

BOARD BUDGET WORKSHOP MINUTES**PANAMA CITY – BAY COUNTY AIRPORT AND INDUSTRIAL DISTRICT**

Opening:

The Board Budget Workshop of the Panama City-Bay County Airport and Industrial District was called to order at approximately 9:00 a.m., September 1, 2021 by Chair Glen McDonald.

All the Board members were present with the exception of Mr. James Johnson.

FY22 Operating & Capital Budget

The draft FY22 Operating & Capital Budget was provided to the Board for their review in preparation for this discussion prior to the Workshop.

Mr. Parker McClellan and Mrs. Darlene Gordon reviewed the projected operating revenues and expenses for the current FY21 Budget and for the proposed FY22 Budget.

Operating revenues include funds that are generated by the users of the Airport and include airline fees and charges, concessions, public parking, car rentals, general aviation, space rentals and building rentals. Operating expenses include salaries and benefits, professional services, supplies and materials, utilities, insurance, and other expenses necessary to maintain the Airport's operations.

The total operating revenues in FY21 are projected to be \$17,423,088, which equates to \$5,328,806, or 44.1%, over budget. The majority of the increase in total revenue is due to increased landing fees as a result of larger aircraft and increased frequency, and higher passenger traffic than expected, which results in higher terminal concessions fees, rental car concession fees and parking revenues. Overall, FY22 budgeted operating revenues are decreased by \$2,194,297, or 12.6%, from the FY21 projected revenues. When comparing revenues of FY22 Budget to FY21 Budget, there is an increase of \$3,134,509, or 25.9%.

The FY21 projected operating expenses are \$469,652, or 5.1%, less than budget. The operating expenses in the FY22 Budget represent an increase of \$1,773,058, or 20.3%, over the projected FY21 operating expenses, with the largest cost increase in personnel costs, parking lot management and janitorial costs being the largest factors in the increase. The FY22 Budget reflects an amount which will provide for the efficient operation of the Airport, and will provide the necessary resources to meet the established goals for the upcoming year. When comparing FY22 Budget to FY21 Budget, there is an increase of \$1,303,407, or 14.2%, with the largest cost increase in personnel.

Passenger volumes for FY21 are anticipated to be up approximately 66.3% over FY20. Budgeted passengers for FY22 total 1,341,852, which reflects an increase of 84.0% from the FY21 Budget of 729,234. ECP's passenger market share in the Panhandle currently averages approximately 25.2%, an increase over the FY21 market share of 22.9%.

ECP's growth has been record-breaking, both in passenger numbers and financially. Due to the many unknowns attributed to the COVID-19 Pandemic, the FY21 Budget was intentionally conservative. However, Northwest Florida saw a much faster recovery of passenger traffic than other regions across the

United States. Passenger traffic in FY21 is expected to exceed the record for total passenger activity, with total travelers expected to exceed 1.4 million. The rebound in number of passengers may or may not carry forward to upcoming months, thus the projection for FY22 is more conservative than the record FY21 year for both passengers and revenues. With the COVID-19 variants causing a resurgence of infections, there are still many unknowns as to passenger activity.

As a result of the Coronavirus Pandemic, the Airport is receiving grants issued through the FAA to fund operational and capital expenditures and debt service. These grants (“COVID-19 Grants”) are the Coronavirus Aid, Relief, and Economic Security Act (“CARES”), Airport Coronavirus Response Grant Program (“ACRGP”), and the American Rescue Plan Act (“ARPA”). Also included in the grants are two concessions relief.

Since the outbreak, the Airport’s funding from the grants is as follows:

CARES: \$6,327,925, expires June 2, 2024

ACRGP: \$3,748,929, expires April 21, 2025

ACRGP – Concessions Relief Addendum: \$133,089, expires April 21, 2025.

The application for ARPA was submitted on July 22, 2021 for \$6,600,531; and the ARPA – Concessions Relief Addendum was submitted on July 16, 2021 for \$532,356.

The FY22 Proposed Budget includes the use of \$1,254,824 of the grants to fund debt service, \$5,845,211 to fund capital, and \$750,000 is applied to operational expenditures. Concessions relief will be proved in cooperation with the terminal concessionaires.

The Airport’s annual debt service payment to the Florida Department of Transportation – State Infrastructure Bank (“SIB Loans”) in previous years totaled \$3,089,574. In July 2021, ECP negotiated with the State of Florida for an interest rate reduction for the two outstanding SIB Loans. The debt service payment for 2021 will be \$2,958,167, and the payment will be reduced to \$2,614,217 for years going forward. The debt service payment is funded with Passenger Facility Charge (“PFC”) funds for 52% of the payment, or \$1,538,247 for FY21, and \$1,359,393 for FY22 and years thereafter. The balance is a cost that is charged to the Airport’s four cost centers calculated in the Rates and Charges calculation. However, for both FY21 and FY22, funds from the COVID-19 Grants are being used to pay the balance that is normally funded with Airport dollars in an effort to reduce rates and charges to our Airline partners and other tenants.

With the refinancing in place, the interest rates on the SIB loans are 1.97% for Loan 1 and 2.71% for Loan 2. The refinancing results in a savings of nearly \$7 million dollars over the remaining life of the loans.

The main focus of the Capital Program centers on Terminal related and economic development projects. The capital requirement for projects and equipment from Airport funds for the FY22 Budget is \$5,935,548, while FAA funds are budgeted at \$5,077,310, FDOT funds equal \$2,785,973, COVID-19 Grant funds are \$5,845,211, ARFF Grants of \$6,000, and Triumph funds budgeted at \$5,000,000. The total capital program is budgeted at \$24,650,042 for FY22, but the commencement of some projects is dependent upon receiving funding from specific grants.

The District is continuing to work with the Florida Army National Guard to relocate the Panama City Armory to the Airport and is working with the FAA and the US Army Corp of Engineers on the Environmental Assessment for various parcels not included in the Phase One Permit.

The District has several projects planned for the Airport including environmental mitigation efforts, vehicle parking design and construction, Terminal Building equipment and improvements, the construction of an expansion of the outbound baggage facilities and related equipment, and economic development projects to attract both aeronautical and non-aeronautical businesses to the Airport.

The Budget Workshop provided for a review and discussion of the proposed FY22 Operating & Capital Budget and required no formal action by the Board.

A Board discussion ensued regarding the Airline Agreement overview, new Airport Authority employee positions requested, capital equipment, capital development projects, economic development projects, future Terminal planning, historical Airport Financial Performance, debt service, COVID-19 Grants, and rates and charges.

A Board discussion ensued regarding the janitorial contract, body cameras for Airport Police, looking into additional grants from other funding resources, the use of lobbying services to aid in future grant acquisition, and upcoming ground transportation fees.

Formal approval of the final Budget will be considered at the September 22, 2021 Board Meeting.

Adjournment:

The Budget Workshop was adjourned at approximately 10:30 a.m.

Kathy Gilmore, Executive Secretary

Glen McDonald, Chair