC

Kansas City Downtown Airport has emerged as a hotbed for private, recreational and corporate flyers.

More and more pilots have found our convenient location, accessibility and dependability to be very enticing. We're already home to over 300 private aircraft, and anticipate that number to grow as more aircraft owners discover the benefits of using our airport. During this fiscal year, Downtown Airport hosted 17 visits from the major presidential candidates, surpassing the previous record of 13 visits in 1984 when the Republican National Convention was held in Kansas City.

- The Aviation Department continued to work on the Master Plan study at Downtown Airport to identify where the airport should be in 2020, and outline the steps to take it there. Segments of the report will consider the evolution of aircraft, types of landing systems, buildings and pavements in long-range planning. It will also address how to bring the runway up to new FAA standards.
- To improve runway safety at Downtown Airport, the FAA Air Traffic Control Tower staff and the airport staff coordinated to develop the first runway/taxiway safety brochure in the country. The brochure, *Airport Signs and Hold Lines Could Save Your Life*, contains critical information targeted to any pilot who frequents Downtown Airport.
- In an effort to increase revenue and maximize terminal building and land use, the Aviation

Department leased additional space to a terminal building tenant to allow for its corporate expansion. Also, the Airline History Museum leased a larger space at the airport to house the museum and vintage aircraft.

- Downtown Airport's annual Aviation Expo, sponsored by the Mid-America Youth Aviation Association, attracted nearly 150,000 airshow enthusiasts. The Expo celebrated the 150th anniversary of Kansas City and its aviation history. Immediately following the 2000 Aviation Expo, planning began on the 2001 airshow. The 2001 Aviation Expo was expected to be the largest airshow yet, because of the headline act, the U.S. Navy Blue Angels.
- The FAA recognized Downtown Airport and key partners for innovative leadership in promoting the magic of flight to young people at the FAA Central Region Division's 18th Annual Airports Conference in Kansas City.



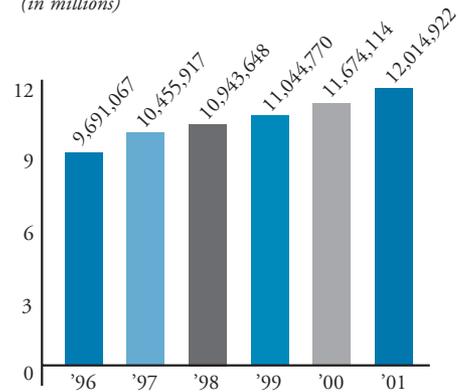


"Many people fail to realize the value of a general aviation airport. Our Downtown Airport provides a wide range of aviation services to the business community and flying public - it's almost impossible to imagine what this city would do without it."

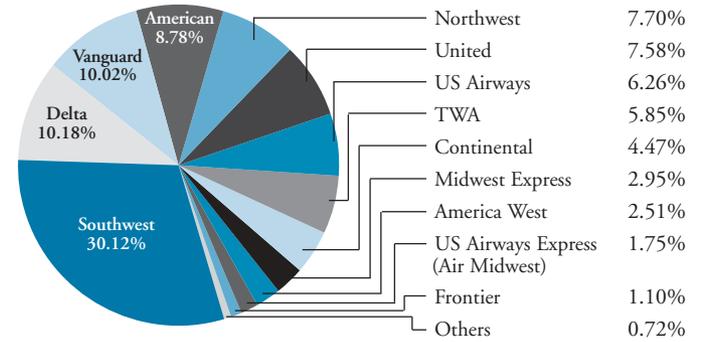
James Brown, MKC Maintenance Mechanic

i on activity

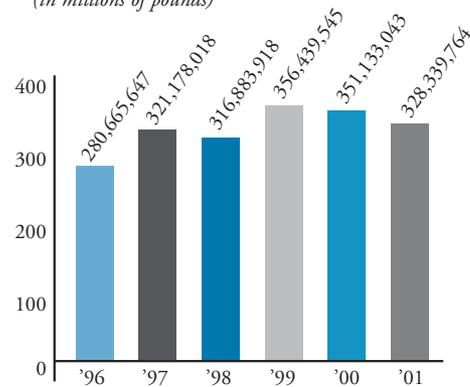
KCI Total Passengers for Fiscal Years 1996-2001
(in millions)



