

MELBOURNE AIRPORT AUTHORITY BOARD
Minutes for July 7, 2021, Board Meeting
Airport Board Room

In attendance: Mr. Jack L. Ryals, Chairman
Mr. William C. Potter, Vice Chairman (via phone)
Mr. Paul Alfrey, Mayor
The Honorable Debbie Thomas, Councilmember
The Honorable Tim Thomas Councilmember
Mr. Michael Fischer, Member
Mr. Adam Bird, Airport Attorney
Mr. Greg Donovan, A.A.E., Executive Director
Mr. Mark Busalacchi, Director of Business Development
Mr. Patrick Mac Carthaigh, Operations Manager
Ms. Melissa Naughton, C.M., Assistant Director of Business Development
Mr. Mike O'Dell, C.P.A., Director of Finance and Administration
Mr. David Perley, A.I.C., Director of Capital Improvements
Ms. Renee Purden, Chief of Police/Director of Public Safety

Excused: Mr. Scott Mikuen, Member
Mr. Cliff Graham, C.M., Director of Operations and Maintenance

Pledge of Allegiance

Airport Announcements by Executive Director Greg Donovan:

- New MLB summer interns welcomed, Sara Towers and Dallas Thomas.
- Mayor Alfrey represents MLB at Palm Bay Chamber Mayor's Breakfast.
- Job fair announced at MLB on July 20, 2021.
- Elite Airways begins nonstop service.
- Allegiant announces new air service from MLB.

Action Items

Approval of the May 26, 2021, Board Meeting minutes. A motion was made by Mr. Thomas for approval of the minutes, seconded by Mayor Alfrey. Motion passed unanimously.

Item A-1 Recommendation to Approve a Purchase Order with ESA, Inc., Under Its Continuing Services Contract, for the Development of the Categorical Exclusion (CATEX) and Supporting Documentation in Accordance with the National Environmental Policy Act (NEPA) for Compliance Requirements of the Federal Aviation Administration (FAA) on an "As Needed" Basis for Airport Related Projects through June 30, 2022, in an Amount Not-To-Exceed \$65,000.

Mr. Donovan explained that this item is to expand the contract with ESA, Inc. in the amount not-to-exceed \$65,000. Federal Aviation Administration (FAA) is requiring a CATEX on several projects on airport property before leases or sales are approved. The Airport currently has an open purchase order for \$30,000. This action item is to request an increase for \$35,000.

He continued to explain in order not to delay the sale or lease of Airport property when FAA approval is required, this purchase order will allow ESA to revise the Airport Layout Plan (ALP), develop and coordinate Section 163 reviews for the FAA and verify compliance with the National Environmental Policy Act (NEPA) where federal action requires a CATEX.

Mr. Potter asked having a CATEX means we do not need to file an environmental impact statement? Mr. Donovan stated that is correct.

A motion was made by Ms. Thomas to approve a Purchase Order with ESA, Inc., under its continuing services contract, for the Development of the Categorical Exclusion (CATEX) and supporting documentation in accordance with the National Environmental Policy Act (NEPA) for compliance requirements of the Federal Aviation Administration (FAA) on an "as needed" basis for airport related projects through June 30, 2022, in an amount not-to-exceed \$65,000, seconded by Mr. Fischer. Motion passed unanimously.

Item A-2 Recommendation to Approve Change Orders 3 through 12 to Carr & Collier Inc., for Scope Changes with the Terminal Renovation and Expansion: Apron Reconstruction/Expansion Project in the Amount of \$175,254.20.

Mr. Donovan explained that in January the board approved some change orders reducing the amount of some electrical work by \$50,000, and additional net saving in Change Order #3 is \$113,701. Some unforeseen conditions were found such as compliance with Transportation Security Administration (TSA) requirements of installing new surveillance equipment, which is most of the cost increase. This is an overall net increase of about \$127,000 which is included in the \$61 million budget.

Mr. Fischer asked if this is a dollar-for-dollar deduction? Mr. Donovan said yes it will be.

Mr. Potter asked about the \$175,254.20 that is stated in the action item, but the motion is made for \$176,994.38. Mr. Donovan stated the total cost is \$176,994.38.

Motion was made by Mr. Thomas to approve Change Orders 3 through 12 to Carr & Collier, Inc., for the Terminal Renovation and Expansion: Apron Reconstruction/Expansion Project in the amount of \$176,994.38 and authorization for the Executive Director to execute said agreement on behalf of Authority, seconded by Ms. Thomas. Motion passed unanimously.

