



Minutes for August 28, 2023 Budget Workshop Meeting

Third Floor Executive Offices - 11:00 AM

Attendees Board:

Carlos Beruff; Jesse Biter; Doug Holder; Kristin Incrocci; Jeff Jackson; Robert Spencer

Attendees Staff:

Fredrick Piccolo; Kent Bontrager; Pamela Kantor; Mark Stuckey; Zach Buffington, for Dan Bailey, Airport Counsel; Dori Guzman

Agenda

Call to Order

Vice Chairman Incrocci called the meeting to order at 11:24 a.m.

PRESENTATION OF THE FY 2024 SARASOTA MANATEE AIRPORT AUTHORITY BUDGET

Mr. Piccolo opened the meeting by noting his presentation would be different from prior budget workshops. The airport is changing in its physical, operational, and organizational structures. Passenger growth continues on a robust path with an estimated 4,300,000 passengers for 2023. Computer reservation systems indicate continued increases, and the opening of the ground terminal in early 2025 should provide even more growth. Even though a significant number of U.S. airports are below pre-pandemic numbers, SRQ has experienced a 211% increase in passengers over 2020, and a 22% increase over 2021.

SRQ FACES CHALLENGES IN THE YEARS AHEAD:

MAINTAINING A STRONG BRAND IDENTITY

The airport has a reputation for cleanliness, convenience, amenities, resort-like ambiance, customer service, and safety and security. The challenge will be to maintain these attributes during our unprecedented growth.

ONGOING TERMINAL ISSUES

Gate capacity: the purchase of new gate management software in 2019 has allowed staff to accommodate airline gate requirements despite 300% increase in passenger traffic.

Concessions: master agreements are expiring; RFPs are on the street and we can expect new vendors.

Airline lease negotiations: Joint goal with airlines is to have agreement by fall 2023. Airline storage space continues to be an issue.

Terminal cleanliness: continues to be a challenge with increased traffic.

Storage: concessionaires need storage and airlines have a major need for additional ancillary space.

Parking: a planning and design firm will provide a Parking Master Plan by Spring 2024. In the meantime, two new surface lots should be completed by November 2023. This plus a grass lot will increase capacity by 1,400 spaces. A new parking management firm was hired in 2022. New parking revenue equipment is being installed. We have 11 shuttle buses in service.

Vehicle Traffic: new paved cell lot, with restrooms and vending machines, was opened August 2023. Planning a small realignment of the airport return road to eliminate increasing bottlenecks at the entrance. Redesign and expansion of the ground transportation area on the sight of the old DMA; groundbreaking in September 2023. Proposals for consolidated RAC maintenance facility should be to the board in Fall 2023/Spring 2024. Funding mechanism is in place for the \$80-100 million project, which includes QTA and ready space needs.

Staffing: Overnight janitorial staff are now full time SMAA employees; the contractor continues to do a good job on the day and afternoon shifts. ARFF has increased number of medical calls. All firefighters are EMTs, with paramedic training in progress. The Police Department staff are receiving increased number of disturbances and firearms issues at TSA. Police are now having to transport to the Sheriff's Office, meaning staff are off airport property more than in the past. As staffing needs increase in all departments, exploring the idea of childcare for staff as an incentive.

ALL DEPARTMENTS – LOOKING FORWARD

Executive: Managing beginnings of debt, LOC and TIFIA (secured direct loan) for cash flow over the next two years and beyond, including possible revenue bond. Negotiating airline agreement to go out 7-10 years. Build the HR department to accommodate future growth. Streamline accounting processes. Continue focus on short term investments. Work with senior team to analyze and vet new tenants for maximum income potential.

Finance & Admin: Continue to update, streamline, and modernize accounts payable, purchase orders, and Customs processing. Manage new airline signatory agreements, investment portfolio, and short-term cash flow needs for ground boarding facility.

Marketing & Development: Continue working with airlines and other tenants to provide new destinations and additional service. Increase partnership with CVBs and coordinate with other departments to mitigate operational challenges of continued growth.

Properties: Continue with concessions redevelopment – selections, negotiations, oversight, construction, and opening. Central receiving facility for all concessionaires. CONRAC development and land lease negotiations with New College. Off-airport industrial development to increase non-aviation revenue and continued FBO development.

Internal Audit: Growth brings more federal oversight; therefore, department will need to hire additional staff to oversee risk management, Civil Rights regulatory compliance, and records retention.

Purchasing: Development of new buildings for future needs of airlines, concessionaires, and aircraft service companies. Develop systems to monitor local wage market, stay competitive, and attract/keep the best employees. Continue to improve inventory management and support all department purchases.

