

MELBOURNE AIRPORT AUTHORITY BOARD
Minutes for September 15, 2021, Board Meeting
Airport Board Room

In attendance:

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

Pledge of Allegiance

Airport Announcements by Executive Director Greg Donovan

- Officer Keen welcomed back to MAPD.
- Congratulations to Ms. Amanda Moyer for completion of her AAEE ACE and Brevard County Leadership Program.
- Embraer announces delivery of its 1,500th business jet.
- Elite Airways begins nonstop flights to Newark twice weekly.
- Allegiant promoting the new MLB flights.
- MLB sweepstake to win free flights on Allegiant.

Action Items

Approval of the August 25, 2021, board meeting minutes. A motion was made by Mayor Alfrey for approval of the minutes, seconded by Mr. Thomas. Motion passed unanimously.

Item A-1 Recommendation for Approval of Resolution 12-21 to Approve a Budget Increase of \$11,000,000 for the Terminal Renovation and Expansion Project.

Mr. Donovan stated that each board member had a one-on-one call with him regarding the above action item. This project has become even more complex with costs for labor and materials escalating due to shortage of resources in both manpower and raw materials. The Airport is working with the contractors to find the right balance and will continue to do this. Mr. Donovan continued to explain that this resolution is a request to increase the budget for the Terminal Renovation and Expansion Project by \$11 million. This is an 18 percent overrun with many of the increased costs due to unforeseen conditions.

Mr. Mike O'Dell explained the plan for funding the increase in detail. He stated \$2.2 million is coming from FDOT Capital Grant and \$2.7 million from the CARES Operating funds. The proposed debt term structure and

bank documents is a separate action item. Issuance of \$6 million in additional debt is an integral part of the funding plan. Airport staff has had preliminary discussions with the bank about increasing the amount of the loan. Upon approval of the budget amendment and the funding plan, staff will finalize the details with the bank and City staff and then will bring the resolution and loan documents for approval by both the Airport Authority Board and City Council.

He continued to explain that the debt-to-equity ratio metric is not commonly used in the airport industry sector due to many assets being funded with grants and PFCs (Passenger Facility Charges). The key metrics that need to be considered include liquidity and coverage which demonstrate the ability to make payments. These metrics were discussed with various pro forma scenarios presented including coverage, cash flow, and debt per enplanement.

Mr. Fischer asked is the \$72 million budget is net of the sales tax savings? Mr. O'Dell stated yes.

Mr. Mikuen asked if the rental cars usage was dropped corresponding within the sensitivity analysis? Mr. O'Dell stated yes, as well as the operating revenues. Mr. Mikuen continued to ask if there are any more possible grants from the Federal Aviation Administration (FAA)? Mr. Donovan stated that yes there are grants available with another level of CARES funds. Mr. Mikuen asked if the staff is highly confident that the in-line baggage will be paid by the FAA. Mr. Donovan stated yes that would be covered by TSA (Transportation Safety Administration) funding.

Mr. Potter commended Mr. O'Dell on the scenarios. He asked how Mr. O'Dell arrived at the assumptions on the growth of the existing operations. Mr. O'Dell stated he did not use CPI, that he assumed we would be at 2019 levels by 2023 and then 2 percent annual growth after that. Mr. Potter asked in the pro formas, did he assume that the new \$6 million would be on the same terms? Mr. O'Dell stated he is looking at different structures. He can keep the same interest rate if it is paid-off in 84 months. Mr. Potter asked about the GMP (Guaranteed Maximum Price), and under circumstances which the contractor can exceed the GMP. He continued to ask if the contractors have builders risk insurance? Mr. Donovan stated yes, they do but there is also the added complexity of what is not covered by builders' risk.

