

# AGENDA ITEM NO. 4

MINUTES  
SARASOTA MANATEE AIRPORT AUTHORITY  
BUDGET WORKSHOP  
August 23, 2021 – 11:00 a.m.  
Dan P McClure Auditorium East

THOSE PRESENT:

Doug Holder, Chairman  
Robert Spencer, Vice Chairman  
Carlos Beruff, Secretary  
Jesse Biter, Commissioner  
Kristin Incrocci, Commissioner  
Jeff Jackson, Commissioner  
Fredrick J. Piccolo, President, Chief Executive Officer  
C. Dan Bailey, Jr., Airport Counsel  
Anita Eldridge, Sr. VP Finance & Administration  
Kent Bontrager, Sr. VP Engineering & Facilities  
Mark Stuckey, Sr. VP, COS  
Karen Garofalo, Executive Assistant – SMAA  
Dori Guzman, Executive Assistant – SMAA

1. Call to Order

Vice Chairman Spencer called the budget workshop meeting to order at 11:05 a.m.

2. Presentation of Fiscal Year 2022 Sarasota Manatee Airport Authority Budget

Mr. Piccolo presented the FY 2022 proposed budget and gave an overview of significant items through a PowerPoint presentation. He noted that last year's budget workshop included discussion regarding how much money needed to be cut from the budget, how many positions would be frozen, if layoffs were needed, how much revenue would be lost. The 2021 budget included a deficit, with plans to backfill with CARES (Coronavirus Aid, Relief, and Economic Security) funds if needed. Mr. Piccolo was pleased to note FY 2021 was very different than anticipated.

There are now six signatory carriers, all with agreements through 2024: American, Delta, JetBlue, and United. Allegiant and Southwest were added in 2021. Total revenue contribution to airline rates for FY 2022 is anticipated to increase by \$6,883,930 (\$918,070 for FY 2021 v. \$7,802,000 for FY 2022).

Airport Net Revenue for FY 2021 was projected to be a deficit of \$1,373,480, with CARES funds budgeted to cover this deficit. FY 2021 ends on September 30, 2021, so final figures are not known, but it is likely there will be no deficit, and a strong possibility no CARES funds will be utilized.

Review of significant revenue changes in FY 2022, as compared to FY 2021, included the following:

Total Airline Fees	+	\$621,626	+	12%
Non-Airline Revenue	+	\$15,637,493	+	238%
Rental Car Revenue	+	\$8,945,000	+	613%
Parking Revenue	+	\$5,220,000	+	607%
Non-Aviation Bldgs.	+	\$564,674	+	20%
Concessions, Adv.	+	\$2,226,900	+	610%
Interest Earnings	-	(\$80,000)	-	(23%)

Total Projected Non-Airline Revenues	+ \$22,345,400	+ 221%
Total Projected Airline Revenues	+ \$10,172,734	+ 12%
Total Projected Operating & Airline Revenue	+ \$32,518,134	+ 507%
Total CARES Funds Budgeted	0	(100%)

Mr. Piccolo noted it was important to acknowledge these figures are somewhat skewed, as they are compared to the FY 2021 budget, which was based on the assumption revenues would be down considerably due to COVID-19.

Mr. Piccolo noted that with increased activity and growth come addition expenses. A review of major expense changes in the FY 2022 budget include:

Overall Operating Exp	+ \$5,026,123	+ 25%
Utilities	+ \$184,000	+ 25%
Personnel	+ \$3,070,658	+ 24%
Operations	+ \$270,801	+ 10%
Administration	+ \$576,541	+ 20%
Capital Equipment	+ \$244,201	+ 100%

Staffing increased by 26, for a total of 145 FTE. All but two are front line staff. The airport assumed nighttime janitorial services using six in-house personnel to ensure consistency and high quality. Mr. Piccolo noted there were major increases to health insurance, retirement contributions, property and liability insurance, and legal fees. Additional increases in the areas of information technology, janitorial supplies, and non-capital equipment due to replacement of police gear that has reached the end of its usefulness. This includes tasers and protective vests for our airport police officers. Capital equipment is up 100% to \$277,209. Again, it's important to note zero dollars were budgeted in the COVID-impacted year of 2021. The current amount is below the 2019 budget amount of \$319,816 for capital equipment.

Mr. Piccolo highlighted major revenue changes, which included an anticipated increase in signatory airline revenue of \$2,725,910; and terminal building increase of \$1,085,822, primarily due to increased concessions and advertising revenues. Due to tremendous increase in rental cars, parking, and ground transportation, terminal area revenues are projected to increase significantly to \$10,074,516. After keeping parking rates down for a number of years, they will be adjusted by \$1-2 per day. Over \$4,000,000 in parking expansion has been completed, and another \$4-5,000,000 in expansion is in the planning phase. Airfield revenues are projected to increase by \$477,000 due to increases in airline fuel usage. With a \$3,500,000 fuel farm expansion, the airport has a current capacity of nearly 300,000 gallons. When the expansion is complete fuel capacity will be nearly 400,000 gallons.

