

**CHARLOTTE COUNTY AIRPORT AUTHORITY**

**MINUTES OF BUDGET WORKSHOP – AUGUST 24, 2012 – 9:00 A.M.**

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**1. Call to Order**

**2. Invocation**

10           Commissioner Herston gave the invocation.

**3. Pledge of Allegiance**

**4. Roll Call**

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**Present:** Chair Coppola; Commissioners Herston, Lee, Seay and Stasko; Executive Director Quill; Attorney Garrard; Assistant Director Parish; Mrs. Cauley, Mrs. Schindler.  
**Others present:** Paul Andrews, Jim Kaletta, Ned Rose and other people from the private sector.

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Chair Coppola read the meeting notice into the record.

Chair Coppola welcomed and explained that Lindy Schindler will be the acting FBO Manager.

25   **5. Citizen’s Input**

No Citizen’s Input.

30   **6. FY 2012/2013 Budget** - Mr. Quill presented a graph (copies of the graphs attached) of the current fiscal year’s enplanements. He stated that the last two months are projections of what Allegiant will do. He stated that the budget is based on Allegiant’s enplanements for the coming year and it is a critical item for the budget as far as determining the level of revenue. He stated that February had been a good month and he hopes that over time Allegiant or another airline will pick up the other cities. He stated that the Authority is dealing with reduced revenues this  
35   year so the Authority has adapted the budget accordingly.

He presented a graph showing total enplanements for both carriers for fiscal year 2009 through 2012. He stated that typically the airline passengers peak in March and fall off significantly in August, September and October.

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He explained that for the past three years, Allegiant has continued to build and have announced not only additional cities for us, but a number of additional cities. He commented that they have announced that they will be acquiring Airbus 319’s that are more fuel efficient and will be phased in over the next few years.

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He showed a graph of Allegiant and Direct Air which showed the cumulative impact of what happened in March showing a tremendous fall off in April and May. He commented that the Airport will never be an RSW. He explained the Airport does not have the resources and does not want to be.

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He explained that the graph on Avgas distribution shows the estimated 157,000 gallons of Avgas for the year. He stated that self-service is 57% and Air Trek is 33%. He commented that in some slides you will see about Avgas will give you a feel, but the track is a little bit distorted. He stated that there were a couple of large sales with large piston aircraft that came in earlier this year.

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He stated that Avgas' history shows very big years in FY 2006 and 2007. He stated that Avgas is not a growth product, but it does have its peak. Chair Coppola asked if the price is going up. Mr. Quill stated that the price is going up. He explained that general aviation has reduced from 30 years ago and the Authority sees it as flat and tapering off over the next 10 to 15 years. Commissioner Seay commented that one of the things they heard at the FAC was the future of Avgas. There are different kinds of aircraft with small engines and how they are getting away from them because it is not as ecologically and environmentally clean. Mr. Parish commented that in a conference in Washington, DC the FAA announced a ten year plan to phase out lead. He commented that would affect about 90% of the general aviation fleet and ethanol would affect the other 10%. He commented that most of the general aviation aircraft, even though they are rated to run on auto gas, can't run on auto gas with ethanol added. Commissioner Seay asked what will that do for the aircraft that would be able to fly but can't get fuel. Mr. Quill commented that they could be regulated out of existence and it is a frightening prospect. Mr. Parish commented that they will tell you that aviation fuel is 90% of the atmospheric lead, which is true, but it is 1/10<sup>th</sup> of a percent of the atmospheric lead that was there 50 years ago. Commissioner Seay asked have they not looked at the overall impact of this. Mr. Parish stated that the FAA is being forced by the DEP and they have said it is up to the FAA to solve the lead problem. He stated that their way of solving is to modify the engines to accept a no lead fuel. He stated that Europe has worked on this and most of their general aviation fleet runs on diesel or jet fuel. He stated it is doable, but expensive as the general aviation fleet is in trouble because of the cost of fuel, the cost of airplanes, the aging population of general aviation pilots and the cost of getting into flying is prohibitive for a lot of people. Commissioner Lee opined that the general aviation is not going to get bigger any time soon.

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Mr. Quill stated that Jet fuel came in at 2.6 million gallons for the year and he stated that 81% of that goes to the airlines. He stated that the Authority charges the airlines a handling fee rather than sell it to them. He commented that the reason for that is the Authority does not want the credit exposure, which can be scary for small airports, so the Authority charges them an into plane fee for each fueling. He went over slides showing the airlines, Air Trek and truck sales.

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He stated that the parking lot revenue in recent years was encouraging, but fell after Direct Air went out of business. He commented that the two major revenue sources from the airline is the parking lot and car rentals. He stated that the Authority has not had to increase the T-hangars rents for a number of years.