Mr. Donovan asked Mr. Thurlow from The Haskell Company to explain in more details regarding the risk insurance. Mr. Thurlow stated specifically in a storm event there is builders risk coverage that would pay to replace the work. But with the timeline of this project, there could be additional costs associated with expediting that builders risk insurance would not cover. Unforeseen conditions are typically discovered when work is being done in the ground and most of the work for this project is now above ground. The big unknown is the unforeseen conditions. The contract cannot anticipate or include the unforeseen without a significant burden to the project. The goals would be to absorb it under the contingency. Mr. Potter asked Mr. Donovan about a contingency plan. Mr. Donovan stated there in an internal contingency plan which, if necessary, would be to borrow more funds.

Mr. Fischer asked if Mr. Thurlow is comfortable regarding any unforeseen conditions or hidden items. Mr. Thurlow stated prior to 2020 they completed a scan and captured about 90 percent of the terminal, but there were some areas that could not be scanned. Mr. Fischer continued to ask due to the current construction conditions and the tight schedule how comfortable is he with not coming back and needing six more months of additional general conditions. Mr. Thurlow stated that every day brings new challenges in the market, but he feels comfortable that the project will be done and ready for flights on March 7, 2022.

A motion was made by Mr. Thomas for approval of Resolution 12-21 to approve a budget increase of \$11,000,000 for the Terminal Renovation and Expansion Project, seconded by Mr. Fischer. Motion passed unanimously.

Item A-2 Approval of a Lease Agreement for Units 4B/4C Aerospace Center with Alpha Inflight US, LLC d/b/a Dnata Catering.

Mr. Donovan explained that item is for Units 4B/4C in the Aerospace Center which was part of the Aerion leasehold that is now available. The lease is with Alpha Inflight US, LLC d/b/a/Dnata Catering. This will be the catering operator for TUI. Dnata will be making improvements to the unit including some maintenance repair items and because of this, a credit will be given for those costs in a rent credit of \$9,000. This is a four-year term with one three-year option. The rent is based on appraisal at \$6.00 per square foot, which is \$54,000 annually. The Common Area Maintenance (CAM) charge of \$0.50 per square foot which is \$4,500 annually. CPI adjustments will occur on the second and four years, ranging between two and five percent. The lease will generate \$225,000 over the four-year term. Mr. Donovan continued stating that this will position the catering operations for our international travel.

Mr. Mikuen asked if this lease is connected to the TUI contract with the lease period of four years? Mr. Donovan stated that this lease is independent of the TUI contract. Mr. Mikuen asked if there will be cooking and a need for gas lines to be added? Mr. Donovan stated that the kitchen and cooking area is off-site. Mr. Busalacchi explained this will be a food prep area with added coolers, walk-in storage, and freezers.

Mr. Potter asked if this is just for on-board catering? Mr. Busalacchi stated yes. Mr. Potter observed regarding the appraisal that it seemed low and asked how old is the appraisal? Mr. Busalacchi stated it will be re-appraised based on the market conditions.

Mr. Fischer asked how much was the rent from the previous tenant? Mr. Busalacchi stated Aerion was not paying as it was part of the incentive package.

A motion was made by Ms. Thomas for approval of a Lease Agreement for Units 4B/4C Aerospace Center with Alpha Inflight US, LLC d/b/a Dnata Catering, seconded by Mayor Alfrey. Motion passed unanimously.

Item A-3 Approval of a Lease Agreement for Unit 5 Aerospace Center with STS Repair and Modifications, LLC.

Mr. Donovan explained that this item is very similar to Item A-2, involving Unit 5 with STS Repair and Modifications, LLC which is looking to expand its operations. This space is also vacant due to the Aerion departure. This lease agreement is a one-year term with three, one-year options. The base rent is \$5.50 per square foot, which is \$82,500 annually. Repairs will be made by the tenant to the facility so there will be two months of rent abatement. The CAM charge is \$1.00 per square foot, which is \$15,000 annually. The CPI adjustment will occur when STS exercises the option, with a minimum of 2 percent and maximum of 5 percent per year. This lease will generate approximately \$83,750 annually.

