

CHARLOTTE COUNTY AIRPORT AUTHORITY

MINUTES OF BUDGET WORKSHOP

5

AUGUST 28, 2014 – 9:00 A.M.

1. Call to Order

2. **Invocation** - Commissioner Andrews gave the invocation.

10

3. Pledge of Allegiance

Chair Lee read the Notice for Budget Workshop

15

4. Roll Call

20

Present: Chair Lee; Commissioners Andrews, Coppola; Herston and Seay; Executive Director Quill; Assistant Executive Director Parish; Mrs. Cauley; Mr. Laroche; Mr. Montoya; Ms. Straw. **Others present:** Jim Deutsch, Rob Hancik, Larry Hofmeister, Councilman Cavanaugh, Commissioner Deutsch, Gary Harrell, Bob Herrington, other people from the private sector and a member of the press.

5. Citizen's Input

25

6. FY 2014/2015 Budget Workshop Presentation

Mr. Quill started off with a series of slides.

30

Avgas – He commented that the slide goes back to fiscal year 2008. He commented that you can see the trail of the economy in fiscal year 2010 from a low point of 142,000 gallons up to 166,000 last year and projecting this year 156,000 gallons. He explained that the variation is the air show. He commented that the Authority will assume this years' experience for next year.

35

Avgas Distribution - He commented that self-serve and truck will vary a little, and the year round based people use self-serve. He commented that fuel truck use goes up in the winter months due to the visitors and falls off in the summer.

40

Jet Fuel – He commented that this slide is without the airlines and it is down. He commented that in fiscal year 2006 the Authority sold 600,000 gallons and has fallen for a series of reasons; political correctness, corporations getting rid of aircraft and Coral Creek Airport had opened in the west side of the county. He is projecting this year experience to be 435,000 gallons and projecting the same for fiscal year 2014/2015.

45

Jet A Fuel Pumped Distribution – He commented that 92% is pumped to the airlines. He commented that Air Trek is starting to come back from their downturn a few years ago.

Total Fuel Pumped – He commented that airline is 90%, Avgas is 3%, Air Trek is 2% and corporate jet sales are 5%.

5 Airline Enplanements – He commented that compare 2009 and March 2012 the result was the demise of Direct Air, and since then enplanements have jumped considerably with Allegiant Air. He commented that they are continuing to shift their assets of their systems to the east coast. He commented that the west coast operation is pretty flat and Allegiant Air is growing which means the Airport will grow. He commented that the Authority has conservatively projected 302,000 enplanements for next. He commented that it is a slight growth and would rather stay on the conservative side.

10 Allegiant Air Enplanements by Month – He commented on the seasonality and the changes over time showing March as a peak. He commented that this year April was good and the summer months have done well. He commented that in the summer the Authority has more parking revenue proportionately. He commented that when airlines have consolidated and a lot of the airports have flights only to hubs. He commented that the Airport does not have any hub flights and would like an airline to come in that would go to a hub city. He commented that Allegiant’s distribution over a 12 month period peaks in March and falls off in April, August and September. He commented that the airlines cut flights in early October and start adding the flights back for the season the third week of October. He opined that it will be a very good year. He commented that this is the normal season variation and it is not dramatically different than the fuel. He commented that the people don’t like to come to Florida in the hot months, although a lot of Floridians go north

25 Parking Lot Revenue – He commented that the Authority is having a very good year and estimating \$800,014 for the year. He is projecting conservatively \$800,044 for fiscal year 2014/2015. He commented that you can see the dramatic growth and it has been good for the Airport.

30 Car Rental Concession Income – He commented that the gross income numbers are nice and projecting \$2,086,278 for fiscal year 2014/2015. He commented that the growth curve can be seen. He commented that the Authority anticipates that over the next few years Allegiant will be plateauing and there will not be any announcements of adding eight or nine cities at a time. He commented that the Authority hopes for a slow steady grown in the future.

35 Car Rental Concession Income by Month - He commented that the car rental income for this year and the last two years are pretty good. He commented that March and April peak and falls off significantly in the summer months and starts to pick up in November and December. He commented that the rental car facility may need additional items as they grow.

45 Revenue PAX Distribution – He commented that this is airline related revenue. He commented that the auto parking shows the growth proportionately in the summer months. He commented that the car rental for January, February and March is nice. He commented that there is a lag on car rental and parking revenue in January because the passengers don’t return from Christmas holiday until after January, which is generally a slow month. He commented that the security fee is tacked to the rental cars in the event

5 there is of a situation, which used to be called the color system, now it is called elevated and eminent. He explained that the security fee is charged in the event the Authority should have to do additional inspections on the vehicles. He commented that the food and beverage concession is kind of interesting. He commented that the Authority gets 10% of the gross inside the terminal, as opposed to the restaurant. He commented that the Authority averages 60 cents, which means they are averaging \$6.00 per enplanement on food sales which is close to the national average, although it is very small but it works well. He commented that the Authority does anticipate doing something different once the terminal is completed and the Authority will be going through that in the next few months. He commented that the revenues are averaging under \$9 to over \$10 in certain months.

15 T-Hangar Occupancy – He stated that FAA had commented that there are no longer any T-hangar waiting lists in Florida. He commented that ten to eleven years ago the Authority had over 100 on a waiting list. He commented that times are changing. He commented that during the winter months the T-Hangar occupancy is above 90% and falls during the summer months as people leave. He commented that he may be suggesting charging a different rate for tenants that go away during the summer and for tenants that lease for less than a year where the Authority has additional costs, such as, cleaning the T-hangars, badging and re-badging and keep the rent the same for the year around tenants. He commented that this is something that the Authority wants to explore with the Board. He commented that the Authority is keeping the T-hangar rent the same for FY 14/15.