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He stated that the gross operating revenue for Jet fuel sales are up, airline revenue is up 19%, Avgas is up 13%, hangar rentals is up 10% and a few fractions for other things. He stated that is the Authority's gross revenue picture.

5 He gave an overview of the Operating Expenses for the fiscal year, and he commented that this Airport is different from a typical airline airport because the Airport operates a fixed base operation. He stated that the other major cost center that most airline airports would have is a Debt Service and the Authority does not have any debts. He commented that the biggest expenses are personnel and cost of goods sold. He stated that the Authority has no control over  
10 the cost of goods sold and the fuel varies up and down.

He gave an overview of the Operating Revenue for the fiscal year and he stated that the Authority is projecting \$5.6 million. He stated that the Authority is projecting under 1.3% for salaries and wages, which is pretty flat. He commented that the Authority is not recommending  
15 any increases this year. He commented that if things look different mid-way through the year they may relook at this. He stated that the cost of fuel is always up and down and the Authority picks a margin between the cost and revenue of fuel, and he stated that the numbers will vary, but the trick is to maintain the margin that is being projected. He commented that the bank charge of \$59,000 is a percentage of sales. He commented that the Insurance had a slight  
20 increase and he stated that the Authority had several good years of insurance premium costs. He stated that the Legal and Professional Fees are flat and the Licenses and Permits increased a little. He stated that in the Marketing and Promotion the Authority is putting in \$80,000. He commented that the Authority is receiving \$140,000 from USDOT under the grant that was approved to market airlines. The Authority is matching it with \$30,000 and the county tourism  
25 group is putting in \$30,000, which was one of the requirements to get outside money to obtain this grant. He stated that it was a nice cooperation with the County. He stated that there is a slight decrease in Mowing and an increase in Repairs and Maintenance, due to a one time repair this year. He stated that there is an increase in the Computer Maintenance due to operating all the sophisticated alarm and communication systems. He explained that there was significant  
30 lightning damage this year and he stated that some of that will be covered by insurance. Commissioner Stasko asked if the Authority has to maintain the tower electronics. Mr. Quill stated that the Authority does. He commented that the tower pays for the salaries of the controllers. He stated that there is an increase in Security due to a change in the rates with the Sheriff's Office under their union contract. He stated that to lower the cost, the Authority is  
35 checking with the Sheriff's Office to put in a permanent detail. He stated that depreciation is \$2.9 million. Commissioner Herston stated that there is a difference of 700,000 from fuel and oil sales actual income to operating expenses under cost of fuel and oil actual sales and there is a total sales of 650,000 gallons combined, and he asked if there was a \$1 gallon profit. Mr. Quill stated that it is a gross margin and labor and repairs are taken into consideration. Commissioner  
40 Seay asked where the funding for the expansion of the terminal is. Mr. Parish stated that the FAA has tentatively allocated \$600,000 of the Authority's current year entitlement, but they have not said what it is for. He stated that the Authority finalized the current year entitlement grant which is a little over one million dollars and a part of that was left over from last year. He explained that when an airport has over 10,000 enplanements the airport receives \$1,000,000.  
45 He stated that will pay for the reconstruction to the terminal entrance, which has been designed and bid. Construction will start as soon as the grant is approved. He stated that it will pay for the