Operations: AIRCOM modernization and digitalization project underway. Software being upgraded for ID Badging Office. Comply with FAA Safety Management System and TSA Aviation Worker Screening Program, both unfunded mandates. Increase staff to accommodate growth.

Police Department: Looking to increase sworn and civilian staff. Purchase additional patrol and special purpose vehicles. Strategizing for impact of second TSA security checkpoint at new ground boarding terminal. Exploring law enforcement technology including body cameras. Continue personnel training regarding growing number of incidents that require police presence.

Fire Department: Increase staff to meet growing number of medical calls and aircraft incidents. Staff are enrolled in paramedics program; goal is to have at least one paramedic on every shift. Looking towards upgrading medical services from Basic Life Support to Advanced Life Support. Purchase of an ambulance with staff to conduct medical transports to hospital.

Engineering: Currently 21 projects of various scope and size underway. Capital construction costs were \$35 million in 2017 and \$194 million in 2023. Major projects are:

Terminal Expansion/Ground Boarding Facilities - \$95 million

Baggage Handling System - \$46 million

Parking Projects - \$16 million

Facilities: Staff has grown from 41 employees in 2020 to 72 employees in 2023. Focus on hiring additional staff for ground boarding facility. Looking at best practices to attract, compensate, and maintain skilled trades personnel. Current staff continues to work on roof repair, ceiling replacement, heavy loading bridge refurbishment, and elevator rehab and upgrades.

Information Technology: Continuously supporting staff and passengers by maintaining and upgrading systems as needed: flight information, cybersecurity/ransomware, administrative, DOJ, and Dept of Homeland Security systems. Gate management will continue to be a priority. Currently, all gates on Concourse B have been configured with Common Use equipment, allowing all 11 airlines to utilize any gate assigned. IT will focus on extending Common Use capabilities to the new ground boarding terminal.

SIGNIFICANT INCREASES TO REVENUE INCLUDE:

Total Airline Fees	\$1,162,577	+ 11.9%
Non-Airline Revenue	\$4,987,260	+ 18.3%
Parking Revenue	\$2,900,000	+ 41.0%
Other Buildings & Areas	\$287,667	+ 7.90%
Concessions & Advertising	\$732,000	+ 21.0%
Total Projected Non-Airline Revenues	\$32,134,954	+ 18.0%
Total Projected Operating & Airline	\$43,013,229	+ 13.6%

Notes on revenue:

- Fuel flowage fees increased \$329,000 or 25% due to increased commercial and general aviation traffic.
- Terminal building revenue increased \$862,930 or 27% due to increased concessions and advertising revenues.
- Terminal area revenues are projected to increase \$3,249,337 or 21% due to increased RAC, parking, and ground transportation.

SIGNIFICANT INCREASES TO EXPENSES INCLUDE:

Overall Operational Expenses	\$3,954,231	+ 14.4%
Utilities	\$103,900	+ 9.60%
Personnel	\$1,725,495	
Operations	\$896,358	+ 22.0%
Administration	\$447,245	+ 11.4%
Capital Equipment	\$519,164	+ 797%
Supplies	\$137,378	+ 16.2%

Notes on expenses:

- Six new FTE positions in various departments; total 165 FTE personnel.
- No increase to health insurance. Property/liability insurance and legal costs up \$75,962.
- Capital equipment and capital project expenses are up significantly due to deferrals in previous and current years.
- Janitorial service and supply costs are up due to wage inflation and increased passenger traffic.

IN CONCLUSION

Mr. Piccolo detailed future financial planning (2023 through 2032), including airline revenues, CPE, signatory airline rates, the airport capital plan, estimated project costs and their funding sources, non-airline revenues, and operations/maintenance expenses.


He also noted that SRQ continues to have the lowest terminal rental rates, landing fees and CPE of the region's competing airports by a significant margin. Also important to note, the airport has not utilized any of its relief funds.

Staff responded to clarifying questions from the Board.

Adjournment

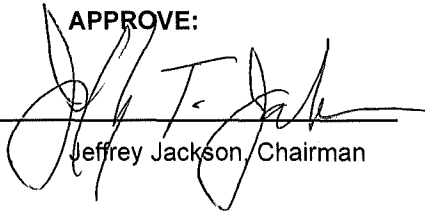
The meeting was adjourned at 12:32 p.m.

ATTEST:



Robert Spencer, Secretary

APPROVE:



Jeffrey Jackson, Chairman