25 Operating Revenue for FY 13/14 and Projected Operating Revenues for FY 14/15 – He went over the percentages, compared slides and he commented that the distribution is the same. He commented that there is no variation to be seen. He commented on the estimated total revenues.

30 Operating Expenses FY 13/14 and Projected Operating Expenses FY 14/15 - He went over the percentages and compared slides which showed not much of a difference. He commented that airline related expenses did increase to 14%.

35 Total Net Sales Fuel Cost Center – He explained that the Authority had looked at some cost centers to try associate revenues and expenses with them, and put a proportional distribution of overhead on each one based on how big the cost center was. He commented that there is no perfect way to do this, but it is a rough indicator. He commented that there was a loss on the fuel cost center. He commented that if the Authority did not have the fuel cost, the Authority would not have the airlines. He commented that the FBO is expensive to operate. He commented that fuel sales have gone down over the years.

45 Airline Cost Center – He commented that proportionately the Authority is making money on the airlines, but to keep in mind that it is tied to the FBO functions.

Aviation Lease Cost Center – He commented that the Authority is \$236,000 to the good. He commented that this includes T-hangars, tie-downs and the larger hangars.

5 Non-Aviation Lease Cost Center – He commented that the Authority is \$52,000 to the good. He commented that as the market comes back and with Cheney Brothers building, the Authority is hoping that other distribution companies will come along. He commented that leasing an acre of ground it is about 98% profit as opposed to a building where there are expenses. He opined that five years from now and if the market is good it will be a substantially better picture.

10 20 Year Operating Revenue – He commented that it is a nice positive slope and a growth of things. He commented that in 2005 a year after the hurricane it fell down, but it has been pretty steady since then. He commented that there was the recession in 2009/2010, but generally things look good.

15 Budget versus Actual – He commented that the Authority will try their best to be conservative and will continue on that path. He opined that the proposed budget numbers are conservative.

20 He commented that the Authority does not have the luxury of property tax. He commented that Mr. Parish had mentioned that Fort Wayne, IN gets property tax. Mr. Parish commented that it was over seven million. Mr. Quill opined that the slides give a background, relative trends and a better feel than going through the numbers. He commented that there is always the possibility for an economic downturn, but given everything that is known he opined that it is the best estimate. Commissioner Herston asked why the numbers don't match on the Total Operating Expenses and Total Expenses to the print-out numbers. Ms. Straw commented that the Cost of Goods Sold was taken out of the Operating to net out the fuel sales and it was eliminated from the Operating Expenses and included in the revenue. Mr. Quill commented that it has to be accounted for. Commissioner Seay asked where do the grants fit in. Mr. Quill commented that the grants are not shown. He commented that there is an emergency meeting following this meeting and the Authority will ask the Board to approve receipt of a grant from FAA for their share on the terminal and the additional ARRF truck. He commented that those are the big projects that the Authority anticipates for the coming year and by adding those numbers in the budget the numbers jump. He commented that this is the operating budget. He commented that the terminal will be the main emphasis of next year for capital improvements and the Authority may need additional approval of tweaks as the project goes forward. He commented that the Authority will focus on getting through next year and there will be issues around the terminal. He commented that the curb lane in front of the construction area will be closed. He commented that the budget was beefed up for the additional personnel that will be needed to get through that period. He commented that the Authority will be happy when it is all done, but it will be a challenging year. Commissioner Coppola asked what the construction timeframe is, baring no weather problems. Mr. Parish commented that they have eighteen months, twelve months to complete the new terminal and six months to complete the renovation of the existing terminal. He commented that the contractor has indicated that they want to compress the schedule into twelve months, which would be good for the Authority if it can be done. He commented that there may be some additional costs for manning twenty-four or eighteen hours a day depending on how many hours they work, but

45

ultimately it would be a very good thing. Commissioner Coppola asked when the loan will be paid back. Mr. Quill commented that the Authority has a state infrastructure bank loan that will be paid in fiscal year 2022, and various payments will be made throughout that period. Commissioner Seay commented that this has been discussed on a regular basis and there are no surprises and it is exactly what the Board has been expecting. She commented that the conservative approach to the budget is very good and the results can be seen. She commented that you never know what the economy is going to do so it is prudent to take that into consideration. She commented that the Authority does not know what will happen with Allegiant and Allegiant does not know what will happen with them, but the fact remains that the Airport is being used as a model for the rest of the country. She commented that looking where Allegiant is going the likelihood is that Allegiant will remain and grow judging by discussions, and it is very likely that the Airport will grow in other ways. She commented that she is pleased with the budget that was presented. She opined that by looking at the budget from a conservative standpoint and judging the results that has been seen over the last several years, she opined that the Airport is in good shape. She congratulated Mr. Quill on his past performance and she expects more of the same. Chair Lee commented that the projected expenses are very good and it is great that the budget also supports general aviation. Commissioner Coppola asked if the reserves will change with the new debt. Mr. Quill commented that it will fluctuate, but the Authority keeps a minimum amount in the reserves and that benefitted the Authority of getting the loan. Commissioner Seay commented that the Board does not need to make any adjustments at this point and it is a very good projection for next year. She commented that she is satisfied with what was done and everything was taken into consideration of all the things that she wanted the last year. Commissioner Herston asked if money is budgeted for the Air Show. Mr. Quill commented that in the past few years it has been done on a year by year basis. He commented that the Authority had met with the Air Show to discuss money still owed. He commented that the Air Show is changing their approach and are trying to be more cost efficient. He commented that the Authority will work with the Air Show because it brings the public to the Airport, and the Authority would like to continue the Air Show year by year.

7. Citizen’s Input

8. **Adjournment** - Meeting adjourned at 9:28 a.m.

Don Lee, Chair

Kathleen Coppola, Secretary/Treasurer