entrance road to be revamped so it would be easier getting to the terminal and to the FBO, modifying the long term parking lot so the grass area can be used for the over flow parking during the peak season, and for the design of the second phase of the terminal. He commented that the terminal was designed, based on the Airport's demand on the calculations of last year, for approximately a 700 passenger peak hour from graphs that the FAA had from the 1980s. He stated that the FAA's graphs are antiquated, but the Authority has to go by them. He commented that Direct Air had four airplanes here in the morning and that they each left within 30 minutes of each other causing the terminal to be very crowded and the planes came back within 30 minutes of each other. He stated that Allegiant Air is running two aircraft with one aircraft out of the airport, the other one is coming in. He stated that the Authority has gotten approval to design for 450 passenger peak hour which will be a three gate terminal. He commented that the Authority is designing for the larger design and the Authority will pay the difference. He stated that the difference in the design fee is nominal because the design for expanding the building is not significantly more. He commented that the Authority is doing this with the hopes of adding another airline or adding additional cities with Allegiant Air. He commented that the Authority can then qualify for the construction money, because construction is where the cost is for the difference between 450 and 700 passenger peak hours. He commented that the Authority will get a grant for the design of 450 passenger peak hours this year. He commented that the Authority will put the plans together and get it permitted. As soon as the Authority is qualified for the construction money, (this is based on the demands of the airline and the airline schedule), the Authority can start building after the grant is approved. He commented that, unfortunately, you can't build a building until it is over-crowded even though the FAA requires the Authority to do a master plan and the FAA does not let you do anything based on those predictions until you really need it. He explained that is the reason there are no significant CIPs shown in the budget. Commissioner Herston commented that the Authority is going to design and permit for 450 passengers. Mr. Parish stated that the Authority is going to get a grant to design for 450, but the Authority will design for 700 passengers. He stated that the difference is one gate. Chair Coppola commented that they pay for the design of three gates and the Authority will pay for the other one. Mr. Parish commented that it is a 5% increase in the design fees which is not a significant outlay for the Authority but he stated it would be in the future if the Authority wanted to re-design. Commissioner Herston asked if the change to the entrance is only through the parking lot or does it go out to Viking. Mr. Parish commented that it would affect the long term parking overflow area on the edge of Viking, the turn-in, the FBO parking lot will slightly be affected, but it will not lose any spaces, and the entrance will be changed. He commented that it will force traffic straight into the terminal so the drivers do not get lost in the other areas. Commissioner Herston asked Mr. Parish to show the Board a circulation plan at the next meeting. Chair Coppola asked if it is mandatory to expand the parking with an expansion of the terminal. Mr. Parish commented that the Authority does have a lot of parking spaces and the Authority does not need four parking spaces per 1,000 square feet and the Authority has a lot more parking spaces than the Authority currently needs. He stated that the Authority had included in the last bid design to expand the long term parking lot and it is ready to go. He stated that the Authority will build the retention as part of the road project, so when it will be needed the Authority will be able to add it. He commented that the parking lot is maxed out two or three times a year and this project will give the Authority the ability to over-flow into the grass lot. He commented that in the future 300 spaces can be added to the existing area and then they will have to go to a slightly more remote long term parking. Commissioner Herston asked if Charlotte

County had a category for airport parking. Mr. Parish stated that they did not. He commented that the rule of thumb is that an airport would expect to park 60% to 70% of their enplanements and our Airport parks about 50% because this Airport is a destination, not an origination city. Chair Coppola commented that the Airport has a lot of limousine and taxi service and they are at the Airport all the time. Mr. Parish commented that the Authority wants to make sure that there are enough parking spaces when needed. He stated that the original terminal was designed for Skybus for six flights a day. He commented that when the Airport starts exceeding six flights a day on a weekly basis then the Authority will start adding parking. Commissioner Stasko commented that there is a zero amount for bad debts. Mr. Quill stated that it is done as it comes up. Commissioner Stasko questioned that the bad debts are zeroed every year. Mr. Quill stated that up until the current recession/depression the Authority has never had that issue. Commissioner Herston questioned if money was budgeted for the Air Show. Mr. Quill commented that the Air Show was not put in the budget because it is a tight budget. Chair Coppola stated that the Authority is \$79,000 to the good and she asked if that will go towards an emergency fund. Mr. Parish commented that the lightning strike event cost the Authority \$35,000 to repair. Commissioner Herston asked if the Civil Air Patrol utilities are included in the budget. Mr. Quill commented that it is not included in the budget and as the Authority relates to them there is a FAA prohibition against that. He stated that the Civil Air Patrol had a reduction in their rent. Chair Coppola asked if there is anything in the horizon that may be a possible expense or revenue. Mr. Quill commented that there is a chance of an additional city before winter. He commented that the Authority felt that this was a prudent budget given what the Authority knows at this point. Chair Coppola commented that it is encouraging to hear that Allegiant Air is purchasing Airbus 319's. Mr. Quill commented that they will be phased in over the next two to three years. He opined that it is a very positive move for Allegiant Air to have more fuel efficient planes. Commissioner Lee commented that the additional planes will bring an increase in rental cars. Commissioner Herston questioned if the Authority is still looking at incorporating Mote Marine in the terminal design. Mr. Parish commented that a wall was thickened in the preliminary design and a small mechanical room was designed between the baggage claim and the hold rooms for their equipment. Mr. Parish stated that Mote Marine will not be paying for it or for the maintenance, it will be a community effort. Chair Coppola asked if any of the Board members have been approached about a Main Stage group that may move into town as far as doing promotion in the future. No one was aware of any development. Chair Coppola opined that it would benefit the Authority if that project takes off and she stated it would be an opportunity to work with the County on getting more airlines back and forth. Commissioner Seay commented that a grant was recently accepted for air service and she suggested that the Board consider additional advertising and marketing, and how can the Authority get more people to advertise at the Airport. She opined that the Authority needs to advertise to advertisers and find out what kind of promotions the Authority can do. She commented that in a conversion with some baseball people they wanted to advertise in the terminal to help promote this Airport as a destination for sporting event. She suggested that the Airport should have a section for advertising income and to take advantage of the space in the terminal to promote local businesses and have them pay the Authority. Mr. Parish commented that when the advertising income is broken out it would fall under airline revenues. Commissioner Seay asked if there is additional money that can be spent to get more advertising revenue. She commented that the Authority should do a survey to show how many people are actually seeing the advertising. She commented that the Authority had previously discussed

