

CHARLOTTE COUNTY AIRPORT AUTHORITY

MINUTES OF BUDGET WORKSHOP – AUGUST 31, 2011 – 9:00 A.M.

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Call to Order

Pledge of Allegiance

10 **Roll Call**

Present: Vice Chair Herston; Commissioners Coppola, Lee and Seay; Executive Director Quill; Attorney Garrard; Assistant Director Parish; Mrs. Cauley; Mr. Coulter; Mrs. Worth-Dugan; Mr. Steele; Ms. Straw and Mrs. Sutcliffe. **Others present:** Paul Andrews and Gene Geronime.

15 **Absent:** Chair Stasko.

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

Citizen Input

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Gene Geronime commented he is here representing Fred Buckingham, Chairman of the Florida International Air Show, and has requested that the Charlotte County Airport Authority, in their budget considerations, give the Air Show the same support as was given last year. He stated it is very critical to the future of the Air Show. He stated that in the last four years the outside support has decreased. He stated that last year the Air Show went into deficit spending. Their reserve funds were reduced to considerably less than what the Air Show would like to have.

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Budget Discussion

30 Mr. Quill went over the graphs for Direct Air and Allegiant Airlines passenger counts and enplanements, jet fuel distribution, Avgas distribution, parking lot revenue, car rental concession income, T-Hangar occupancy, airline revenues, operating revenues and expenses and budget forecast.

35 Mr. Quill commented the airline passenger peaks in March and April, which is typically the peak season, and then tapers off. He commented December was also very good. He explained that Direct Air's revenues and passengers start decreasing in May and will pick up in November. He explained Allegiant Airlines was more consistent because they kept their flights to five cities. He commented that Allegiant Airlines will have three cities this year. He commented this year
40 has been a great year and it is impressive that four years ago the Airport had zero passengers and this year will approach 200,000 to 250,000 passengers. He explained that the Authority receives \$100 hook-up fee for standard aircrafts and \$50 per hook-up fee for the smaller aircrafts, which Vision Airlines has used. He commented the Authority does not sell fuel directly to the airlines. He explained the airlines buy their fuel through a fuel broker and the Authority runs it through
45 their system bypassing any credit exposure for their fuel.

Mr. Quill explained the Jet A gross profit showing cost of fuel versus what we are selling does not take into account the labor. He explained the Jet A profit margin peaked in FY 08/09 because the Authority was selling to Skybus. Commissioner Seay asked if each of the airlines pay per passenger. Mr. Quill commented the airlines do not pay per passenger. He explained the Authority has a financial model in which the airlines do not get charged for anything, but the Authority is making \$7 to \$9 per enplanement, graph attached. Commissioner Seay commented that the model has been a huge success. Mr. Quill explained the Jet A gallons pumped per year for FY 06/07 and FY 07/08 was prior to the airlines coming to the Airport. He explained current year 10/11 the Authority has sold just under 500,000 gallons and another 2,000,000 gallons are being pumped into the airlines. He explained the Authority receives some revenue from the airline fuel sales, but next year the projection will be the same for jet fuel sales and airline fuel sales.

Mr. Quill explained the Avgas self-serve is misleading because for the past 2 ½ months the Authority had been working on the avgas tanks and have been selling off the truck. Gary Steele commented the new avgas tanks have been in service since last week. Mr. Quill explained the comparison of Avgas gallons sold vs. gross profit form FY 06/07 to FY 10/11 is more or less flat and with the current economy and aging pilot age this is the best the Authority can expect. He explained that due to the economy and aging pilot age the Avgas is off 22% across the country.

Mr. Quill commented that it has been a fantastic year for the parking lot revenue. He reported taking in \$6,700 for a week in the month of August for parking lot revenue. He commented it is revenue that the Authority did not have five years ago. He explained that during the summer more passengers are leaving than arriving which decreases the car rental revenue.

Mr. Quill commented that is has been an extremely good year on car rental revenue.

Mr. Quill commented that the Authority is happy with the T-hangar occupancy. He commented the rental rates for the T-hangar will not increase. He commented that over the next 15 years general aviation will decrease.

Mr. Quill commented that the Authority is looking at \$1,000,000 in revenue from the car rental, auto parking, food and beverage concession and security fees. Commissioner Seay asked for explanation of the security fees. Mr. Quill explained the Authority collects money, as part of the car rental agreement, and this money is available should the Authority be required to search rental cars being returned. He explained when the Airport was only a general aviation airport status the Authority would be guaranteed \$150,000 a year for capital projects from FAA, and if the Airport had more than 10,000 passengers a year they were guaranteed \$1,000,000. He commented that this is an additional \$850,000.

