



MELBOURNE AIRPORT AUTHORITY BOARD
Minutes for April 22, 2020 Board Meeting
Airport Board Room

Present via telephone: Mr. Jack L. Ryals, Chairman
Mayor Kathy Meehan, Vice Chairman
The Honorable Debbie Thomas, Councilmember
The Honorable Tim Thomas, Councilmember
Mr. William C. Potter, Member
Mr. Scott Mikuen, Member
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. 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
Mr. David Perley, A.I.C., Director of Capital Improvements

Pledge of Allegiance

Roll Call

Roll call was taken by Ms. Tammy Till, Board Secretary. All members were present via secured conference call-in line.

Airport Announcements by Executive Director Greg Donovan:

- Airport update was given regarding COVID-19 situations. Air service disruption, airlines struggling, summer into fall recovery possible timeframe.
- Meeting today is for the most important needs; other agenda items are on hold.
- Three public meeting areas are available within the airport, keeping with the mandated social distancing.
- This meeting will be conducted via secured conference call-in line and secured shared computer screens.

Action Items

Approval of the February 26, 2020 meeting minutes. A motion was made by Mr. Thomas for approval of meeting minutes, seconded by Mr. Mikuen. Motion passed unanimously.

Item A-1 Recommendation for Approval of an Aeronautical Ground Lease with Space Florida and “Project Peregrine II” as the Pre-Approved Sub-tenant.

Mr. Donovan stated Item A-1 has been in the process for over 18 months. This new sub-tenant brings a substantial operation to the airport. It is an aeronautical ground lease between the Authority and Space Florida for a 60-acre undeveloped parcel. This company will bring \$2.8 billion annual impact to Brevard County. The size of the operation is very similar to what Embraer does today. This company will employ approximately 750 new jobs by 2026, with average annual salary of \$100,000 and capital invested by the company is estimated to approach \$375 million. This company is an aircraft manufacturer with plans to construct a campus that will consist of its headquarters including its essential aircraft design division, assembly, and a delivery facility. It will also provide long-term maintenance.

This is a 30-year lease with 2, 10-year options, land lease rate of \$0.34 per square foot per year, which is just under \$900,000 a year. The lease rate is based on a fair market appraisal. Incentives for years 1 and 2 will be full rent abatement, with a graduating process for year 3, 4 and 5. Tenant will pay 100 percent of the rent by year 5. Incentives are also part of Item A-2 of this agenda. Total rent incentive is approximately \$5 million. The proposed lease does have CPI adjustments every five years with a minimum of 2 percent and a maximum of 5 percent per year. The airport has requirements to extend Taxiway ‘M’, upgrading utilities and extending St. Michael Place.

Mr. Donovan continued to address the funding sources:

- \$15,500,000 with 100-percent funding from the Florida Department of Transportation (FDOT).
- \$3,922,132 with 100-percent funding from the Florida Department of Economic Opportunity Florida Job Growth Grant Fund.
- The extension of Taxiway ‘M’ is included in MLB’s Capital Improvement Program (JACIP) as a planned Joint Participation Agreement (50/50 grant) with the Florida Department of Transportation in Fiscal Year 2020.

Mr. Donovan reminded the Board that these improvements are not inclusive to this sub-tenant and will benefit current tenants and other possible future tenants.

He continued with the other lease options requested as part of this lease.

- An 18-month option to lease a vacant, unencumbered 25.6-acre parcel.
- Two parcels that are currently under option to Embraer. If these parcels should become available, the tenant will have an 18-month option to lease.
- Two parcels currently under lease, if these parcels should become available, the tenant will have an 18-month option to lease.

The projected revenue and return on investment over 30 years is approximately \$20 million.

Mr. Potter asked, on estimate, what is the lowest level that the reserve fund would reach before monies are received from the multi-year state grants? Mr. Donovan stated that the reserve would not go below a fourth of one year’s worth of operational expenses, which at the lowest would be \$15 million. Mr. Potter would like to have the minutes reflect that the board’s approval is with the understanding that this can be accomplished without going below \$15 million.

Mr. Mikuen thanked Mr. Donovan for pre-meetings and the details given to the Board. He noted that the Board understands that this grant cannot be altered by the state. He questioned if there are overruns on the construction, will the tenant and the sub-tenant be responsible for this cost? Mr. Donovan stated it would be the responsibility of the company. Mr. Mikuen is very supportive with the airport's out-of-pocket of \$1.5 million for the entire project.

Mr. Fischer asked if the maximum out-of-pocket of \$1.5 million for the entire project includes Taxiway 'M', which is part of the master plan. Mr. Donovan stated yes, and that other tenants will benefit from this improvement.