doing a survey, such as where are the passengers staying in Charlotte County and where are they going from here, so the Authority can tell the people that this is how much of an impact that they are actually having. Chair Coppola asked if Commissioner Seay wants to put the survey in the airplane so the passengers will have time to fill out the surveys and collected by the airline staff.

5 Commissioner Seay commented that the Authority needs to have someone who is knowledgeable about surveys and conduct it so it is a valid instrument using that information for potential advertisers. Chair Coppola asked if this can be done with the computers that are in the airlines and the passengers can complete the survey and that information would be transmitted to the Authority. Commissioner Lee commented that the airlines that fly into the Airport do not have  
10 that kind of equipment. Chair Coppola suggested that if the passengers did not stay in Charlotte County, the Authority should get revenue by advertising in Fort Myers or Naples and they could reciprocate. Commissioner Seay commented that the Authority does not have any verifiable data that says where the people go when they come into this Airport. Commissioner Seay commented that the Authority should find a way to either use the marketing or to add additional funding to  
15 that. She suggested talking with Florida Gulf Coast about that. Mr. Quill commented that the Authority and Ms. Steiner, with the tourism, had discussed getting some volunteers to start a simple survey, such as their home zip code and where they are going. He commented that at this point the license plates are a form of a survey, but he stated that they are passengers originating from here, rather than passengers coming into the Airport. Mr. Parish commented that the  
20 Authority had talked with a group that has touch screen monitors which are very simple and they can be put in the cue line for when they are waiting for TSA. He stated that the very short surveys get filled out, but if there are two or three pages the passengers will walk by them. He stated that if there was one that asks what is your home zip code and which county did you visit, they would probably click those two and walk on. Chair Coppola suggested adding what is their  
25 interest in coming here. Mr. Parish commented that if it can be done on one screen where the passengers answer the three questions and hit accept, they probably will provide the Authority the machines at cost or no cost so they can advertise their company on it and the Authority will be able to access that information. Commissioner Seay commented that it will be a good starting point for the Authority to get an idea, but she stated it will only show the passengers coming in.  
30 Mr. Parish commented that the passengers come in, get their bags and leave. He stated that when the passengers are standing in line waiting for TSA they are more likely to hit a few buttons. Commissioner Stasko commented that in the past the Authority had contacted businesses about advertising at the Airport and the Authority did it. Mr. Parish commented that the Authority has done direct mailings and combined mailings with the chambers. Chair Coppola asked what was  
35 the response. Mr. Parish commented that the Authority was approximately 75% full on the advertising and he stated that it has dropped off in the last year. He stated that a lot of the advertisers have stopped because they could not afford it. He stated that the cost to advertise at the Airport is 1/10<sup>th</sup> of the cost to advertise at Sarasota or RSW. Commissioner Seay asked if the Authority has any evidence of the results from the advertising that was done. She commented  
40 that by following up with people that do advertise by asking them if the Authority can survey the people that have come to you. Mr. Parish commented that when the Authority talks to the hotels they say when your passenger loads are up, our bookings are up. He commented is that an exact correlation or is it because of their advertising, or are there more people here or do the people spend the last night of their vacation here to catch an early morning flight. Commissioner Seay  
45 suggested putting the surveys in hotel rooms if they would allow the Authority to do so. Mr. Quill commented that Mrs. Steiner is advertising a number of hotels in the fall edition of Sun

5 Seeker, which is Allegiant’s in-flight magazine. He commented that Mrs. Steiner was impressed with the feed-back that the Authority has gotten from the hotels and he stated that it will be brought to the next meeting. He commented that when the Authority had hired Clear Channel a few years back two events happened; the Authority lost Skybus, which was the big event, and  
 10 Mr. Parish added, that when the Authority got a new airline the economy started going down and the new airline didn’t feel it was profitable so they pulled out. Mr. Parish commented that the Authority makes more revenue doing it themselves than the Authority would have with 100% from an advertising company. Mr. Quill commented that the Authority will follow up and bring a report back to the Board. **Commissioner Stasko made a motion to adjourn. Commissioner Seay seconded. Motion passed unanimously.**

**7. Adjournment**

15 Meeting adjourned at 9:53 a.m.

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 Kathleen Coppola, Chair

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 Gary Stasko, Secretary/Treasurer