There are a total of 26 capital projects of various sizes and scope included in the budget, with an estimated cost of \$73,587,541. Projects totaling \$2,136,411 for information technology, operations, properties, and facilities are set for this year. There are two large engineering projects with an estimated cost of \$71,451,000. They include the terminal expansion and quick turnaround rental car facility (QTA). These two projects are estimated at \$50,000,000, with the final amounts likely to be higher. The QTA project will be funded 100% by RAC CFC funds. Continuing a conservative 'pay as you go' strategy, there are currently budget reserves of approximately \$41,000,000. Management continues to work with FAA and FDOT leadership to see if additional funding can be secured to offset the cost of these major projects. Significant capital needs will benefit from approximately \$15,000,000 in federal relief funds still to be received.

Mr. Piccolo reviewed new terminal rental rates. Even with the projected increases, the airport continues to have the lowest unit cost of the region's competing airports and the lowest CPE by a significant margin. Rates for FY 2022 are as follows:

<u>TERMINAL RENTAL RATES:</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>Change</u>
Sarasota Bradenton Int'l	\$ 61.67	\$ 63.47	+ 2.9%
Tampa International	\$ 206.79	\$ 236.94	+ 14.6%
Southwest Florida Int'l	\$ 92.08	\$ 99.18	+ 7.0%

<u>LANDING FEES:</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>Change</u>
Sarasota Bradenton Int'l	\$ 0.48	\$ 0.45	(5) %
Tampa International	\$ 2.76	\$ 2.12	(27) %
Southwest Florida Int'l	\$ 3.32	\$ 2.42	(23) %

<u>COST PER ENPLANEMENT:</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>Change</u>
Sarasota Bradenton Int'l	\$ 10.70	\$ 5.02	(53.0) %
Tampa International	\$ 11.48	\$ 9.99	(12.9) %
Southwest Florida Int'l	\$ 10.15	\$ 7.31	(27.9) %

Mr. Piccolo discussed funding for the supplemental marketing budget. Funding comes from Interest Earnings, eliminating any revenue diversion with the airlines since the funding is outside the signatory agreements. Total funding is \$300,000. The airport has greatly increased its marketing reach through strategic partnerships with area convention and visitors' bureaus, IMG Academy, the Baltimore Orioles, the Pittsburgh Pirates, and various cultural organizations.

Mr. Piccolo reminded the board of the tremendous growth of the airport, comparing March 2018 when airport service consisted of six airlines and 12 non-stop destinations, versus August 2021 service offering ten airlines and 50 non-stop destinations.

Mr. Piccolo concluded the PowerPoint presentation and stated that the next step would be for the Board to approve at today's meeting, a Public Hearing for approval of the FY 2022 Budget at the September Regular Meeting. Staff will meet with the airlines on Thursday to review and discuss the Budget and keep the Board informed. He does not expect any issues and believes we will see more positive announcements going forward. Airport continues to be fiscally conservative.

Commissioner Spencer inquired about rental car inventory. Mr. Piccolo stated rental car companies are bringing in additional cars due to increased demand. Rental car revenue was approximately \$900,000 for the month of August, with anticipated annual revenue of approximately \$10,000,000 versus \$3-4,000,000 in previous years. The airport is working to increase capacity for rental car companies.

Commissioner Beruff inquired about occupancy rates inside the planes. Mr. Piccolo responded the rate is approximately 70%, and Mr. Stucky stated it takes about five months for the Authority to receive this information from the airlines.

Commissioner Beruff also asked if the airport runway could accommodate any size aircraft, and Mr. Piccolo confirmed that, with a few limitations, any aircraft could land or take off.

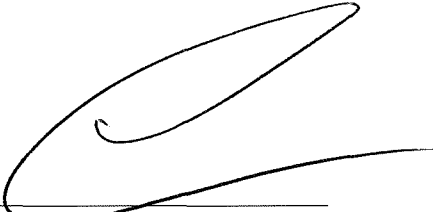
Commissioner Beruff inquired about the possibility of extending the runway another 500 feet to accommodate larger aircraft. Mr. Piccolo stated the runway was extended to its limit in the 1990s. He added that technology is evolving to allow larger aircraft to take off and land on shorter runways. He also mentioned the rapidly developing electric-charge aircraft.

Commissioner Incrocci commented on the effects of the FAA Metroplex initiative, designed to move flights more safely and efficiently in the increasingly busy South-Central Florida corridor. She has heard of delays in takeoffs and landings at multiple airports. Mr. Piccolo stated all airports in the corridor are experiencing additional traffic.

Mr. Piccolo requested a closed session with the Board regarding security issues.

The meeting adjourned at 11:54 a.m.

Attest:

  
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Carlos Beruff, Secretary

Approved:

  
\_\_\_\_\_  
Doug Holder, Chairman

ROBERT SPENCER  
VICE CHAIRMAN, FOR