Staff recommends approval of Item A-1. A motion was made by Mr. Potter for approval of an Aeronautical Ground Lease with Space Florida and "Project Peregrine II" as the pre-approved sub-tenant and authorization for the Executive Director to execute said agreement on behalf of the Authority, seconded by Mr. Fischer. Motion passed unanimously.

Item A-2 Recommendation for Approval of a Commercial Lease for Units 3, 4, and 5 in the Aerospace Center Building with "Project Peregrine II."

Mr. Donovan stated Item A-2 is for a commercial building lease between the Airport and "Project Peregrine II" (PPII) for Units 3, 4, and 5 of the Aerospace Center building located at 100 Aerospace Drive. These units are to be used as a temporary office and warehouse space while PPII's permanent facilities are under construction. The current tenant occupying this space has been in default for approximately one year and as a result is on a month-to-month lease.

The term of this lease is for three years with four, six-month option periods with a potential total duration of five years. If PPII's construction is completed prior to end of the initial base term it can terminate the lease with a 30-day written notice. Base rent of \$6.53 per square foot per year, which is \$291,891 annually. This is based on a Fair Market Value appraisal and Common Area Maintenance Charge (CAM) of \$0.50 per square foot per year, which is \$22,350 annually to be paid monthly.

Rent will be abated for the first three years of the lease in exchange for all improvements made to the premises. The airport is responsible for the replacement of the HVAC system or any HVAC units, if necessary. The airport is also responsible for any exterior maintenance, roof repair, roof replacement, and maintenance of the entrance road and parking area.

Mr. Potter asked during the two-year options, if years four and five would be the going rate and a CAM for the entire time it is occupied? Mr. Donovan stated that is correct. Mr. Potter asked if the current tenant is aware of this situation? Mr. Donovan stated that there has been communication with the tenant, and they will be advised immediately of the board's decision.

Mr. Fischer asked if insurance, taxes and fees are part of the CAM? Mr. Busalacchi stated no.

Staff recommends approval of Item A-2. Motion was made by Mr. Potter for approval of a Commercial Lease for Units 3, 4, and 5 in the Aerospace Center Building with "Project Peregrine II" and authorization for the Executive Director to execute said agreement on behalf of the Authority, seconded by Mayor Meehan. Motion passed unanimously.

Item A-3 Recommendation for Approval of Resolution 3-20 to Approve a Budget Increase of \$22,524,576 for the Northside Expansion Project to Allow Infrastructure Development Needed for a Prospective New Tenant.

Mr. Donovan stated this is the budget adjustment for items A-1 and A-2. The proposed infrastructure projects would include the extension of St. Michael Place, extension of utilities, extension of taxiway 'M', and the construction of a new taxi-lane. The majority of the grants are 100-percent and one requires a local match of \$1,551,222 for taxiway 'M'.

Item A-3 will be going to City Council for additional approval.

Staff recommends approval of Item A-3. Motion was made by Mr. Thomas to approve a budget increase of \$22,524,576 for the Northside Expansion Project to allow infrastructure development needed for a prospective new tenant and authorization for the Chairman to execute said Resolution on behalf of the Authority, seconded by Mayor Meehan. Motion passed unanimously.

Item A-4 Recommendation to Approve Engineering Amendment No. 47 with Airport Engineering Company for Design, Permitting, Engineering, and Bidding for the St. Michael Place Infrastructure and Road Extension Project in an Amount Not-To-Exceed \$283,000.

Mr. Donovan stated Item A-4 is in conjunction with the other items discussed. This is the award for support and design to proceed with the design aspect of this project and does not include the construction management portion. Funding for this project is at 100 percent from the Florida Department of Economic Opportunity Jobs Growth Grant, with a not-to-exceed amount of \$283,000.

Staff recommends approval of Item A-4. Motion was made by Ms. Thomas to approve Engineering Amendment No. 47 with Airport Engineering Company for design, permitting, engineering, and bidding for the St. Michael Place infrastructure and road extension project in an amount not-to-exceed \$283,000, and authorization for the Executive Director to execute said agreement on behalf of the Authority, seconded by Mayor Meehan. Motion passed unanimously.

Item A-5 Recommendation to Award the Ground Run-Up Enclosure Project to the Selection Committee's Recommended Firm of Ivey's/AVCON/BDI for a Guaranteed Maximum Price (GMP) of \$ 4,099,017.

Mr. Donovan stated that this project has been in the works since 2019. With the government shut down in early 2019, the Federal Aviation Administration (FAA) review for approval was delayed. Once it was reviewed, the FAA requested several modifications. Final approval of the site selection did not come until January 2020. Once approval was received, the project was issued for proposals.

