

CHARLOTTE COUNTY AIRPORT AUTHORITY

MINUTES OF BUDGET WORKSHOP – AUGUST 28, 2013 – 9:00 A.M.

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1. Call to Order

2. Invocation

10 Commissioner Andrews gave the invocation.

3. Pledge of Allegiance

 Chair Herston read the meeting notice into the record (copy attached)

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4. Roll Call

Present: Chair Herston; Commissioners Andrews, Coppola, Lee and Seay; Executive
Director Quill; Attorney Garrard; Assistant Director Parish and Mrs. Cauley. **Others**
20 **present:** Tyler Ezzi.

5. Citizen's Input

 None

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6. FY 2013/2014 Budget Presentation

 Mr. Quill went over the graphs that were prepared for the workshop (copies attached).

30 Avgas – He explained that avgas is a small portion of the Authority's revenues. He
commented that it is ticking upwards. He commented that 59% of the gallons sold are
through self-serve but when the snow birds are here they use the fuel truck.

35 There was discussion on the before and after slides of Hurricane Charley. Mr. Quill
opined that Hurricane Charley was the best thing that happened to the Airport. He
reported that new signs have been installed. Commissioner Seay commented that the
signs are fabulous. Mr. Parish commented that there will be three signs on Piper Road
and the Authority is working with the FDOT to put a sign on Piper Road and Jones Loop
40 Road. He commented that the Intermodal Secretary of FDOT will be here on September
3rd for a tour of the Airport. Commissioner Herston asked the size of the signs that the
Authority wants to put up. Mr. Parish stated that they are each eight feet long and one
foot high.

45 Jet A Fuel - Mr. Quill commented that Jet fuel has tapered down the past few years and
the Authority is being conservative by showing jet fuel tapering off further. Attorney
Garrard commented that the Boca Grande Airport pumps jet fuel. Commissioner Coppola

asked what are the prices and if the Authority is competitive. Mr. Parish commented that the Authority is one of the cheapest in the area and the Authority tries to maintain that. He reported that Page Field built a new general aviation facility and Venice repaved their runway. Commissioner Lee commented that it is always fickle.

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Mr. Quill commented that corporate aviation peaked in fiscal year 2007/2008 of 629,000 gallons. He reported that the Authority is projecting substantially less than that. He commented by comparison the airline fuel, which the Authority does not sell as to not have the credit exposure. Commissioner Coppola asked if that affects the Authority's profit margins. Mr. Quill explained that it is \$50 a hook-up to fuel the airline, so however many flights they have multiply that by \$50. He commented the Authority does bill a few people direct but most people use credit cards for their fuel purchases. Commissioner Coppola asked if it takes a big chunk out of the Authority's profit. Mr. Quill commented that the Authority is making a lot more from the airline then the Authority has ever made selling fuel. Commissioner Lee commented that the offset is what the Authority gets in rental cars and parking.

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T-Hangar Vacancy - Mr. Quill reported that the T-hangar vacancy has stabilized. He commented that about 10 years ago the Authority had a waiting list. He commented that general aviation has shrunk since then. He explained that the Authority does not expect to fill all the T-hangars in the future. He commented that this is part of the slow transition in general aviation.

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Total Enplanements – Mr. Quill commented that when Direct Air was in business they had peaked in March 2012, and with Allegiant Air picking up additional markets the trend is going upwards and by next year the Authority will exceed that peak. He commented that the Authority's parking revenue goes up in July and the rental cars are lower due to the fact Floridians are flying north. He commented that the Authority and Allegiant Air has determined that the Airport is not a seasonal base, but year round for a Florida market. He commented that all the press attention has been the equivalent of thousands of dollars spent in advertising. He commented that the Authority has had good coverage on the television and the Authority anticipates being slammed this coming season. He commented that the Authority will increase the enplanements next year totaling 500,000 passengers.

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Parking Lot Revenue – He commented that parking lot revenue peaks in July and in March and April the parking lot is lower. He commented that the Authority is proposing to increase the daily parking lot rate to \$9 a day. He explained that RSW's rate is \$11 and Sarasota's rate is \$14. Commissioner Coppola asked if there is a frequent flyer discount. Mr. Parish commented that the Authority offers annual and monthly parking passes and there is a weekly rate.

