

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 2, 2022 by Chair Holly Melzer.

The invocation was given by Chair Holly Melzer.

The Pledge of Allegiance was led by Vice Chair Mark Sheldon.

Board members present included: Chair Melzer, Vice Chair Sheldon, Mr. Cramer, Mr. McDonald and Mr. McFatter. Mr. Johnson and Mr. Algarin were not present.

Mr. Parker McClellan introduced Ms. Bonnie Ossege, Vice President and aviation financial consultant of 26 years with the firm of Ricondo & Associates. She presented a snapshot of the history of the airline industry both before and after disruptors such as 9/11, the 2008 Financial Crisis, the 2010 Deepwater Horizon Oil Spill, Hurricane Michael in 2018, the 2022 Chipola Complex Wildfire, and the COVID-19 Pandemic and how the industry has been affected. She explained reasons why the industry had disruptions, highs and lows and what to expect in the future as the travel industry adapts and moves forward. She said that the approach for the future is to collaborate with airport stakeholders, be flexible with physical planning, and be ready to revisit and update the Master Plan.

FY22 Operating & Capital Budget

The draft FY23 Operating & Capital Budget was previously provided to the Board for their review in preparation for this discussion.

Mr. Parker McClellan and Mrs. Darlene Gordon reviewed the projected operating revenues and expenses for the current FY22 Budget and for the proposed FY23 Budget.

Operating revenues include funds that are generated by the users of the Airport and include airline, concessions, public parking, car rentals, general aviation, space rentals and building/land leases.

The total operating revenues in FY22 are projected to be \$18,457,160 before settlement, which equates to \$3,242,159, or 21.3%, over budget. The majority of the increase in total revenue is attributable to higher terminal concession fees, rental car concession fees, and parking revenues.

Overall, FY23 budgeted operating revenues are increased by \$139,908, or 0.8%, from the FY22 projected revenues. When comparing revenues of FY23 Budget to FY22 Budget, there is an increase of \$3,382,067, or 22.2%, which is primarily due to additional airline landing fees and terminal rentals, rental car concession fees, and increased parking revenue.

Operating expenses include salaries and benefits, professional services, supplies and materials, utilities, insurance, and other expenses necessary to maintain the Airport's operations.

The FY22 projected operating expenses are \$790,358, or 7.6%, less than budget. The operating expenses in the FY23 Budget represent an increase of \$2,052,412, or 21.2%, over the projected FY22 operating

expenses, with the increase in personnel costs, professional services, computer services, utilities and janitorial costs being the largest factors in the increase. The FY23 Budget reflects an amount which will provide for the efficient operation of the Airport, and provide the necessary resources to meet the established goals for the upcoming year. When comparing FY23 Budget to FY22 Budget, there is an increase of \$1,262,804, or 12.1%, with the larger increases being attributed to personnel costs, janitorial costs, and utilities.

Passenger volumes for FY22 are anticipated to be up approximately 3.2% over FY21. Budgeted passengers for FY23 total 1,388,582, which reflects a decrease of 9.3% from the FY22 Budget of 1,531,731.

Passenger traffic in FY22 will set a record for total passenger activity; however, FY23 budgeted projections are below the expected total passengers for FY22 due to the Pandemic and industry unknowns. A significant portion of the passenger activity at ECP is due to discretionary travel. However, with the economic downturn, inflation, crew/aircraft resources, and the rising cost of travel, Staff has included these considerations in the development of our passenger activity forecast.

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 successfully negotiated with the State of Florida for an interest rate reduction for the two outstanding SIB Loans. The debt service payment for 2023 and years going forward will be \$2,614,217. The debt service payment is funded with Passenger Facility Charge (“PFC”) funds for 52% of the payment, or \$1,359,393 for FY22. The balance is a cost that is charged to the Airport's four cost centers calculated in the Rates and Charges calculation. I should be noted for FY23, 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.

The main focus of the Capital Program centers on Terminal related projects. The capital requirement for projects and equipment from Airport funds for the FY23 Budget is \$5,006,854, while FAA funds are budgeted at \$21,943,012, FDOT funds equal \$2,140,609, and Federal Relief Grant Funds are \$3,505,886. The total capital program is budgeted at \$32,596,361 for FY23, but the commencement of some projects is dependent upon receiving funding from specific grants.

FY22 recognizes the completion an approval of the updated Airport Master Plan, the repair of the Terminal Apron (Gate 7), the receipt of a new Aircraft Rescue and Firefighting (“ARFF”) vehicle, the completion of the design of the Terminal and Baggage Make-up projects, the approval of the design project for a future expansion to the Terminal Building, and the announcement of a new fixed base operator that will begin construction in early FY 2023.

The District has several projects planned for the Airport including environmental mitigation efforts, additional vehicle parking design and construction, Terminal Building facilities expansion including the relocation of the TSA Checkpoint and baggage claim, the construction of expanded outbound baggage facilities and related equipment, and economic development projects to attract businesses to the Airport.

The Budget Workshop provided for a review and discussion of the proposed FY23 Operating & Capital Budget and required no formal action by the Board.

There was Board discussion regarding new employee positions requested, the need for employee pay rates to increase and consideration of periodic bonuses ahead of inflation to avoid turnover. Additionally, there was discussion on capital equipment, capital development projects, economic development projects, debt service, looking into additional grants from other funding resources such as COVID-19 Grants and other grants and the use of lobbying services to aid in future grant acquisition.

There was also Board discussion regarding the janitorial contract and the need for a new janitorial company. It was determined the best way to move forward was to go month-to-month with RESPECT/Goodwill and develop and RFP for Janitorial Services. There was discussion regarding the overflow parking lot and whether to pave the entire lot rather than using a combination of gravel and asphalt roadways. The RFP for construction of the expanded long-term parking, employee parking, and cell phone lot will be modified to include the improved overflow parking lot. Future Terminal planning will include plans of a Pet Relief Station and a Sensory Room. Regarding General Aviation, there was discussion of the upcoming opening of Southern Sky Aviation, a new Fixed Base Operator (FBO) and its revenue effect on the FY23 Budget.

Formal approval of the final Budget will be considered at the September 28, 2022 Board Meeting.

Adjournment:

The Budget Workshop was recessed at approximately 10:45 a.m. to attend the Rededication of the Military Welcome Center and reconvened at approximately 11:30. The Budget Workshop was concluded and adjourned at approximately 12:15.

Lisa Brady, Executive Assistant

Holly Melzer, Chair