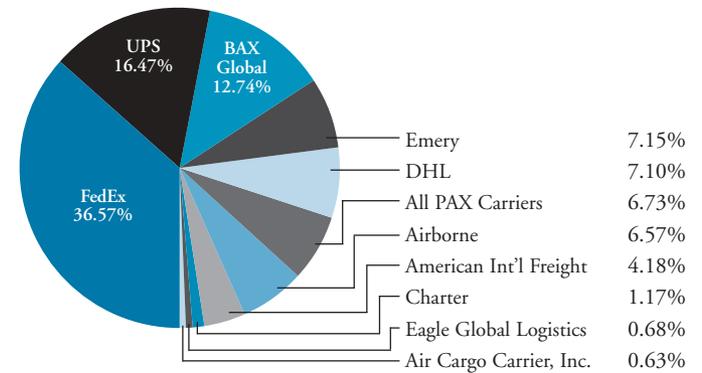
KCI Passenger Market Share
(Scheduled Revenue PAX Enplanements)



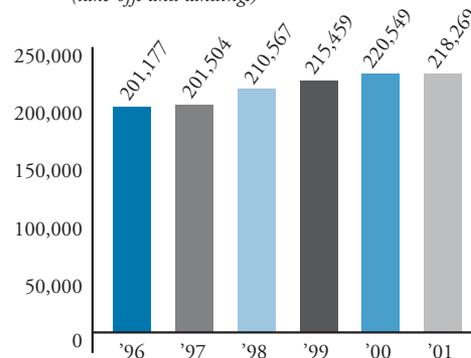
KCI Total Cargo for Fiscal Years 1996-2001
(in millions of pounds)



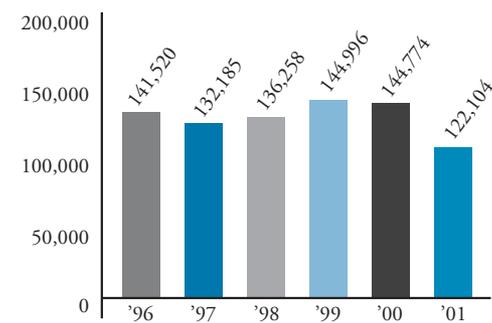
KCI Air Freight Market Share



KCI Airport Operations for Fiscal Years 1996-2001
(take-offs and landings)



Downtown Airport Operations for Fiscal Years 1996-2001
(take-offs and landings)



Financial Statements

2000 - 2001

Independent Auditors' Report

Honorable Mayor and Members of the City Council
Kansas City, Missouri:

We have audited the accompanying balance sheets of the Kansas City Airports Fund as of April 30, 2001 and 2000, and the related statements of operations, changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Kansas City Airports Fund and are not intended to present fairly the financial position of the City of Kansas City, Missouri and the results of its operations and cash flows of its Proprietary Fund Types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas City Airports Fund at April 30, 2001 and 2000, and the results of its operations, changes in fund equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

August 10, 2001

balance sheets

Years Ended April 30, 2001 and 2000

Assets

Current assets:

	<u>2001</u>	<u>2000</u>
Cash and short-term investments (note 2)	\$ 147,248,851	135,670,578
Accounts receivable, net of allowance for doubtful accounts of \$169,426 in 2001 and \$227,453 in 2000 (notes 3, 5 and 8)	5,235,151	4,598,277
Grants receivable	6,431,133	1,124,321
Accrued interest receivable (note 2)	1,770,662	1,262,459
Prepays	275,520	440,386
Inventories, at cost	685,291	869,115
Total current assets	<u>161,646,608</u>	<u>143,965,136</u>

Restricted assets (notes 2 and 4):

Cash and short-term investments	36,910,970	34,785,036
Accrued interest receivable	374,873	323,685
Total restricted assets	<u>37,285,843</u>	<u>35,108,721</u>

Fixed assets:

Land	35,784,163	32,369,565
Buildings	201,059,356	195,585,020
Runways, apron, and roads	269,751,622	238,322,122
Equipment	29,232,807	28,604,687
	535,827,948	494,881,394
Less accumulated depreciation	263,913,086	245,330,844
	271,914,862	249,550,550
Construction and maintenance in progress	97,242,089	80,468,160
Net fixed assets	<u>369,156,951</u>	<u>330,018,710</u>

Bond issue costs and other assets

699,061

831,634

Due from other funds

—

3,984,106

\$ 568,788,463

513,908,307

See accompanying notes to financial statements.