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Car Rental Concession Income – Mr. Quill commented that the car rental concession income peaks in March because of the snow birds and spring break. He commented that July looks good which is caused by the additional flights that Allegiant Air has added. He commented that rental car revenue will jump, but the Authority will be spending

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5 money. Mr. Parish commented that this is where the Authority will be using the money to
build the new rental car facility. He commented that the projected increase in rental car
sales will more than cover the cost of the facility and the parking lot for the rental cars.
Commissioner Coppola asked if the Authority is spending what is projected or what the
Authority has in the bank. Mr. Parish commented that the Authority is spending on what
10 is in the bank. Commissioner Coppola asked if banks loan money on projections. Mr.
Quill commented no, but the Authority has a State Infrastructure Bank loan from FDOT
that will allow the Authority to handle the cash flow issues. He commented the Authority
will not have any problems paying it back. He commented that for every enplanement the
Authority is averaging \$9.22 which includes profits from rental cars and the parking lots.
He commented that this is what is paying for everything today. He commented that 12 to
15 years ago it would have been fuel and today it is airlines.

15 Operating Revenues - Mr. Quill commented on the lease income and operating expenses
for the current year. He commented that the Authority does not have much in expenses
for the airlines. He explained that when the Authority leases land in the industrial park it
does not have a high profit center as opposed to selling fuel where you got the cost of
goods sold, the labor, insurance and that type of thing.

20 Personnel Expenses – Mr. Quill commented that the Authority is proposing a 5% pay
increase for staff and adding personnel. He commented that the Authority is proposing to
hire two people for Part 139 airfield inspection. He commented that at the Florida Airport
Conference it was mention that the FAA is cracking down on Part 139 inspections so the
Authority is thankful to able to hire them. He commented that positions are being added
25 in the FBO and in the terminal. He explained that the Authority is converting a part time
position to a full time position in the administrative office. He commented that the
Authority has money for an IT position, but the Authority has not made the decision to
hire people in house or continue with a contractor. Mr. Parish commented that money is
not shown in the personnel expenses, but is shown in the IT expenses, and if the
30 Authority hires somebody the adjustment will be made.

35 Mr. Quill commented on the slide of projected revenues and operating expenses for the
next year. Commissioner Coppola asked if “Obamacare” (Affordable Care Act) will
affect the Authority. Mr. Quill commented that not in the foreseeable future. He
commented that the Authority has under 50 employees. Commissioner Coppola
commented even though the Authority gets their insurance through the County. Mr. Quill
commented that the insurance is through the County but they consider the Airport
separate. Commissioner Coppola asked if there is anything else coming out of Congress
that might affect the Authority. Mr. Quill commented that the Authority is tied to the
40 national economy whether it is with the airlines or fuel. He commented that the Authority
is up on passengers and most small airports are down. Commissioner Coppola asked if
the Authority needs to worry about the impending Syrian problem, gasoline wise. Mr.
Quill commented that if there was another 9/11 event, yes. Mr. Parish commented that
the barrel of oil is at its highest rate in four years, which could mean that the cost of the
45 airlines could go up. He commented that the airline flies the least fuel efficient airplane
and the only way for them to save money is to cut service. He opined that he does not see

that happening, but that is what put Skybus out of business. He commented that Allegiant Air will not go out of business because they have too much of a war chest to pay for things like that, and they are transitioning their fleet to more efficient airplanes. He commented that everything that happens in the economy worldwide effects sequestration, contract tower issues, grants and more. He explained that everything affects the Airport and that is why the Authority watches Congress closely and stays in constant contact with the Authority's representatives. Commissioner Lee commented that he would be concerned about the 4% on insurance which could change dramatically with some kind of international event. Chair Herston asked if the proposed increase personnel expenses for the IT category is reflected in the 37% part of the pie. Mr. Parish commented no, the 2% in computer maintenance and expense includes the contract employee and if there is a staff change the money would be moved to personnel expense. Mr. Quill commented that this past week the Authority experienced some frustration because of lightening damage that affected the access controls. He commented that so much that we do today is tied to computers and it is challenging to trouble shoot in a timely manner.

Mr. Quill commented that the aviation leases are similar with no debt and it is profitable. He commented that the Authority has a nice margin on the non-aviation leases other than maintenance costs. Mrs. Cauley commented that the Authority has reserves and the Authority does fund them at the end of each year. She explained that the reserve is for maintenance not replacement. She commented that the Authority will never have to replace a foundation, but replace roofs, damages and a lot of the reserve is used on the hangars. She commented that the Authority feels that is a comfortable amount. She commented that as the Authority grows more money will be put into the reserve fund. She commented that the reserve is completely cash funded and it does not include the Authority's \$2,000,000 cash reserve. Chair Herston commented that from 2012 to 2013 the Authority has increased their reserves. Mrs. Cauley commented that the Authority has been trying to boost it. Commissioner Coppola opined that the reserve is what brought the Authority through the hurricane. Mr. Quill commented that between insurance, State Infrastructure Bank loan and interests on that loan the Authority did okay. Commissioner Coppola commented that her thing with the reserve goes back to when they took the Authority's tax money away. Mrs. Cauley commented that the Authority has cash and money in the operating for operating expenses if needed, but operating revenue covers the expenses so it is stable.