There was mandatory pre-bid meeting with 10 construction companies attending. Since this is a specialty item only two firms submitted proposals.

This is a 100 percent grant. Mr. Perley and the management team are confident that this project will be completed at \$4,099,017 through valued engineering.

Mr. Mikuen asked if the design will accommodate any type of aircraft that will be manufactured at our facilities? Mr. Donovan stated yes, and it will be flexible on size of aircraft.

Mr. Potter asked if it will be MLB employees that will work at the facility? Mr. Donovan said it will be the employees of the company, not MLB staff.

Ms. Thomas wanted to have full disclosure that she was part of the selection committee and was very happy with the vetting of this company.

Staff recommends approval of Item A-5. Motion was made by Ms. Thomas to award the Ground Run-Up Enclosure Project to the selection committee's recommended firm of Ivey's/AVCON/BDI for a Guaranteed Maximum Price (GMP) of \$ 4,099,017, and authorization for the Executive Director to execute said agreement on behalf of the Authority, seconded by Mr. Mikuen. Motion passed unanimously.

Item A-6 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) for the Proposed Terminal Renovation and Expansion Project in an Amount Not-To-Exceed \$121,140.

Mr. Donovan explained Item A-6 is under a very tight timeline regarding the environmental approval process. Most airport projects that receive federal funding are required to provide a review for its environmental impact in the form of an Environmental Assessment (EA). Some projects where the environmental impact is negligible, a Categorical Exclusion (CATEX) can be provided in lieu of an assessment. The airport must make a case to the Federal Aviation Administration (FAA) by May 18, 2020 for the grant submissions.

This is a 50/50 match with the Florida Department of Transportation (FDOT) with the airport's out-of-pocket match being \$60,570. ESA, Inc. has assisted with the Master Plan, the Part 150 and the ALP and will be completing this requirement on behalf of the airport.

Mr. Potter asked what the cost would be to file an EA? Mr. Donovan stated that an EA could be four times more, depending on the approval process and time involved.

Staff recommends approval of Item A-6. Motion was made by Mr. Potter 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) for the Proposed Terminal Renovation and Expansion Project in an amount not-to-exceed \$121,140, seconded by Mayor Meehan. Motion passed unanimously.

Informational Items

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

COVID-19 Update

Enplanements are down 50 percent from 2019.

Airport is cutting discretionary spending.

A hiring freeze has been put in place.

There is a hold on cash funded projects but grant funded projects will still proceed.

Estimated prolong recovery period of a minimum of 24 months.

MLB is debt-free, with no debt payment issues.
Recovery models show a 90 percent loss in enplanements with a gradual recovery.
Total impact for FY20 is \$3 million.
Total impact for FY21 is \$3.8 million (projected).
End of FY21 should be back to two-thirds of enplanements.

Federal CARES Grant update

MLB has received a \$19.8 million with the CARES grant.
This grant is to help fund airport operating expenses and to insure liquidity and financial stability.
Funds to be used only for direct reimbursement of costs.
Eligible costs effective date for this grant is January 20, 2020.
The grant period is over four years, after execution.
This grant will be heavily audited.
The airport will request reimbursements as quick as possible for large items such as payroll and ground handling expenses.
Grant acceptance will be based upon Board approval.

Mr. Mikuen asked if capital project direct costs are eligible for reimbursement through the CARES grant? Mr. O'Dell stated it can be with a separate application and requirements. The intent for this grant is for operating expenses and can be used over several year. Mr. Donovan added that MLB received the grant offer in a pre-filed application from the FAA with three options: fund operational expenses and projects, allows for capital improvement projects or a combination of the two. The process of identifying the funds and using them in a capital project would have to been subtracted off the amount for the operational expenses. Mr. Donovan stated that the full \$19 million will be used within the allotted timeframe.

Mr. Fischer asked if there are any potential default by any tenants and if that could impact the reserves? Mr. O'Dell stated that was not accounted for and it could impact the reserves. Mr. Donovan added that this model and projections will be fluid. Mr. O'Dell added that most tenants have not been past due.

Operating Revenues

Tropical Haven is down due to capital improvement fee that expired.

Operating Expenses

Personnel costs are up due to timing of pay periods, contractual staff and salary adjustments.
'Other' operating expense have dropped \$500,000 due to no marketing expenses.

Item I-2 Operations Update by Mr. Graham

Terminal Cleaning

Emphasis on cleaning all surfaces and touch points multiple times per day.
Safety for passengers, tenants and employees is the number one goal.
Airfield and commercial business staff have been re-assigned to assist with the cleaning needs.
Working closely with stakeholders; airlines, rental cars, TSA and CBP to assist them with changing procedures to their cleaning and customer service needs.