balance sheets *(continued)*

Years Ended April 30, 2001 and 2000

Liabilities and Fund Equity

	<u>2001</u>	<u>2000</u>
Current liabilities:		
Accounts payable	\$ 7,125,210	6,040,021
Accrued vacation and sick leave	1,976,468	1,703,276
Other accrued expenses	4,767,310	129,335
Deposit on hand	88,350	90,620
Due to other funds	570,297	534,188
Total current liabilities	<u>14,527,635</u>	<u>8,497,440</u>
Liabilities payable from restricted assets:		
Matured bonds and coupons	116,008	54,628
Accrued interest and fiscal agent fees	1,292,982	1,341,925
Revenue bonds, current portion (note 4)	6,520,000	6,100,000
Construction contract and retainages payable	1,750,230	902,938
Due to other governments	136,491	136,491
Total liabilities payable from restricted assets	<u>9,815,711</u>	<u>8,535,982</u>
Deferred revenue	4,719,469	1,512,076
Revenue bonds payable (note 4)	<u>123,212,759</u>	<u>129,213,015</u>
Total liabilities	<u>152,275,574</u>	<u>147,758,513</u>
Fund equity:		
Contributed capital	<u>141,085,580</u>	<u>132,159,930</u>
Retained earnings (note 4):		
Reserved	33,987,715	19,921,990
Unreserved	<u>241,439,594</u>	<u>214,067,874</u>
Total retained earnings	<u>275,427,309</u>	<u>233,989,864</u>
Total fund equity	416,512,889	366,149,794
Commitments and contingencies (notes 5, 6, 9 and 10)	<u>\$ 568,788,463</u>	<u>513,908,307</u>

statements of operations

Years Ended April 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Operating revenues (notes 5 and 11):		
Field and runway rentals	\$ 9,919,277	9,750,600
Terminal buildings and apron rentals	9,630,210	9,401,496
Other property rentals	5,630,947	4,576,828
Parking	32,773,679	32,772,690
Rental Car	7,773,929	7,580,570
Concessions	3,740,279	3,520,584
Other	143,254	32,009
	<u>69,611,575</u>	<u>67,634,777</u>
Operating expenses:		
Salaries, wages and employee benefits	18,292,675	18,108,645
Materials and supplies	3,091,249	2,561,678
Utilities	3,871,593	3,146,221
Contractual services	15,925,308	14,608,535
Repairs and maintenance	1,849,688	1,444,067
Insurance	689,807	1,100,244
Other	85,288	89,112
Depreciation on properties acquired from proceeds of:		
General obligation bonds, revenue bonds and other funds	15,039,087	14,446,956
Contributions and grants	6,593,058	6,628,460
	<u>65,437,753</u>	<u>62,133,918</u>
Operating income	4,173,822	5,500,859
Other income (expense):		
Interest income	14,711,152	7,486,337
Interest expense and fiscal agent fees	(8,428,713)	(8,919,383)
Amortization of bond related costs	(50,378)	(29,767)
Passenger facility charge (note 8)	17,207,518	16,409,710
Customer facility chart (note 8)	1,776,234	—
Grant revenue	123,049	46,883
Other income (expense), net	1,463,226	(2,147,324)
	<u>18,782,638</u>	<u>13,756,586</u>
Net income	<u>\$ 30,975,910</u>	<u>18,347,315</u>

See accompanying notes to financial statements.

statements of change in fund equity

Years Ended April 30, 2001 and 2000

	<i>Contributed Capital</i>	<i>Retained Earnings</i>	<i>Total Fund Equity</i>
Balances at April 30, 1999	\$ 136,059,350	209,014,089	345,073,439
Federal grants (note 1[f])	2,729,040	—	2,729,040
Net income	—	18,347,315	18,347,315
Depreciation on properties acquired from contributions and grants	(6,628,460)	6,628,460	—
Balances at April 30, 2000	132,159,930	233,989,864	366,149,794
Federal grants (note 1[f])	15,518,708	—	15,518,708
Net income	—	30,975,910	30,975,910
Equity transfer (note 1[1])	—	3,868,477	3,868,477
Depreciation on properties acquired from contributions and grants	(6,593,058)	6,593,058	—
Balances at April 30, 2001	<u>\$ 141,085,580</u>	<u>275,427,309</u>	<u>416,512,889</u>

See accompanying notes to financial statements.

