

Kearney, Nebraska
June 8, 2022
5:30 p.m.

A special meeting of the City Council of Kearney, Nebraska, was convened in open and public session at 5:30 p.m. on June 8, 2022 in the Council Chambers at City Hall. Present were: Stanley A. Clouse, President of the Council; Lauren Brandt, City Clerk; Council Members Randy Buschkoetter, Bruce Lear, Tami James Moore and Jonathan Nikkila. Absent: None. Michael Morgan, City Manager; Michael Tye, City Attorney; Eric Hellriegel, Assistant City Manager; Brenda Jensen, Assistant City Manager; Jim Lynaugh, Airport Manager; Steve Cole, Aviation Support Coordinator; and Shawna Erbsen, Administrative Services Director were also present. Members of the media present included: Mike Konz, Kearney Hub; Michael Shively, News Media Nebraska and Risell Ventura, NTV News.

Notice of the meeting was given in advance thereof by publication in the Kearney Hub, the designated method for giving notice, a copy of the proof of publication being attached to these minutes. Advance notice of the meeting was also given to the City Council and a copy of their acknowledgment or receipt of such notice is attached to these minutes. Availability of the Agenda was communicated in the advance notice and in the notice to the Mayor and City Council. All proceedings hereafter shown were taken while the meeting was open to the attendance of the public.

I. ROUTINE BUSINESS

ANNOUNCEMENT

Mayor Clouse announced that in accordance with Section 84-1412 of the Nebraska Revised Statutes, a current copy of the Open Meetings Act is available for review and is posted on the wall of the Council Chambers.

DISCUSSION AND RECOMMENDATION FOR ESSENTIAL AIR SERVICE CARRIER TO SERVICE KEARNEY

Michael Morgan, City Manager stated a sequence of events began March 10, 2022 when SkyWest announced their intent to terminate service to Kearney. The announcement resulted in the United States Department of Transportation (DOT) soliciting proposals/bids for 31 communities who were notified of the intent to terminate service by SkyWest Airlines. Since that date there have been numerous proposals and various options from SkyWest, along with proposals from other air carriers. The proposals included a submission from a turbo prop/non-jet service which was not comparable with the service Kearney currently has and a proposal from Denver Air Connection (DAC), along with numerous extension requests from SkyWest; including the latest request asking for two additional weeks. Mr. Morgan stated the City has evaluated the proposals and reached out to DAC and numerous cities that DAC serves.

Mr. Morgan stated the blended load factor in 2020 for flights to Denver was 78%, which indicates one of the flights had over 40 passengers on it; Chicago's load factor was usually consistent at 63%. In 2021, combined total enplanements were 25,238 which included approximately two months with Covid restrictions. The highest enplanements in

Kearney's history prior to 2021, was in 2019 with roughly 21,000.

Mr. Morgan reviewed the spreadsheet he presented to Council (Exhibit A) that compares Essential Air Service information between SkyWest current service (as of yesterday), SkyWest interim service, SkyWest Part 135 and Denver Air Connection. He stated SkyWest has made it clear, as of June 7th, air service would be similar to current air service with 50 available seats, 12 trips but would include one stop in North Platte (LBF) on the return flight. SkyWest would still meet Essential Air Service but it is unclear what departure times would be; however, Codeshare, Fares and United Miles would still remain the same (this is denoted in the SkyWest Interim column shown in Exhibit A). Mr. Morgan stated the Interim column is not an option going forward though as SkyWest has also made it clear they intend, and plan to eventually go to SkyWest Part 135 service, which will be a charter service that could start with nine seats but can never exceed 30 seats, with a potential of 12 trips. However, departure time, Codeshare and other items noted on Exhibit A, are undefined at this time. He noted DAC has a better chance of achieving Codeshare than a Part 135 service would. SkyWest has not indicated a timeline as to when they would switch to Part 135 service; pilot shortages have created the issues that SkyWest is currently encountering.

Mr. Morgan stated the DAC's hub is Denver and flights to Chicago are currently not an option; Chicago flights are not an option with any of the proposals Kearney received. DAC could potentially begin September 1st. Their weekly schedule would include 12 trips with 50 seats and would overnight in Kearney, which is good when there is inclement weather. Departure times are flexible and would be discussed.

Mr. Morgan noted that the City does not make the decision to switch to a different airline, that decision is up to DOT; however, local airports can make recommendations.

Council Member Jonathan Nikkila asked Mr. Morgan to discuss pilot staffing for DAC. Mr. Morgan stated DAC is much smaller, non-union carrier and recently increased their pilots' pay significantly. Mr. Morgan stated DAC hires pilots to fly their cargo and charter flights and once those pilots receive enough hours, they move to the 50 seat, Part 121 operation. DAC has a unique situation where they are not very big and can move their pilots through their program after obtaining enough hours to move on to large planes. DAC has been a charter service for NCAA tournaments and teams for numerous years as well as a provider for UPS services, among others and have the highest ranking with respect to on time arrivals in the regional airline industry. DAC also has a 30-passenger plane that could fly if the passenger volume was lower and only needed for that day.

Mayor Clouse thanked Mr. Morgan for the work he has done on air service and commented on the frustration he has with SkyWest; Council Member Randy Buschkoetter agreed with Mayor Clouse's frustration and does not understand why SkyWest would need to request more time to determine what their next steps are.