A motion was made by Mr. Potter for Approval of a Lease Agreement for Unit 5 Aerospace Center with STS Repair and Modifications, LLC, seconded by Mr. Thomas. Motion passed unanimously.

Item A-4 Recommendation to Approve Agreement with AeroCloud Systems, Inc., for Common-Use Passenger Processing and Flight Information Display Systems in the Amount of \$323,970.

Mr. Donovan stated that the remaining items for approval are part of the new budget, not in addition to the budget.

He explained that the Common-Use Passenger Processing equipment is a key instrument for airline operations. There will be 33 ticket counter positions and 16 gate counter positions. This equipment will eliminate the fixed exclusive use gate areas and ticketing counters.

Mr. Mikuen asked if all the carriers here at MLB use this type of system and will there be any software modifications needed? Mr. Busalacchi stated the airlines are using common use equipment and no software modifications will be needed.

Mr. Potter asked if the airlines are being charged for use? Mr. Busalacchi explained the cost will be built into the rate base. Mr. Potter asked regarding the sole source how is the price determined? Mr. Busalacchi stated it is a single source and the prices were comparable and with the lead time that was needed for TUI was the best action.

Motion was made by Mayor Alfrey to approve the Agreement with AeroCloud Systems, Inc., for Common-Use Passenger Processing and Flight Information Display Systems in the amount of \$323,970, seconded by Mr. Fischer. Motion passed unanimously.

Item A-5 Recommendation to Approve the Purchase of Furniture for the Terminal Renovation and Expansion Project in an Amount Not-to-Exceed \$600,000.

Mr. Donovan explained the original budgeted amount for the new furniture was \$600,000 which did not include the VIP lounge furniture. Mr. Busalacchi negotiated a final price that now includes the VIP lounge furniture under the original \$600,000. Mr. Donovan commended Mr. Busalacchi on the negotiations regarding this action item. Mr. Donovan explained details of the furniture including many added features such as wireless charging stations.

Mayor Alfrey asked if this price included removal of the old furniture? Mr. Donovan stated, no it is not. He explained that airport staff will be taking the lead on the removal. Mayor would like to see if there is any way to get any revenue from the old furniture.

Motion was made by Ms. Thomas to approve the purchase of furniture for the Terminal Renovation and Expansion Project in an amount not-to-exceed \$600,000, seconded by Mr. Thomas. Motion passed unanimously.

Item A-6 Recommendation to Award the Last Phase of Work to The Haskell Company/RS&H/Kinley Team Under Its Progressive Design-Build Contract for Package 2 (Renovations and Bag Screening) of the Terminal Renovation and Expansion Project for the Guaranteed Maximum Price (GMP) of \$7,215,292.

Mr. Donovan explained this is the last item for the phasing part for the project. This portion of the work is mostly for the renovation of areas within the existing terminal such as the glass in the existing terminal and ticketing area and temporary baggage screening.

A motion was made by Mr. Thomas to award the last phase of work to The Haskell Company/RS&H/Kinley Team under its Progressive Design-Build Contract for Package 2 (Renovations and Bag Screening) of the Terminal Renovation and Expansion Project for the Guaranteed Maximum Price (GMP) of \$7,215,292, seconded by Mr. Potter. Motion passed unanimously.

Item A-7 Recommendation to Award the Remaining Terminal VIP Lounge Design-Build to Ivey's Construction, Inc., Under Its Continuing Services Contract in an Amount Not-to-Exceed \$669,910.

Mr. Donovan stated that items A-7 and A-8 are similar with a not-to-exceed amount. He explained the area for the VIP lounge will be in the current restaurant area that is no longer being used, explaining that land-side airport restaurants are waning. A slide show was presented to the Board with details on the design

work. This facility will be used for international passengers and in the future will be available for domestic passengers as well.

Mr. Mikuen asked if TUI has been provided the opportunity to comment on the design and the plans? Mr. Donovan stated yes, and he will present this to TUI in person on his trip to London next week. He explained that TUI will be paying a fee per seat on every aircraft and that the revenue stream basically balances out.