Item A-3 Recommendation to Award the Next Phase of Work to The Haskell Company/RS&H/Kinley Team under Its Progressive Design/Build Contract for Package 1B1 (demo, sitework, metals, roofing, insulated panels, curtain wall, baggage equipment, conveying systems, and electrical) of the Terminal Renovation and Expansion Project for the Guaranteed Maximum Price (GMP) of \$11,888,078.

Mr. Donovan stated this amount is included in the \$61 million budget authorization. The next phase of work for the Guaranteed Maximum Price (GMP) is the remaining work within the 1A and 1A2 packages. He explained that the industry average for new construction for airports is \$360 per square foot. The project has been around \$330 per square foot. Staff is meeting with the team and is in the process of value engineering different scopes of work for savings and has the price down to \$298.74 per square foot.

Mr. Perley added that this package has long-lead items except for the mechanical and there is a potential savings of \$100,000 in the mechanical costs. Mr. Donovan explained that staff is working with Florida Department of Transportation (FDOT) and FAA to procure additional grant requests.

Motion was made by Mayor Alfrey to approve the award to The Haskell Company/RS&H/Kinley for Package 1B1 (demo, sitework, metals, roofing, insulated panels, curtain wall, baggage equipment, conveying systems, and electrical) of the Progressive Design/Build of the Terminal Renovation and Expansion Project for the

Guaranteed Maximum Price of \$11,888,078 and authorization for the Executive Director to execute said agreement on behalf of Authority, second by Mr. Thomas. Motion passed unanimously.

Item A-4 Recommendation to Approve Fifth Amendment to Lease with Sheltair Melbourne II, LLC.

Mr. Donovan explained that Sheltair has taken over services at Apex. Sheltair has made the decision to lease the 10 acres to grow its operation. The 10 acres will be \$0.40 per square foot for an annual rent of \$174,240, with a CPI increase every five years with a minimum of 2 percent and a maximum of 5 percent per year.

He continued to explain that the incentives are based on Sheltair investing up to \$20 million in capital improvements. The first 12 months are at 100 percent rent abatement, second year 75 percent, followed by 50 percent, then 25 percent. From the fourth anniversary on it will be 100 percent of the rent. Sheltair is required to submit a progress report every other month on its capital improvements. When Sheltair has completed the \$20 million in improvements, the Airport will consent to extend the lease an additional 20 years. Currently the base term is set to expire on February 23, 2049, with an additional three, five-year options remaining. This would bring the lease out to February 23, 2064. The additional 20 years of term would then bring the lease out to February 23, 2084.

Mr. Donovan introduced Mr. Milo Zonka. Mr. Zonka thanked the Board and Mr. Donovan for the incentives. He explained to get the full development of the 10 acres, it could be a \$40 million investment. With this approval, it will give Sheltair the opportunity to complete the work in phases and believes that development will begin quickly.

Mr. Potter asked with this extended term if the FAA will have any issues? Mr. Donovan explained he does not believe there will be an issue with the FAA. Mr. Busalacchi explained that the specifics of this lease has been addressed by the FAA with no issues being stated.

Mr. Potter quoted, 'If Sheltair successfully completes the \$20 million in capital improvements, the Airport will not unreasonably withhold consent to extend the lease an additional 20 years.' He stated that it should be written that the Airport will extend it for 20 years. Mr. Bird explained that the reason the FAA has no issue with this is due to the unilateral option that the tenant can extend the term without any input from the authority. That is how we were able to push this lease out beyond 50 years.

Motion was made by Mayor Alfrey to approve a Fifth Amendment to Lease with Sheltair Melbourne II, LLC., and authorization for the Executive Director to execute said Amendment on behalf of the Authority, seconded by Mr. Fischer. Motion passed unanimously.

Discussion Items

Item D-1 FY21-FY22 Budget Presentation

Mr. Donovan thanked the Finance staff for all the hard work put into preparing this budget. He explained to the Board there is not a vote required today, this is just an introduction to the proposed budget. A copy of the budget book will be distributed at the end of the meeting. Mr. Donovan continued stating that if these are any questions regarding the budget to please call him or Mr. O'Dell directly.

Mr. O'Dell presented a slide show with details regarding the FY2022 proposed budget. He explained that this was a very challenging year coming off the pandemic with the uncertainties regarding revenues and expenses, plus adding the new international air service. He believes that this is a conservative but very realistic budget for FY2022. Details were given highlighting revenues, expenses, operating net income, and total revenue. He gave more particulars regarding the significant expense changes for FY22 detailing costs for the terminal expansion and operating supplies. He also explained the income sources for FY22.