statements of cash flows

Years Ended April 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Operating income	\$ 4,173,822	5,500,859
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	21,632,145	21,075,416
Changes in assets and liabilities:		
Receivables	(5,198,281)	568,836
Prepaid insurance	164,866	273,954
Inventory	183,824	(165,552)
Other assets	50,365	(22,871)
Accounts payable	1,146,569	(676,302)
Accrued vacation, sick leave and other accrued expenses	4,911,671	46,791
Contracts and retainages payable	847,292	(1,288,262)
Deferred revenue	3,207,393	(687,207)
Total adjustments	<u>26,945,844</u>	<u>19,124,803</u>
Net cash provided by operating activities	<u>31,119,666</u>	<u>24,625,662</u>
Cash flows from noncapital financing activities:		
Proceeds from grants	123,049	46,883
Due from other funds	3,984,106	(2,600,317)
Due to other funds	36,109	95,914
Net cash provided by (used in) noncapital financing activities	<u>4,143,264</u>	<u>(2,457,520)</u>
Cash flows from capital and related financing activities:		
Bond issue costs paid	—	(182,154)
Acquisition and construction of capital assets	(57,073,651)	(30,397,438)
Proceeds from sale of fixed assets	77,227	79,393
Proceeds from refunding bonds	—	35,729,976
Payment to refund bond escrow agent	—	(33,799,483)
Principal payments on revenue bonds	(6,100,000)	(5,270,000)
Interest payments on revenue bonds	(7,904,723)	(8,583,183)
Legal settlement	1,533,608	—
Passenger facility charges	16,985,722	16,182,436
Customer facility charges	1,252,625	—
Capital contributed by federal government	15,518,707	2,729,040
Net cash used by capital and related financing activities	<u>(35,710,485)</u>	<u>(23,511,413)</u>
Cash flows from investing activities – interest on investments	14,151,762	7,246,974
Net increase in cash and short-term investments	13,704,207	5,903,703
Cash and short-term investments at beginning of year	170,455,614	164,551,911
Cash and short-term investments at end of year	<u>\$ 184,159,821</u>	<u>170,455,614</u>
Components of cash and short-term investments at end of year:		
Unrestricted	\$ 147,248,851	135,670,578
Restricted	36,910,970	34,785,036
	<u>\$ 184,159,821</u>	<u>170,455,614</u>
Noncash item – transfer of land from Special Facility airport Reserve Bond Fund	<u>\$ 3,868,477</u>	<u>—</u>

See accompanying notes to financial statements.

notes to financial statements

(1) Summary of Significant Accounting Policies

The Kansas City Airports Fund (Airports Fund) is owned by and is a fund of the City of Kansas City, Missouri (the City). The Airports Fund is utilized to account for the operations of the City's two airports – Kansas City International Airport and Kansas City Downtown Airport.

(a) Basis of Accounting

The City accounts for the Airports Fund as a Proprietary Enterprise Fund. The accompanying financial statements are prepared on the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when incurred.

In reporting its financial activity, the Airports Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations; Accounting Principles Board Opinions; and Accounting Research Bulletins of the Committee on Accounting Procedures.

(b) Statements of Cash Flows

The Airports Fund investments maintained in the City's pooled investments are readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, for purposes of the statements of cash flows, these investments are considered cash equivalents.

(c) Inventories

Inventories consisting of machine parts, fuel and supplies are valued at average cost.

(d) Fixed Assets and Depreciation

Fixed assets are stated at cost and include assets funded by proceeds of revenue and general obligation bonds, grants and contributions. Normal maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized when placed into service and depreciated over the remaining estimated useful lives of the related properties.

At the time of retirement or other disposition of properties, the assets and related depreciation accounts are relieved of the amounts included therein and the resulting gain or loss is recognized.

The provision for depreciation of fixed assets (\$1,500 or more) is computed using the straight-line method over the following estimated useful lives:

Buildings and building improvements	25 years
Infrastructure	15 years
Firefighting vehicles	10 years
Operating equipment, vehicles and rolling stock	5 years
Police vehicles, buses, passenger transport vehicles	3 years
Telecommunications and computer equipment	3 years
Office equipment and furnishings	<u>3 years</u>

(e) Deferred Revenue

The Airports Fund reports deferred revenue on its balance sheets when resources are received by the Airports Fund before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Airports Fund has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheets and revenue is recognized.

(f) Contributed Capital

Contributions of capital assets received from other entities, including those from other City funds, and grants and assistance received from other governmental units for the acquisition of capital assets are credited directly to fund equity. Contributions received for operating purposes are included in other nonoperating income.