Mr. Potter asked Mr. Donovan to explain why the landside restaurants are waning? Mr. Donovan stated most landside airport restaurants have diminished due to the passengers needing to proceed through security and then relax and use concessions once they are through the checkpoint.

A motion was made by Ms. Thomas to Award the Remaining Terminal VIP Lounge Design-Build to Ivey's Construction, Inc., under its Continuing Services Contract in an amount not-to-exceed \$669,910, seconded by Mr. Mikuen. Motion passed unanimously.

Item A-8 Recommendation to Award the Remaining Welcome Center Civil Package to Ivey's Construction, Inc., Under Its Continuing Services Contract in an Amount Not-to-Exceed \$1,457,046.

Mr. Donovan explained this item is for the civil work along with the canopies and landscaping surrounding the Welcome Center. A slide show was shown with conceptual detailed drawings. It is under the continuing services contract with a Guaranteed Maximum Price (GMP) of \$1,457,046.

Ms. Thomas asked if TUI is having bus services for its passengers? Mr. Donovan stated yes, TUI will have its own bus service contract. Ms. Thomas would like to see bus service to keep TUI passengers within the Melbourne area. Mr. Donovan stated this facility will be able to facilitate that type of service also.

Chairman Ryals added that the rental cars will help facilitate keeping the passengers in the area.

A motion was made by Mr. Potter to award the remaining Welcome Center Civil Package to Ivey's Construction, Inc., under its Continuing Services Contract in an amount not-to-exceed \$1,457,046, seconded by Ms. Thomas. Motion passed unanimously.

Information Items

Item 1-2 Financial Update by Mr. O'Dell

No update was given.

Item I-2 Operations Update by Mr. Cliff Graham

Ellis Road Signage Update

He presented a photograph of exit 182. This is the direct access exit to the Airport. This is a 10-minute reduction in drive-time to the Airport from the Interstate. The Airport is featured only on one sign in each direction approaching the exit. These are small ground signs in the grass giving the motorist the only opportunity to see an airport sign before reaching the exit. The Airport is not treated as a destination is the main issue.

The Airport staff has been working with Florida Department of Transportation (FDOT) and it has been noted as a problem by FDOT which agrees that the Airport is a destination and FDOT will modify six of the overhead signs. FDOT will design, build, install, and fund this project and it will be completed within six months. Mr. Fischer asked about the four lanes for the rest of Ellis Road. Mr. Graham stated this is the number one project with FDOT for Brevard County. There is funding for the land acquisition portion, but the construction funding for this project is not available yet.

Mr. Potter asked if FDOT has started the right-of-way acquisition? Mr. Graham stated no, he doesn't believe so, but it is very imminent.

Mr. Mikuen stated that several exterior signs on the terminal building as well as signs on NASA Boulevard that are still needing to be updated and is there a timetable for this? Mr. Donovan stated there is a timeline in the settlement agreement which is a year from the signed agreement. Mr. Donovan thanked Mr. Graham and the City for the assistance in getting this matter completed.

Item I-3 Construction Projects Update by Mr. Perley

Apron Renovation/Reconstruction

Paving lanes behind the terminal are complete and the temporary construction fence has been relocated. Still having issues with delivery of concrete due to the lack of drivers. Pours have been cancelled but the contractor is maintaining schedule. Pours still starting at 3:00AM and run Monday through Friday, weather permitting. Concrete crushing is nearing completion. Material being placed for apron work by the FIS and EFSC. Construction of the retention pond continues. Electrical duct bank for the ESOS and security check point are nearing completion. Bases for the high mast lighting are complete.

Terminal Renovation Phase 2

Structural steel erection continues in the security check point and hold room areas. The FIS canopy for the baggage expansion has been removed. Drop-off canopy removed and welcome center foundation excavation is underway. Underground plumbing complete for the welcome center. Underground plumbing and electrical continue in the security check point area. Design continues with the VIP lounge. Welcome center civil work underway with shop drawings for the canopies. Coordination with TSA and CBP continues.