He explained the current FY10/11 has been the best year for the Authority considering the economy. Commissioner Seay asked if the Authority has received any revenue from Arcadia. Mr. Quill commented that a company is going to invest in Arcadia within the next week. Commissioner Seay suggested that if the Authority does not have something in hand now, she wants a personal guarantee from each of the principals in that corporation or begin eviction immediately. There was discussion on Commissioner Seay meeting with Arcadia today. Vice-

Chair Herston asked if Arcadia is stable and moving forward to a good conclusion. Mr. Quill commented that it will be a very good conclusion and it's been a long time coming. He reported there is a company from Michigan that has a local connection with annual revenues of \$80,000,000 that is buying into Arcadia and the deal will be closed in a couple of weeks. He reported Arcadia has a continued relationship on the Honda Jet and indirectly with Boeing. He reported that they have hired people and will continue to hire more. Commissioner Seay commented that where are they getting the money to hire people when they can't pay their rent. Mr. Steele commented that the two people that are working for them currently receive no compensation. Mr. Quill suggested, if the Board accepts, designating Commissioner Seay to discuss the situation with Arcadia today. Commissioner Lee commented that he is comfortable with the staff and Arcadia working together. He commented that in the past years there were other situations with other operations that the Authority worked together with them. He is comfortable with the staff handling Arcadia and if Commissioner Seay gets involved he doesn't see a problem with that but doesn't see where it will change anything. Commissioner Coppola commented that the Authority needs to clarify things, such as where are they, where are they going, what are you going to do and get some direction from them and they need directions from the Authority.

Mr. Quill went over the budget line items. He explained the budgeted Marketing & Promotional Expense may increase as the Authority works with the airlines on the fall schedule. He commented the Authority had a very good year. He opined the Authority has been conservative in the budget. He commented on the jet fuel and avgas projected numbers. He reported the Commercial Park leases are projected to drop. He reported UPS will be moving out in October, Advanced Aviation has moved out, Gulf Contours' lease expires in February and assumed 10% vacancy. He reported the T-hangars rentals are estimated by the number of units rented by the current rental rate which will be the same as this year. He reported that the fact that Allegiant is dropping two cities and Vision is adding two cities was taken into account under airline revenues. Vice-Chair Herston asked what was projected last year for operating revenue. Mr. Quill reported the projection last year was 4,849,000 and the actual was 6,034,000. He reported a 3% raise in the personnel expense. He reported there was some cushion in the existing budget so the actual increase in the budgeted amount is 2.2%. He reported the cost of fuel varies week to week and will try to maintain the margin. He explained what expenses were covered under the General Operating Expenses. He reported a 10% decrease in the General Operating Expenses. Commissioner Seay asked why the decrease. Mr. Quill reported that doors were replaced on two hangars this year. He reported the Marketing and Promotional will increase because of working with the airlines on fall promotions. There was discussion on funding for the Air Show. Commissioner Coppola has a concern that the revenue is not as high as it was last year. Mr. Quill commented on funding \$7,000 towards the Ripken fund. Commissioner Lee commented on monies that are owed to the Authority. Commissioner Coppola asked about the reserve accounts. Mr. Quill reported the reserve account is good and there are projections for the next five years based on capital improvements. He reported a minimum of \$1,000,000 in the reserve at all times. He reported the reserve is for emergencies and the Authority's share on capital improvements. Commissioner Coppola commented if the money is in the reserve account than there will be some support for the Air Show. Commissioner Lee commented that the Air Show would need a commitment so they can move forward with their plans. Commissioner Coppola asked if the Authority contributes other benefits beside the donation. Commissioner