Accumulated depreciation on properties acquired from contributions and grants was \$69,846,338 and \$63,253,280, respectively, at April 30, 2001 and 2000.

(g) Vacation and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at an annual rate of 10 to 20 days depending on the employee's length of service. Sick leave is accumulated at the rate of three and seven-tenths hours per two-week pay period, with the exception of firefighters, who accumulate five and one-half hours for the same period. The maximum amount of vacation that may be carried forward, which is accrued in the Airports Fund, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 2,080 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit. Retiring employees 55 years or older with at least 25 years of creditable service, employees who are to receive a line-of-duty disability pension, employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die, are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

(h) Interfund Payments

Interfund payments consist primarily of payments to the City's General Fund for administrative, data processing and accounting services as well as payments for fire operation services. Payments for the administrative services totaled \$3,009,353 and \$3,288,211 during the years ended April 30, 2001 and 2000, respectively. Payments for fire operation services totaled \$2,167,243 and \$1,576,348 during the years ended April 30, 2001 and 2000, respectively. The above interfund payments are recorded in contractual services in the financial statements.

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) GASB Statement Nos. 33 and 34

This report does not incorporate GASB Statement Nos. 33 and 34, *Accounting and Financial Reporting for Nonexchange Transactions and Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, respectfully. The City has not completed the process of evaluating the impact of adopting these statements, and, therefore, is unable to disclose the impact that adopting these statements will have on its financial position and results of operations when such statements are implemented.

(k) Reclassification

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation.

(l) Residual Equity Transfer

The Special Facility Airport Revenue Bond (Special Facility) Fund transferred \$3,868,477 of land to the Aviation Fund in fiscal year 2001. This transfer related to land that was being leased to an airline in the Special Facility Fund. As the lease expired, the land was transferred back to the Aviation Fund where a new lease was recorded.

(2) Deposits and Investments

The City maintains a cash and investment pool, which is available for use by most funds. Interest income on investments is allocated to the various funds on the basis of month-end cash and investment balances. The Airports Fund participates in the pool and at April 30, 2001, had cash and short-term investments, restricted assets and accrued interest receivable of \$147,248,851, \$37,285,843, and \$1,770,662, respectively, invested in the pool. At April 30, 2000, the Airports Fund had cash and short-term investments, restricted assets and accrued interest receivable of \$135,670,578, \$35,108,721, and \$1,262,459, respectively, invested in the pool.

Information concerning the City's investment policy and carrying amounts by type of investment or deposit categorized by credit risk may be found in the City's general purpose financial statements.

(3) Advances From Airlines

Under the signatory lease agreements for Kansas City International (KCI) Airport, the airlines have agreed to a guaranteed minimum amount of rentals and fees based on expected levels of use of airport facilities. If the payments received from the airlines differ from computed amounts due based on actual landing weights and other factors, the Airports Fund and airlines settle the payment differences. The amounts due to the airlines resulting from such differences totaled \$257,899 and \$225,581 at April 30, 2001 and 2000, respectively.

(4) Revenue Bonds and Restricted Assets

Revenue bonds outstanding in the Airports Fund at April 30, 2001 and 2000 were as follows:

	<u>2001</u>	<u>2000</u>
General Improvement Airport Revenue Bonds, Series 1994A, interest from 5.9% to 7.0%, maturing through September 1, 2012	\$ 38,200,000	38,620,000
General Improvement Airport Refunding Revenue Bonds, Series 1995, interest from 4.3% to 6.75%, maturing through September 1, 2009	35,350,000	37,510,000
General Improvement Airport Refunding Revenue Bonds, Series 1997A, interest from 5.3% to 5.5%, maturing through September 1, 2014	29,495,000	29,495,000
General Improvement Airport Refunding Revenue Bonds, Series 1999A, interest from 5.0% to 5.25%, maturing through September 1, 2008	<u>31,740,000</u>	<u>35,260,000</u>
	134,785,000	140,885,000
Less current portion	<u>6,520,000</u>	<u>6,100,000</u>
	128,265,000	134,785,000
Less:		
Unamortized bond discount	555,634	594,660
Deferred charge on refunding	5,233,070	5,804,781
Unamortized bond premium	<u>(736,463)</u>	<u>(827,456)</u>
	<u>\$ 123,212,759</u>	<u>129,213,015</u>

The annual requirements to retire the bonds outstanding as of April 30, 2001 are as follows:

<i>Year Ending April 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2002	\$ 6,520,000	7,599,805	14,119,805
2003	6,845,000	7,274,192	14,119,192
2004	7,200,000	6,923,666	14,123,666
2005	7,575,000	6,546,446	14,121,446
2006	7,975,000	6,146,393	14,121,393
Thereafter	98,670,000	29,672,619	128,342,619
Total	<u>\$134,785,000</u>	<u>64,163,121</u>	<u>198,948,121</u>

On December 15, 2000, the City issued \$10,000,000 in General Improvement Airport Revenue Bonds authorized by voters in 2000. The bonds are primarily backed by the Customer Facility Charge on the rental of cars at KCI Airport and subordinated by general airport revenues. KCI Airport used excess operating funds to purchase the bonds at issuance. The bond issuance has not been reflected in the accompanying financial statements since they have been issued to the public.

On August 15, 1999, the City issued \$35,260,000 of bonds with an average interest rate of 5.2% to refund \$33,255,000 of outstanding 1989A Series Bonds with an average interest rate of 7.8%. The proceeds and funds provided by the City of \$38,041,139 were used to purchase U. S. government securities. Those securities were deposited in trust with an escrow agent to provide for all future debt service payments on the 1989A Series Bonds. As a result, all of the 1989A Series Bonds are considered in substance defeased and the liability for those bonds has been removed from the financial statements.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$851,344. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2009 (fiscal year 2010). The City completed the current refunding to reduce its debt service payments over the next nine years by \$1,899,856 and to obtain an economic gain of \$1,818,237. On April 30, 2000, \$33,255,000 of bonds outstanding at the time of refunding are considered defeased. As of April 30, 2001, \$30,200,000 is still outstanding.

Under the terms of various ordinances enacted at issuance of revenue bonds, the Airports Fund must maintain adequate insurance coverage and rates and fees sufficient to pay reasonable and proper operating and maintenance expenses and scheduled debt service requirements.

The ordinances also establish priorities for the allocation of revenues. After meeting normal operating and maintenance expenses, all remaining monies are to be allocated to the following accounts in the order listed below:

<i>Account</i>	<i>Restriction</i>
Reserve	For the accumulation of revenue bond reserves until the required balance is obtained.
Operations and Maintenance	For the accumulation of up to \$1,000,000 to pay for reasonable and proper operating and maintenance expenses of the airports.
Deferred Maintenance and Replacement	For the accumulation of up to \$750,000 for operating and maintaining the City's airports and for unusual or extraordinary maintenance or repairs.
Principal and Interest	For the accumulation of monies to meet the maturing revenue bond principal and interest requirements. Each month the City is to set aside one-sixth of the next semiannual interest payment and one-twelfth of the next annual principal payment.
Construction	For holding bond proceeds to be used to finance construction. To the extent these amounts are not utilized for construction, they may be allocated to the Bond Reserve Account, the Maintenance Accounts, or the Extension and Bond Account for future bond retirement.
Drug Enforcement Agency (DEA)	For the accumulation of funds received from the DEA for assisting the DEA in pursuit of individuals wanted for drug-related charges. Funds are restricted to the advancement of Aviation Department's drug-enforcement program.
Customer Facility Charge	For the accumulation of funds received from airlines for the debt service, design and construction associated with the consolidated rental car facility.

Restricted accounts and special reserves are reported on the accompanying balance sheets as restricted assets and reservations of retained earnings as follows:

<i>Account</i>	<i>Restricted Assets</i>	<i>Reserved Retained Earnings</i>
Reserve	\$ 14,776,000	14,776,000
Operations and Maintenance	1,000,000	1,000,000
Deferred Maintenance and Replacement	750,000	750,000
Principal and Interest	5,639,649	5,639,649
Construction	6,408,200	—
Drug Enforcement Agency	115,335	115,335
Customer Facility Charge revenue	1,279,740	1,279,740
Other restricted	<u>7,316,919</u>	<u>—</u>
April 30, 2001	<u>\$ 37,285,843</u>	<u>23,560,724</u>
April 30, 2000	<u>\$ 35,108,721</u>	<u>19,921,990</u>

At April 30, 2001, the City was in compliance with the provisions of the ordinances relating to the maintenance of restricted accounts and special reserves and coverage requirements.

(5) Lease Agreements

Facilities at KCI Airport are leased through May 31, 2003, to the principal airlines serving the airport. Total annual rentals are based on actual operating expenses of the airport and are allocated among the airlines based on percentage of terminal space occupied and traffic volume. Total revenues under these operating lease agreements for the years ended April 30, 2001 and 2000 were \$19,535,125 and \$18,314,843, respectively.

