CHARLOTTE COUNTY AIRPORT AUTHORITY

MINUTES OF BUDGET WORKSHOP MEETING – AUGUST 04, 2022 – 9:00 A.M.

1. Call to Order

2. Invocation

No invocation was given.

3. Pledge of Allegiance

4. Roll Call

Present: Chair Hancik; Commissioners Coppola, Andrews, and Oliver; Attorney Carr; CEO Parish; Mrs. McLaughlin; Mr. Duncan; Mr. Montoya; Mrs. Straw; Mrs. Cauley and Mr. Laroche. **Others present:** Mr. Bretan; Mr. Sutphin and others from the private sector. **Absent:** Commissioner Herston.

5. Citizen's Input

There were no Citizens Comments offered.

6. FY 2022/2023 Budget Presentation

Mr. Parish presented the fiscal year 2022/2023 budget (see attached). He commented on the forecasted increase in total revenues from the previous year's budget year end forecast. Expenses are increasing and it is in salaries, payroll taxes. retirement, personal expenses, and the cost of fuel has dramatically increased. The airport budgeted a margin at a 24%. Going to close the year based on our estimates at about 27%. A lot of the income is based on flights and the flights we're looking at 64, 56 total, with an assumed load factor of about 81%. The average historical average is about 84%, and that number is based on the current flights for sale and a fraction of the flights for this year for the final six months. Chair Hancik asked the question on the payroll taxes and retirement, is that because the states increase our contribution to the employees? Mr. Parish responded we're increasing fulltime positions and decreasing part time because we're having a hard time finding part time people. We're doing a 5% pay increase. There is a 2% increase to our medical insurance, an increase from 10% to almost 12% for our FRS and 51 to 57 for elected officials. Our insurance for the airport itself increased by 17%. Personnel is a major issue right now. Keeping, retaining, and acquiring employees. The airport is paying off the debt, which has three more payments left. The airport is looking at some investment opportunities for some of the cash. The amount of fuel we pump AV gas in general aviation fuel, 100 low leads. The airport sells about 750,000 gallons a year at Jet A and we pump a little over 13 million into the airlines. The airport doesn't have any financial obligation for those $13 million and the airport doesn't make a lot. The airport charges a hookup fee plus $0.2 cents a gallon pass through, which covers our cost at the fuel farm to maintain the filters and other supplies required to pump $13 million gallons a year. The FBO fuel sales has set a goal based on our rates and charges. The airport makes more on Jet A than we do on AV gas. Enplaned passengers as a lot of our fixed cost and our fixed income are based on per employment. If we go back to 2007, we started about 7000 employments a year. 10,000 is a magic number for the FAA to get our million dollars in Entitlement at $950. We're getting almost $4 million a year in Entitlement funds from the FAA.

April of 2020 was a precipitous drop for the entire nation. Commissioner Oliver asked has the Allegiant indicated that they intend to keep basically the same flight schedule that they did in 2022? Mr. Parish responded that is our current indication, yes, they are indicating an increase, but they did last year. Because of the airline industry's issue with cruise, that's why we're taking a fraction of 90% or 88%, but we're being conservative just so we can make sure the budget works. Parking lot revenue is based on enplanements, we're looking at a slight increase next year and there is no change to the parking lot fee structure. Car rental concessions is reviewing new contracts with the rental car companies. The airport is adding some of the fees that weren't in the original contract into our percentage as the rental car industry, like all industries, are starting to break out. Separately, we were only getting our percentage based on the base rate and now we're going to get a percentage of the whole thing. The airport is going to charge them a slight amount for parking their cars and work on getting away from cars being stored at the airport. Chair Hancik asked we're not looking at increases to the rental cars, the individual fees, are going to be incorporated in percentage? Mr. Parish responded No, we're not. It's going to be the same percentage or slightly lower. In the summer months, we get more parking revenue as people are trying to get out of Florida and during the winter months, we run a lot of cars and the parking lots look empty. The airport rents space in the terminal for food and beverage concession which is increasing due to the new bar. Average revenue per emplane passenger is about 1380. Total revenue, including PFCs, CFCs and the entitlements per emplaned passenger, and then looking at our net cost deducted. Our net revenue is $1,871 and the entitlements are directed by the FAA. PFC is also directed by the FAA. CFCs are used for the parking expansion for rental cars. Operating revenues for 2022. This is our estimate for end of year. The airline related auto parking, car rentals, food and beverage, unleaded fuel, and terminal leases is about 75%. We're predicting a good year in jet fuel sales. The new FBO will bring in some more NetJet service and having a nicer facility to offer incoming passengers. Chair Hancik added it's important to note that the increase in revenues and the increase in expenses are due to our growth. You're not seeing increases because we're increasing everybody's fees, but it's basically related to the growth. Mr. Parish commented on the estimates to build more hangers which will start in April 2023. The airport is looking to put in some spec buildings in the industrial park. Our goal is to lease more land in the industrial park. The personnel expense is slightly larger and that's due to the increases in insurance, increases in payroll, converting people from part time to full time, and converting positions from part time to full time, but we're reducing the number of part timers and increasing the number of full timers just based on we can't get part timers right now. Cash on hand, this reflects some of the building we're doing, the T-hangers, the box hangers, and the new maintenance facility projected for next year. The airport has an $80 million terminal expansion that's proposed. I don't think we'll build an $80 million terminal expansion, but we have needs that far exceed the cash. We have needs that far exceed the ability to get grants. The airport has a reserve fund for building maintenance is approaching $4 million next year. That'll be used for new roofs, T-hangers need door repairs that have superficial rust that we'll be working on and that all comes out of these reserve funds. Looking at the three Corona virus Grants, Cares, Carissa, and ARPA. The airport has about $5.5 million left in ARPA that we're drawing down monthly and that will end soon. Commissioner Coppola asked is their specific things you must spend it on? Mr. Parish responded yes, there's a list of things that you're allowed to get reimbursed. Project Funding, this is 22 projects. A lot of these projects are multiyear, all the money is shown in 2022, that's when the project starts.