Seay commented a summary was done a few years back showing the actual cost of use of the airport, discount on fuel, personnel costs, additional security, inconvenience for the airlines and general aviation. She commented on a movement going on in Sarasota where citizens are coming before the Sarasota County Commission saying the tax money should not be used for charity. She commented the Authority is a government and does receive tax money when a plane ticket is purchased and that money helps operate the airports. She commented the Authority has a responsibility to ensure the money is being used for that. She commented if the Authority is doing a marketing transaction and pays \$5,000 for the exact same marketing as everybody else, it is a business transaction, not a contribution. She commented the Air Show is a Florida non-profit and claim to have a charitable purpose. She is concerned that the Authority's contribution is a pass-through to make contributions to other charities. She commented never seeing an audited financial statement. Commissioner Coppola stated they did not want to have it as public record. Commissioner Seay does not feel comfortable with funding the Air Show. Commissioner Coppola commented her comfort level is seeing the operating gain/loss from \$636,000 to \$88,000. Vice-Chair Herston commented the \$88,000 is twice as much as what was projected last year. He commented that the funding for the Air Show is an opportunity for the Airport to advertise its name. He commented that the name of Punta Gorda Airport is spread out all over that event. Commissioner Seay requested getting a copy of the information about what the Air Show actually costs the Authority. Vice-Chair Herston commented that there is more good will from the Air Show and he has heard people talking about it for months. He commented that it is an exciting event for the community and supports the funding. Commissioner Lee commented the Authority does support the Air Show but the Authority can't afford it and this would be in addition to what the Airport is already doing. Mr. Quill commented that last year the decision to fund the Air Show was made at the January or February Board Meeting. Vice-Chair Herston asked what part of the year does the expense occur. Mr. Quill commented the expenses lead up to March. Commissioner Seay commented that some of the expenses are advances and are repaid. Mr. Quill commented that the Authority made an agreement some years ago for putting a fence in an area to segregate the airfield from the parking lot and the Air Show would pay one half spread over five years. He commented that this year the Authority is proposing to move the Air Show north to minimize impact on the airline operation. He commented the Air Show asked if they could pay two years of the fencing and have the rest forgiven. He commented that there is no guarantee that the air show will stay in the north, but if it works they will not be using the south lot anymore. He opined that shifting the Air Show north will be an improvement and gave Mr. Counter the credit for this idea. Commissioner Seay commented that for some air shows the airports do charge for the use of the airfield. She suggested calling a couple of airports to ask what they charge for the rental of the airfield. Commissioner Lee suggested discussing at a future date. He does not want to see funding the Air Show as a line item on the budget. Mr. Quill reported the General Operating Expense, other than the one-time expense for the hangar doors, dropped 10% from projected actual for this year. He reported the insurance had a 7.3% increase. He reported Marketing and Promotional will stay the same. He reported the Airline Expense will increase.

Citizen Input

Gene Geronime – Commented on the effort to put on the Air Show is a community effort and the Air Show does not gain financially. He commented without support, the Air Show cannot continue. He commented the monies that the Air Show is asking to offset the cost to the airport

amounts to \$10,000. He commented on passing out tickets amounting to \$45,000 to maintain a happy community at the airport. He commented the excess monies of putting on the Air Show will go to local working charities. He hopes when the Board deliberates to give deep consideration to the Air Show. He commented the Air Show cannot afford to raise ticket prices and need the help of \$10,000 to offset for airport costs.

Paul Andrews, President of the Charlotte County Airport Tenants Association, commented that he knows the problems that general aviation and the aging pilot population encounters and that they operate on fixed incomes and fixed budgets and any bumps from fuel cost to hangar rents does have a negative impact. He stated for the record that anything that stabilizes our cost in GA has good benefits and appreciates the effort being taken. He opined that it is good that the Authority is not liable for the airline fuel.

Commissioner’s Comments

Commissioner Lee commented the Board has discussed the topics thoroughly and since this is the first meeting the Board will fine tune the topics for the next meeting.

Commissioner Seay is pleased with the conservative nature of the budget.

Commissioner Coppola commented regarding the Air Show that lot of companies are closing or don’t have the money to participate. She commented if the Authority has a good year maybe the Authority can do something next year, but this year the Authority needs money in reserves for repairs and maintenance.

Vice-Chair Herston commented on a statement made earlier as to what is the Airport worth to the Authority. He commented on the projected operating gain/loss for the year of \$636,263 and by dividing that number by 365, he calculated the airport is worth \$1,743.18/day which includes the \$10,000 for the Air Show. He commented increasing the \$636,263 by \$10,000 and by dividing that number by 365, the Airport would be worth \$1,770.58/day which would be an increase of \$27.40/day. Commissioner Seay commented that maybe the Air Show could pay lease on the five days for the use of the airport which would be excluding all labor cost and discounts for fuel. Commissioner Coppola commented never making a profit on the fuel for the Air Show.

Meeting adjourned at 9:58 a.m.

Gary Stasko, Chair

Don Lee, Secretary/Treasurer