In addition to the leases described above, the City leases space in the Richards-Gebaur, Downtown and KCI Airports under long-term noncancelable operating leases. Certain leases include contingent rentals based upon sales. Total revenues under these operating lease agreements for the years ended April 30, 2001 and 2000 were \$16,853,039 and \$15,309,873, respectively, which included contingent rentals. Future minimum rentals under such leases for each of the next five years and thereafter are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2002	\$6,484,891
2003	5,739,253
2004	4,692,897
2005	4,567,247
2006	3,525,892
Thereafter	<u>64,762,131</u>

(6) Richards-Gebaur Memorial Airport

(a) Memorandum of Agreement With the Federal Aviation Administration

During the 2000 fiscal year, the Federal Aviation Administration (FAA) approved the City's request to close the Richards-Gebaur Memorial Airport (RG) and released the City from its obligations to maintain certain parcels at RG for aeronautical use, and from its obligations under federal grant agreements to make RG available to the public for aeronautical use.

The release enabled the City to close RG in order to use certain parcels as nonaeronautical, revenue-producing airport property. Specifically, two parcels will be used as an intermodal freight center (Phase I Property) and an ancillary railroad facility (Phase II Property). The two properties mentioned were then subsequently identified as property leased from the City to the Port Authority of Kansas City, Missouri (the Authority) and then subleased from the Authority to Kansas City Southern Railroad (KCSR).

The City and FAA completed a memorandum of agreement (MOA) on March 20, 2000, in which the City has agreed to diligently pursue the relocation and construction of a replacement general aviation airport, subject to applicable FAA approval, within five years. The City completed the master planning process for the relocated airport, and the City decided that it would not construct a relocated airport. RG will be placed into permanent closure status and the FAA has concurred in this action. Certain stipulations as documented in the MOA require the City to set up escrow accounts for the repayment of federal obligations and revenue received from airport property.

(6) Lease Agreement With Related Party

On December 30, 1999, the Authority, a state statutory entity, entered into a Lease Agreement (Lease) with the City to lease certain property referred to as Phase I and Phase II Property located at RG for the purpose of the Authority to subsequently sublease the Phase I and Phase II Property to KCSR. KCSR has leased Phase I and Phase II Property from the Authority for the purpose of constructing an intermodal freight center and an ancillary railroad facility, respectively.

The term of the Lease between the Authority and the City is 50 years beginning January 9, 2000. On the 10th day of each January through out the term of the Lease, the Authority is to pay rent as follows:

<i>Years 1 through 6</i>	7% of the appraised value of the Phase I Property and, if applicable, 7% of the Phase II Property if construction begins prior to June 1, 2002.
<i>Years 7 through 50</i>	10% of the appraised value of the Phase I Property and, if applicable, 10% of the appraised value of the Phase II Property.

Phase I and Phase II Property's appraised value is \$6,100,000 and \$3,400,000, respectively. Rental income related to this Lease is approximately \$665,000 per year for the first five years.

For the years one through 20 of the Lease term, the rent payable will be adjusted every five years based upon the consumer price index and the specific terms of the Lease. For years 21 through 50, the rent will be increased every year by 1.5% based upon year 20's rent due.

At any time after the 23rd anniversary of the inception of the Lease, the Authority will have the option to purchase Phase I and Phase II Property for a purchase price that is equal to the fair market value of both properties.

The Airports Fund has accounted for the Lease as an operating lease and had Lease revenue of \$665,000 and \$221,667 for the years ended April 30, 2001 and 2000, respectively.

(7) Employee Retirement Plan

The City has a contributory, single employer, defined benefit pension plan, the Employees' Retirement System (the Plan), covering substantially all employees. Contributions to the Plan are made by the City and covered employees. The contributions are calculated to fund normal cost and amortization of unfunded prior service costs. The City receives an annual actuarial report on the actuarial accrued liability and net assets available for benefits. At May 1, 2000 and 1999, the actuarial accrued liability of the Plan was \$517,046,000 and \$442,050,000, respectively, and the net assets available for benefits were \$663,428,000 and \$604,479,000, respectively; however, a determination is not made for individual funds. Contributions to the Plan made by the Airports Fund during the years ended April 30, 2001 and 2000 amounted to \$767,367 and \$711,210, respectively, and were in accordance with the Plan's minimum funding requirements. A stand-alone financial report is issued for the Plan. The report may be obtained from the City's Retirement Division.