Clorox Total 360 System electrostatic sprayer has been ordered. This system kills viruses including COVID-19. It covers a large area, safe on all surfaces, electrostatically charged, safe around people and easy to use.

Maintenance Operations

Staff has been able to tackle projects in-house that are normally problematic such as the parking lot, terminal sidewalks and entrance areas.

Airfield painting has been done without air traffic interruption.

Special Events

Brevard Corporate 5K has been tentatively rescheduled for Thursday, June 18, 2020.

POW/MIA Flag Raising Ceremony has been postponed. Bill Van Doren from Rolling Thunder has been advised.

Item I-3 Construction Projects Update by Mr. Perley

Air Traffic Control Tower

Modifications to the sitework around the new tower has been delayed due to members of the site crew being diagnosed with the Coronavirus and the rest being placed in quarantine.

Travel restrictions have also delayed the completion of the Phase 2 work on the tower.

Closeout is now expected by the end of July 2020.

Terminal Renovation Phase 2

Project is currently paused as we wait to hear from TUI after its 30-day furlough is over.

Design portion of the progressive design/build project will be brought to the Board at a future Board meeting.

Scanning of the entire airport was nearly completed before the pause.

With the current pandemic, most of the project team is on travel restrictions.

Staff has received notice that the FAA due date for the grant applications has been pushed back to May 4 for notification and final submission of the grant application by June 15.

Staff, its consultants and the design/build firm are working diligently to still meet the Federal Aviation Administration (FAA).

grant deadline.

International Passenger Boarding Bridges

Bids were received on April 14.

Only one responsive bidder submitted.

Bid was under the Engineer's budget for the project.

A second bid was received but after the time it was due and after the first bid had been read aloud.

This was deemed a "no bid".

The bid results will now be included in the grant application to the Federal Aviation Administration (FAA) for discretionary funds. Determination of funding will not be known until late summer.

Bid will be brought to the Board at a future meeting for approval. The bid received is good for 90 days.

Ground Run-up Enclosure

Due to the time restraints for completing this project, preliminary meetings are being held.

As part of the proposal package, the design was to be submitted at 10 percent complete. Currently the project is nearing 20 percent complete on the design. The design/build team is aware that it is working under risk without current Board approval of the contract.

Contract to be approved at April Board meeting.

Project completion is next March 2021.

Replacement of Passenger Boarding Bridges 7 & 4

Fabrication of the bridges is nearing completion.

Due to the pandemic, the delivery has been pushed back to the first week of May.

A discussion with the design/build firm has one bridge going out of service at a time and being completed before the next one starts.

Completion of the two bridges is expected in late June.

Obstruction Removal and Lighting

Area 1 of the removal site is about 30 percent complete.

Area one should take a couple of weeks before the second area is ready to begin.

Area 2 environmental work is nearing completion and ready to submit to the State for final approval.

Perimeter Patrol Roads

Project is currently on hold pending contractor's crew coming out of quarantine.

A schedule is being revised to avoid conflict with other on-going projects, including the Obstruction Removal, and FPL infrastructure project.

Project should take about three months to complete once restarted.

Northrop Grumman Metal Roof Replacement

Materials were delivered and contractor has begun.

Project should be completed in about two weeks.

Mr. Donovan added that another component of the CARES Act separate from the grant is that the FAA has eliminated on its funded projects the local match. All FAA grants will now be 100 percent funded.

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

Rent Deferrals

MLB wanted to provide relief to the companies most impacted by the COVID-19 pandemic. It was clear that the airlines, the rental car companies, the MROs, and the master concessionaire, Metz, were the most deeply impacted. Rent has been deferred for three months for all, except for Metz which has its Minimum Annual Guarantee abated. If paid back within the airport's fiscal year, no interest would be added, but if paid within the calendar year, a rate would apply.

Other businesses on the airfield have been assessed and there could be some impact. But on a positive side, General Aviation had a 6 percent increase since last month.

Mr. Potter asked if everyone that was offered the deferral accepted it? Mr. Busalacchi said yes.

STS

The airport is working with STS to have MLB be an aircraft parking location and STS will conduct some maintenance on the parked aircraft. Currently there are 21 aircraft on the airfield and STS has submitted a response to an RFP to perform light maintenance work on 30 airplanes.

Mr. Busalacchi thanked his team of Ms. Naughton and Mr. Himler and the rest of the MLB team in all the work that was put into "Project Peregrine II" over the last 18 months.

Public Speakers

In Closing

The meeting was adjourned by Chairman Ryals at 10:15 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