Mr. Quill commented on the Authority's milestones over the past years pointing out the high point and low points. He commented that on August 12, 2004 he thought the Authority was heading into their best year ever. He commented that the Authority did well with Skybus, but it did not last long. He commented on the traditional general aviation airport and the effects of the growth and diversification of the airport. He commented that the Airport is heavily dependent on the airline. He commented on the general aviation has aging pilots, fewer hours are being flown and aircraft manufacturing is down. He explained that the Authority has 300 acres of land ripe for development with infrastructure in place and when the market comes back that sector will be a super high percentage profit. He commented that the Authority wants to keep the airline healthy and when the opportunity presents itself the Authority will grow the industrial park. He

5 opined that the Authority has a very stable future and he suggested that the Authority stays with their model, which is a low cost airport. He commented that the Authority needs to stay cost efficient and that next year the Authority will have a quarter of a million in enplanements. He commented that the Ashville Airport has slightly more than that and have more than double the number of employees. He commented that the Authority is going to stay lean. He commented that is the Authority's niche and that is how the Authority has arrived at this point.

10 Mr. Quill commented that this graph would give the Board a feeling as to where the Authority is and the relative sources of income and expense. Commissioner Coppola asked what year Skybus was at the Airport. Mr. Quill commented that Skybus started in December 2007 and continued until April 2008. He commented that within three and a half months they were at 40,000 passengers per month which is astronomical for a new airport. He commented that Skybus had given the Airport a track history. Commissioner
15 Coppola commented that because of this would other airlines be looking at this and say let's go talk to them. Mr. Quill commented that at the Allegiant's announcement a lot of people took notice. Commissioner Lee commented that this Airport will continue to grow with airline service and will not grow with general aviation. Mr. Quill commented that the Authority is able to subsidize general aviation and if the Authority did not have the
20 airline the grass would not be mowed. He commented that he is proud of the T-hangars and all of them have an automatic door. Commissioner Lee commented that the Authority has been able to keep the price down so that people can afford them. Mr. Parish commented that the rates have not been increased on the new hangars since they opened in 2005. Commissioner Coppola asked if you have to go through security gates to get to
25 those hangars. Mr. Parish commented yes. Commissioner Coppola commented if the hangars become 30% vacant would there be another use for the hangars that would make money for the Authority even though they are in the security gates. Mr. Parish explained that the 600 series hangars can be accessed through another location and Authority could fence off a section and have it open for RV and car storage. He commented that the
30 hangars are grant funded, 80% of the money came from the FDOT, and they require that the Authority use the hangars for aviation storage. He commented that there are airports still building T-hangars, and when attending a CFASPP Meeting the airports will report on their vacancy rate, not their waiting list. He commented that the FDOT is thinking about repurposing. He commented that it is a hard decision being that they are an aviation
35 department and are funded for aviation uses. He commented that there are complications with repurposing them because the T-hangars are for aviation use and the fire codes are different. Commissioner Coppola asked wouldn't the fire codes be more stringent. Mr. Parish commented that the fire walls that separate them are different than mini-storage. Commissioner Coppola asked if it could be retrofitted to meet a new standard. Mr. Quill
40 commented that it would not be cost effective in the current market. Mr. Parish commented that the Authority has allowed storage for RVs when they fly off for the summer, which is acceptable with the FAA and the FDOT. Mr. Quill commented that the Authority will analyze it each year. He commented that the Authority has not been pressed to do it financially. Commissioner Seay asked if the Authority could use it for the
45 Authority's storage. Mr. Parish commented that the Authority started using the T-hangars to store the rolling equipment.