The airport is doing a lot of construction and prioritizing a lot of GA construction. The airport hasn’t expanded GA in a long time, but with the new Air Center, I think that the additional T-hangers, the additional box hangers are just a great thing to attract flying and tenants to the airport. The staff sent out 47 letters and received 14 signed leases on T-hangars. The airport needs to fill up 24 units, but we'll get there. The box hangers are all filled and have people on a waitlist. 2023 is a very challenging year for the FAA. They're looking at a lot of building on the airport, NFA reimbursement, which is the runway project finalizing, the new taxiway project, the TSA OTA for construction. That's the inline baggage system we're still working out the numbers on that. I'll be honest. If it's too expensive, we won't move forward with it without some airline participation. Revenues versus expenses and we want to keep that delta as large as possible. Salaries have taken a huge jump in the last three years. It takes more people to run the airport. The revenue continues to increase as well. The delta between operating revenues and expenses continues to be a big gap. The airport is conservative in our budgeting, except for 2020, which we all know what happened in 2020. We've always exceeded our budget with revenue every year, and we hope that we will continue that as we move forward. The auditors have hit us through the years in covering depreciation, although I think it's made up. Depreciation is a tax scheme to lower your depreciation buildings. The airport has the funds to maintain our buildings, but obviously this building is fully depreciated. The interior is not, but the building is not ready to be torn down. Now, I do have a few buildings that are ready to be torn down. We'll bring those back to you later. The airport has continued to increase our revenues and going back it was flat from 2001 and on. Keep in mind that the airport had total revenues of about a million dollars a year from the 90s through the early 2000s. The hurricane rebuilding, the advent of commercial service but through commercial service we've been able to increase revenues considerably. You see from 2000 and on is when Direct Air stopped flying here and Allegiant made us a base. If we maintain control of the expenses and continue to invest in facilities, I don't see this stopping. I do think it will plateau at some time and we'll just continue to operate. This doesn't assume that we don't gain another airline which would pop that number up significantly. The airport is in the process of signing a DOD contract that will allow us to sell fuel to the military and hopefully our restaurants will fill up with Blackhawk pilots. The pilots must fly around the states, do their training, and they only land at airports that have DOD contracts. Commissioner Oliver asked with the DOD contracts, are we already considered a federal contractor? Mr. Parish responded we are, but we must have a specific contract or Department of Defense. Commissioner Oliver asked are they like Veterans Affairs, where you must, for your region, pay people what they consider to be the market rate. There's a minimum wage for those federal contracts? Mr. Parish responded the airport doesn’t fall under Davis Bacon, although I wish I could pay people as low as Davis Bacon. We're well above the federal contract rates, but we're not under. Allegiant is leasing out the old FBO building, that's going to increase in their total lease. The T-hangar leases come on in April. The airline revenues remained flat as we modeled this out of 22 estimates. On the expense side, we're adding ten full time positions. We're decreasing part time positions. A lot of these are positions that are placeholders that we'll look out through the year if the need doesn't arise. Assuming more sales at the FBO for DOD, we have more line service techs, but if we don't increase sales, obviously we won't fill them. Medical insurance is going up 2%, and we're looking at a 5% increase. We did a salary study, the county did a salary study that we kind of looked at their results, and I think a 5% increase will keep us in line with the surrounding businesses and government agencies. Computer expenses are high this year just because we're at the cycle that we're having to upgrade. A lot of switches and servers, and then travel is increasing. We had a slightly lower travel budget for a couple of years just because of COVID and then we also increased Board travel. There's the opportunity for the Board to travel a little more this year to $6,000 a commissioner. FPL is going up 12% and one of the big hits is CCSO, who does our detail at the terminal, is going up 45%. Fixed assets in the budget, we're replacing a couple of vehicles, the Ford Edge. We're buying a new tug for the FBO. Cars we paid $25,000 for the Ford Edge. We're paying $50,000 for its replacement and that's the new state contracts if we can even buy a car on state contract. New tug is about $75,000. Buying a couple of vans for movement of passengers where we may get one for the rental car companies. But that's about $40,000. Again, a skid steer that we didn't buy last year, but it's in here for $100,000. We had it in the budget last year, but after thinking about it, we decided to buy two pieces of equipment for that amount that we really needed, but we still need one. We're working with the rental car companies for crew car. We want to make sure that the FBO has everything they need to be successful. Also having the rental cars available. The airport is replacing about five vehicles. The airport has $225,000 in funding to upgrade some tower equipment by meeting with the FAA, which will take place next year or two. Not 100%, but we're hoping to get money from the Bipartisan infrastructure bill for that. If we don't, we have it in the budget. The airport has three very used shuttle buses and at any one time we have one operational. Whether we buy one next year or two is going to depend on traffic. Total Fixed asset request is about $1.5 million.

7. Adjournment

Commissioner Andrews motioned to adjourn, and Commissioner Oliver seconded. Any further discussion on the adjournment nearing? Hearing none were adjourned.

The Meeting adjourned at 9:55 A.M.

Robert D. Hancik, Chair

Kathleen Coppola, Secretary/Treasurer