New Passenger Boarding Bridges

Fabrication of the passenger boarding bridges continues. Delivery of the bridges is expected in late December with installation completing by end of January 2022.

Northside Expansion

Gopher tortoise relocation completed. Still waiting on City permit where there is a dispute over property boundary easements at Croton Road. which stem from a survey back in 1972. All other permitting comments addressed. Contractor has begun mobilizing equipment and material to the site. Long lead items have been ordered. Contractor to break ground on 9/27/21. Anticipated substantial completion will be February 2022.

Mr. Potter asked if the easement issues are with the City? Mr. Perley stated yes.

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

Update on hotel construction

Construction began on September 8. There is a temporary parking plan in place accommodate the hotel parking and several changes for the T-hangars as well. Tenants have been notified of all changes with gate closures. In November, staff, Eastern Florida State College, and Custom and Board Protection will lose access

to the parking lot. Communication will continue to all parties with any changes. Board members will receive a pass to access the terminal parking lot. T-hangar tenant pedestrian gates are being closed; one will remain open until the pedestrian newly relocated gate is open. Visitors of T-hangar tenants will park on the west side of the parcel, signs are in place. Lot 2 will be closed for approximately 45 to 60 days starting in November.

Groundbreaking

The hotel groundbreaking ceremony is on October 5 at 1 p.m. Invitation has been sent electronically to communities and business leaders in the Melbourne area.

Executive Director's Annual Evaluation

Chairman Ryals explained that last year due to the unusual times it was agreed by the Board not to proceed with the executive director's annual evaluation. He informed the Board that the evaluation will be sent to them after the October board meeting. This evaluation will also include a total compensation package item. Mr. Bill Johnson, Senior Advisor will be conducting a survey with similar size airports on the total compensation package for executive airport directors in Florida and nationally.

In Addition

Mr. Tim Thomas added that he has received numerous comments regarding the Airport. He has reported several people forgoing the drive to the Orlando area to fly and making a commitment to fly out of Melbourne Orlando International Airport. He also spoke with two developers regarding a new hotel into Melbourne; one is interested in bringing in a name brand resort hotel. The discussion with these developers included the Airport and all the new renovations that have happened and are continuing to happen. He believes with TUI's partnership with MLB, that additional domestic carriers will be following. The vote today was the right decision in moving forward with new development. He continued stating that Melbourne has been in the news as being 18 out of 25 best cities in the county to live. He wants to continue to encourage everyone and thank them for a job well done.


Mr. Donovan stated that the Board will be receiving an invitation for a "Beam Signing" event. This event is to take place immediately following the October 27 board meeting and to please dress comfortably as this event will be outside in and around the construction site. All board members will be invited to place their signature on a steel beam that will be hoisted into place as part of the final structure.

Mayor Alfrey wanted to thank Mr. Graham and staff for all their efforts on getting the new signage on I-95.

Adjournment

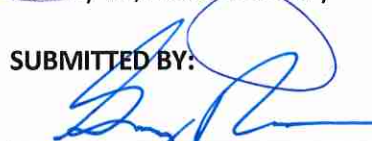
The meeting was adjourned by Chairman Ryals at 9:56 a.m.

PREPARED BY:



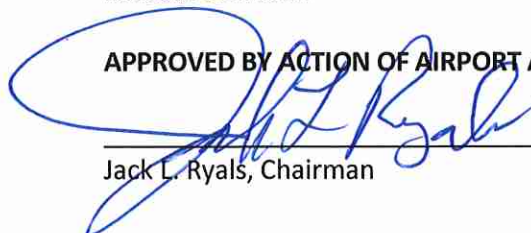
Tammy Till, Board Secretary

SUBMITTED BY:



Greg Donovan, A.A.E.
Executive Director

APPROVED BY ACTION OF AIRPORT AUTHORITY:



Jack L. Ryals, Chairman