Mr. Quill commented that the Authority will end the year with \$400,000 to the good and the projection for next year is \$475,000. He commented that both of those numbers are incredibly better than what the Authority had projected for the current year. He commented that the Authority was cautious going into last year because of the loss of Direct Air and this year the picture is dramatically better. Commissioner Coppola asked when the new budget will take effect. Mr. Quill commented October 1, 2013. Chair Herston asked if those numbers are based on any surprises. Mr. Quill commented that the numbers are conservative. Commissioner Seay commented that Allegiant Air has commented that it is closing out other markets, which they have done because of not having full planes and not being cost effective. She opined that she does not anticipate that happening here. She commented that the low cost model, which was created by the Authority, is drawing Allegiant and hopefully will attract another airline. She commented in a worst case scenario, if Allegiant decides that their new model would be to only service the west coast, where would the Airport be at that point and how long would it be before the Authority would be able to level off and be productive. Mr. Quill commented that the market has been proven and he believes that the Authority will not see Allegiant pull out of this market. He commented that Allegiant had told the Authority they were the highest profit center among their bases. He commented that the consultant had told the Authority that they were 30% more profitable than Allegiant's second most profitable location. Chair Herston commented that these were published numbers. Mr. Parish explained that Allegiant publishes their profit but do not publish profit by base. Mr. Quill commented that it tells the Authority that the zero cost to the airline works for discount carriers at the Airport. He commented on a newspaper article where one of the key owners of Spirit sold his stock and will be buying into Frontier. He opined that there will be another cycle of start-ups and discounters and that is the nature of business. Mr. Parish commented that Allegiant is moving their assets from the west coast routes to the east coast routes. He explained that their main hub in Las Vegas has increased their prices and that is why Sanford, Punta Gorda and St. Petersburg got additional non-stop destinations. He commented that Allegiant Air is moving things to Florida and Florida is a money maker for a low cost carrier. He commented that Florida is a lost leader for a legacy airline and they know they have to fly to Florida, but it doesn't make money for them. Mr. Quill commented that the Authority has a niche and the challenge for the Authority is to maintain the low cost and to stay lean. He commented that the Authority will never build a Cadillac terminal, but the Authority will build an efficient one. Commissioner Lee commented that this has been the airline industry for some time. He commented that when people get money they start an airline and sometimes it works and sometimes it doesn't. He commented that the Authority has a situation that is working well. Commissioner Coppola commented that the gentlemen from Allegiant she had met with are really sharp and they know what they are doing. She commented that you do not see any publicity on Allegiant. Mr. Parish commented that you cannot compare the size of Allegiant Air to Delta, United and Southwest. He explained that the Punta Gorda Airport has more non-stop destination than Sarasota and a few less than Fort Myers, but Fort Myers have more destinations because they fly to hub cities. Commissioner Lee opined that when Allegiant changes planes from the MD80's they will have more destinations. Mr. Parish commented that they will have more opportunities. He made a

comparison of flying an A320 versus a MD80 across country. Mr. Quill commented that the Airport has a good future. Mr. Parish opined that if Allegiant went away the Authority will do what they did when Skybus went away. Commissioner Coppola commented that by meeting the two gentlemen from Allegiant she opined that it will never happen. Mr. Parish opined that Allegiant is not going anywhere. Mr. Quill commented that the Punta Gorda Airport would be the last base to be closed.

7. Citizen's Input

Tyler Ezzi, Florida International Air Show – Commented that 2013 was a bumpy year for the air show because of low attendance, weather issues and bad press when it came to aviation. He commented that they are hopeful to get the Thunderbirds next year and because of sequestration they are on a wait and see. He commented that the air show is one time when people can come out and see the airport. He opined that there are benefits that can be shared. He explained where the air show marketing reaches. He requested help with the costs for Authority personnel expenses and a marketing allowance that would be earmarked for media buys. He also requested a pre-determined discount in fuel to help with their budgeting. Mr. Quill explained that this year the Authority did not bill the air show for some of the labor costs and this year the Authority did not get paid for the fuel for five months. He commented that he really like working with Mr. Ezzi. He commented on the marketing allowance, he explained that the flight schedule will really be a challenge for the air show. It is the busiest weekend of the year. He agreed with having a fuel discount upfront and questioned the marketing allowance and labor. Mr. Parish explained that extra staff was put on but only charged the air show overtime costs. He commented that fuel was a fraction of what it usually is and an additional avgas truck had to be brought on and the Authority did not cover their expenses. He commented that the marketing allowance may be difficult. Mr. Quill and Mr. Parish both commented that the airline schedule will be a challenge. There was discussion on the snowbirds being here and that is why it is good for the air show and why there are so many flights. Commissioner Coppola asked where the people come from to see the air show. Mr. Ezzi explained they come from all over including local people. He commented that the airport is going to grow. He commented on sponsorship. Commissioner Coppola asked about the Thunderbirds. Mr. Ezzi explained that they release their official schedule in December but may have an idea in November.

8. Adjournment

Meeting adjourned at 10:07 a.m.

Don Lee, Vice Chair

Paul Andrews, Assistant Secretary/Treasurer