The FY2022 budget will be on the agenda at the next MAA meeting scheduled for August 25, 2021. Once approved it will then be forwarded to City Council for adoption within the city's budget. On September 15, 2021, the first City Council public hearing of the MAA budget will be held, with the second hearing and adoption on September 29, 2021.

Mr. Thomas questioned the international waste disposal cost, and what is the difference from domestic costs? Mr. O'Dell explained that international trash must be handled very specifically.

Chairman Ryals asked if Mr. O'Dell had a 'feel' for the increase in PFCs and CFCs just from TUI and Allegiant. Mr. O'Dell explained that current budget has \$460,000 for PFCs and \$350,000 for CFCs and now it is up over \$1.3 million and \$1 million respectively.

Mr. Donovan added that once MLB is established as a Port of Entry, the fees will change adding landing fees and turns which will pay for ground handling expenses. He continued to state that entitlement funding from FAA is based on total passengers which will increase next year with TUI and Allegiant operations and this income will off-set the capital expenses.

Information Items

Item I-1 Financial Update by Mr. O'Dell

Financial Update

Operating revenue was explained with parking recovery beginning.
Operating expenses were explained with outside counsel fees leveling off.
Cash flow is in the positive with \$958,000 in operating income.

Terminal Tracking Graph

Total Spent \$10.3 million

Terminal Funding Graph

\$5.4 million of MAA funds
\$3.3 million of FAA funds
\$1.6 million of FDOT funds

Item I-2 Operations Update by Mr. Patrick Mac Carthaigh

FDOT inspection was completed. Since FAA did not come in person this year, this was part of the Florida Administrative Code that an annual physical inspection must be performed. There were no discrepancies which will be submitted to the FAA.

Item I-3 Construction Projects Update by Mr. Perley

Apron Renovation/Reconstruction

Demo of the existing apron is nearing completion.
Pond excavation continues with material replacement for percolation.
The old concrete apron is being crushed and recycled into the new base material for the apron.
Lean base course of concrete for apron completed near Gate 5 and in front of the new terminal expansion.
Electrical duct bank for the ESOS is nearing completion.
Temporary road for fuel trucks and airport vehicles is operational.

Terminal Renovation Phase 2

Foundations for the security checkpoint area are nearing completion.
Foundations for the baggage claim and Welcome Center should start mid-July.
Structural steel delivery is expected the week of July 12th.

Package 1B pricing being reviewed with certain long lead packages being released.
Design work continues with the Welcome Center Civil and VIP Lounge.
Design reviews continue with TSA and CBP.
Met with the City on the fire sprinklers where a tentative agreement has been reached.

New Passenger Boarding Bridges

Final drawings for the boarding bridges are expected this month.
Foundations for the new bridges are 60 percent complete.
Delivery of the bridges is expected in late November with installation completing by end of January 2022.

Northside Expansion

Waiting on the DEO to issue the Notice to Proceed, expected by 7/15/21.
Contractor has begun mobilizing equipment and material to the site.
Submittal review is nearing completion.
Long lead items have been ordered.
Anticipated substantial completion will be January 2022.

Tropical Haven Road Repairs

Contractor has submitted his material for review, and it has been approved.
Material currently in fabrication and is expected on site August 2.
Once material on site, work will begin.
Total duration for construction is 3 weeks.
Project should close out by the end of August.

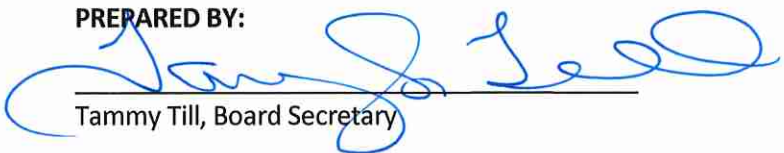
Item I-4 Business Development and Marketing Update by Mr. Busalacchi

Preparing for Allegiant identifying ticket counters that will be used and gates that will be assigned. Working with the Allegiant team for marketing and promotion campaign, using a grass-roots approach. Very important to get the information out for the retaining and growing of Allegiant's service here at MLB.

Adjournment

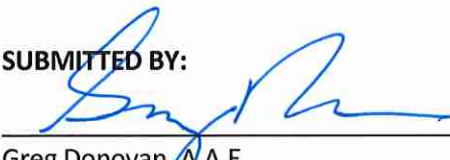
The meeting was adjourned by Chairman Ryals at 9:37 a.m.

PREPARED BY:



Tammy Till, Board Secretary

SUBMITTED BY:



Greg Donovan, A.A.E.
Executive Director

APPROVED BY ACTION OF AIRPORT AUTHORITY:



Jack L. Ryals, Chairman