(8) Facility Charges

(a) Passenger Facility Charges

The FAA has approved a Passenger Facility Charge (PFC) for a multiproject capital program. The PFC is charged to passengers at the time each ticket is sold by an airline. The airlines are reimbursed for collecting the fee by retaining eight cents (\$.08) of each PFC. Projects named in the program application have been approved for total PFC collections of \$271,389,302, of which \$83,571,625 has been collected through April 30, 2001. Revenues earned for the fiscal years ended April 30, 2001 and 2000 are \$17,207,518 and \$16,409,710, respectively, and are recorded on an accrual basis as nonoperating revenues.

(b) Customer Facility Charges

On January 1, 2001, the City began collecting a \$3.00 Customer Facility Charge (CFC) per transaction day on car rentals made at KCI Airport. The CFC is to be used for the debt service, design and construction cost associated with a new consolidated rental car facility. Revenues earned for fiscal year ended April 30, 2001, are \$1,776,234, and are recorded on an accrual basis as nonoperating revenue.

(9) Commitments

At April 30, 2001, the City had outstanding purchase commitments on behalf of the Airports Fund of approximately \$85,577,000 for outside contractual services, installation of a new financial management system, equipment and supplies purchases, terminal aprons rehabilitation at KCI Airport, rehabilitation of airfield electrical system at KCI Airport, design of common use rental car facility, replace airport signage at KCI Airport, remodel/construct offices for airport police division, and terminal improvements at KCI Airport.

(10) Risk Management

The Airports Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is entitled to the defense of sovereign immunity against tort action that provides immunity except in two areas, motor vehicles and condition of City property; however, plaintiffs are limited to a maximum of \$300,000 per person and \$2,000,000 per occurrence in these two areas. The City has retained the risk for these amounts and the deductibles on commercial insurance for other risks of loss. Settled claims have not exceeded commercial insurance coverage for the past two years. The City has established a Cumulative Insurance Reserve Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. All funds of the City participate in the program and make payments to the Cumulative Insurance Reserve Fund based on actual amounts needed to pay prior and current year claims. The claims expense for the Airports Fund, which includes an estimate of claims incurred but not reported (IBNR), totaled \$324,581 and \$747,449 for the fiscal years ending April 30, 2001 and 2000, respectively. The IBNR was determined based upon historical claims experience.

(11) Airline Bankruptcy

Over the last several years, a major airline carrier has experienced significant financial difficulties. The airline emerged from bankruptcy in 1993. In 1995, the airline completed a further restructuring of certain obligations through a prepackaged bankruptcy proceeding. Even after this restructuring, the airline remained highly leveraged as compared to most of its major competitors and continued to experience losses from operations. On January 10, 2001, this carrier filed its third bankruptcy proceeding in bankruptcy court leading to a purchase agreement whereby another major carrier purchased certain assets of the bankrupt carrier. The purchasing carrier will operate certain of these assets, including the overhaul base. However, operations of the two carriers were consolidated as of November 2001. The airline pays rent and landing fees to the City for use of the airport facilities on a monthly basis. Rent is due on the first of each month and landing fees are due on the 10th of each month for the previous month's use of the runways. For the fiscal year ended April 30, 2001, revenue from the airline amounted to approximately \$2.4 million and the airline is currently in arrears \$1,146,704.67, of which \$912,413.66 is pre-petition and \$234,291.01 is post-petition. The purchasing carrier has affirmed, through the bankruptcy court, all of the above listed debts and obligations of the airline. Management expects full repayment of these debts through the bankruptcy proceedings.

(12) Subsequent Event

Passenger Facility Charge Bonds

On July 26, 2001, the City issued \$140,000,000 in General Airport Revenue Bonds (GARB) from the 1988 voter authorization. The bonds are solely backed by PFCs. The interest rate on the bonds is 5% and the maturity date is April 1, 2026. On July 29, 1999, the FAA authorized the City to issue bonds for the Terminal Improvement Program.

Aviation Industry

The September 11, 2001 terrorist attacks caused the grounding of all commercial aircraft in the continental United States for three days. In addition, these attacks have also caused many major air carriers to reduce their flight schedules due to a decrease in air travel. The long-term impact to the aviation industry and KCI Airport is currently unknown, but any reduction in passengers through KCI Airport will have a direct impact on the Aviation Fund's PFC and CFC revenue.