Council Member Bruce Lear noted the City has had the best three to four years in the Airport's history with SkyWest. He feels SkyWest has ran into an operational issue, which is a shortage of pilots and noted many businesses over the course of its lifetime can run into problems. But it is unfortunate that SkyWest affected 31 communities at the same time and could not find a way to transition and scale the service occurring in those

communities. Council Member Lear thanked SkyWest for the last four years and stated they have been a great partner. DAC stands out to him because they started increasing their pilots' pay before other airlines did, whereas SkyWest was lagging with their pilot pay. Furthermore, DAC has put the effort in to communicate with the City effectively but there will be challenges to the travelling public; however, he leans towards DAC at this point.

Council Member Nikkila stated he was pleasantly surprised when he found that DAC allows you to book airline tickets through United or American Airlines. He asked, with regard to SkyWest Part 135, if booking a flight via United's website would be an option? Mr. Morgan stated the City's consultant thinks that would not be possible. Mr. Morgan additionally feels that it would not be possible because the flight from Kearney would be a charter flight under Part 135, but ultimately no one is sure. Council Member Nikkila expressed his concern regarding having to go to two separate places, to a book flight out of Kearney to his final destination. That is one of the problems being faced with SkyWest Part 135. He agreed with Council Member Lear by stating he has been a very happy, satisfied customer with SkyWest over the past four years.

Mr. Morgan noted an additional consideration that the City proposed is to have the City of Kearney provide below wing services. The City would enter into a contract with DAC to provide those services and hire staff as well as utilize existing FBO staff.

Michelle Lewis, a travel agent from Kearney, noted she has spoke with numerous other travel agents who have told her that they have had not had issues with DAC and flights are on time as well as ticketing being easy with DAC.

Council Member Tami Moore stated after visiting recently with DAC, she feels comfortable and thinks the City needs to make the change. She feels for citizens who may have ticketing issues with a potential change to DAC, but noted there is a good chance that there could be difficulty if the City would stay with SkyWest as well.

Mr. Morgan stated moving forward, if Council chooses to go with DAC, federal law requires United Airlines and SkyWest to rebook passengers. The City would also request SkyWest to continue service to Chicago until the end of August and pursue Codeshare avenues as well. Mr. Morgan noted air service is important to the community and further commented that SkyWest was working well and that they could potentially work well in the future when everything gets straightened out.

Mayor Clouse noted when the City initially recommended SkyWest, DAC was operating under Key Lime at the time. The City did look at Key Lime for air service but they were not yet ready. Mr. Morgan stated DAC (previously Key Lime) was Part 135 at that time. Mayor Clouse noted DAC has since made changes and have improved their operations.

Council Member Buschkoetter stated the City always knew that with good air service, the community would use the service. A lot of the success SkyWest experienced in Kearney was due to the Kearney community. He feels Kearney has an opportunity to grow in a few different directions with DAC. When DAC visited Kearney a few weeks ago, he had expressed to DAC the desire to have a second city to fly to; DAC stated they are hoping to grow and even though there is no guarantee or timeframe, Kearney is a jewel. While

he feels DAC is currently the way to go, he did note that divorced couples sometime get back together; therefore, he does not want to burn any bridges with SkyWest as they could come back in the future.

Council Member Nikkila stated because SkyWest cannot guarantee anything, has had so much uncertainty, and as long as DAC can retain their liability streak, DAC checks all the boxes.

Moved by Clouse seconded by Nikkila to recommend Denver Air Connection as the essential air service carrier for Kearney. Roll call resulted as follows: Aye: Clouse, Nikkila, Moore, Buschkoetter, Lear. Nay: None. Motion carried.

VIII. ADJOURN

Moved by Clouse seconded by Nikkila that Council adjourn at 6:23 p.m. Roll call resulted as follows: Aye: Clouse, Moore, Buschkoetter, Lear, Nikkila. Nay: None. Motion carried.

ATTEST:

**STANLEY A. CLOUSE
PRESIDENT OF THE COUNCIL
AND EX-OFFICIO MAYOR**

**LAUREN BRANDT
CITY CLERK**

Factors	SkyWest Current	SkyWest Interim	SkyWest Part 135	Denver Air Connection	Notes
Term Ends	1-Sep-21	15-Aug-22	1-Feb-23	1-Sep-22	Service terminated - rebid?
Term Ends	31-Aug-23	31-Aug-23	Undefined	31-Aug-24	
Subsidy - Cap	No issues	No issues	Undefined	No real concern	DAC load factor - plus 34%
Hub	ORD - DEN	Denver	Denver	Denver	Chicago - not a nearterm option
Aircraft - seats	50 seats	50 seats	30 seats	50 seats (30 seat spare)	
Weekly Schedule	12 trips	12 trips One trip with LBF	12 trips	12 trips	SkyWest - possible 14 trips Interim with half paired with LBF?
Overnight	Yes	Yes	Undefined	Yes	
Departure Time	Excellent	Unsure	Undefined	Good - Flexible	
Codeshare	United	United	Undefined	Interline - United/American	
Fares	Current	Current	40% less seats Sum of 2 locals	Sum of 2 locals	
United Miles	Full	Full	Undefined	From Denver	
Concourse	B	B	Undefined	C then A	While A is being remodeled
Switching	N/A	N/A	Challenges	Challenges	DOT requires rebooking in all cases between carriers
Intangibles					
SkyWest	Multibillion dollar company with deep network carrier relationships				
	EAS is a low priority business division secondary to flying large RJs for network carriers				
	The likelihood of full code and UA Express feel and touch on a Part 135/P380 product are low				
DAC	Kearney would be the largest market in the entire system, largest revenue source				
	DAC is a \$100 million dollar company, small for an airline				
	In the evolution of the airline industry as DAC gains size its Part 121 EAS may gain codeshare				