



MELBOURNE AIRPORT AUTHORITY BOARD
Minutes for October 23, 2019 Board Meeting
Airport Board Room

At which were present: Mr. Jack L. Ryals, Chairman
The Honorable Debbie Thomas, Vice Mayor
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

Excused: Mayor Kathy Meehan, Vice Chairman
The Honorable Tim Thomas, Councilmember

Pledge of Allegiance

Airport Announcements by Executive Director Greg Donovan:

- New air traffic control tower is open.
- Mr. Bill Potter received the 2019 Gary R. Cunningham Distinguished Service Award for Economic Development from the Economic Development Commission.
- New finance department employee, Idalmis Vega, was introduced.
- MLB Police and Operations Department were thanked for airport property clean-up.
- Mr. Donovan was a guest speaker at Space Coast League of Cities monthly meeting.
- MLB staff travels to Tallahassee to visit with Senator Mayfield and other officials.
- Officer engagement with community, "Coffee with a Cop" at Tropical Haven.

Action Items

Approval of the minutes of the August 28, 2019 and (as corrected) September 25, 2019 meeting. A motion was made by Mr. Potter for approval of meeting minutes, seconded by Ms. Thomas. Motion passed unanimously.

Item A-1 Recommendation to Approve the Purchase of Two Vehicles for \$47,324 through the Florida Sheriff's Association State Contract Number FSA19VEL27.0 for the Airport Police Department.

Mr. Donovan stated that Item A-1 is in regard to purchasing two vehicles included in the FY 2020 budget. The two vehicles being replaced will be removed from service and auctioned. Funds from the auction will go into airport funds for future purchases.

Staff recommends approval of Item A-1. Motion was made by Mr. Potter to approve the purchase of two vehicles for \$47,324 through the Florida Sheriff's Association State Contract Number FSA19VEL27.0 for the Airport Police Department, seconded by Mr. Fischer. Motion passed unanimously.

Item A-2 Recommendation to Approve the Sole-Source Purchase of 12 L3Harris Corporation Two-Way Radios from Communications International for the Police Department for \$52,557.

Mr. Mikuen has signed and submitted Form 8B, Memorandum of Voting Conflict and has recused himself from voting on this matter.

Mr. Donovan explained that Item A-2 is to complete the purchase of the final 12 two-way radios that are necessary to comply with the U.S. Department of Homeland Security's Project 25 (P25). Communications International is the sole Public Safety and Professional Communications Channel Partner authorized to provide regional sales and service for L3Harris Corporation equipment. This is a critical element and tool for the police department.

Staff recommends approval of Item A-2. Motion was made by Mr. Potter to approve the sole-source purchase of 12 L3Harris Corporation two-way radios from Communications International for the Police Department for \$52,557, seconded by Ms. Thomas. Motion passed unanimously.

Item A-3 Recommendation to Approve a Single-Source Purchase Order with ABA-CON, INC., for Required Monthly, Quarterly, and Annual Avgas and Jet-A Fuel Tank Inspections, Cleaning, and Repairs.

Mr. Donovan explained that Item A-3 is in regard to the fuel farm and the required periodic checks and maintenance of the equipment. Staff solicited six companies in an attempt to secure the needed inspection, repair, and cleaning sources for Avgas and Jet-A fuel tank companies. As a result, ABA-CON is currently the only viable option for these services and requires a single-source purchase order.

Mr. Potter asked what is the term of the contract. Mr. Donovan stated it is for one year.

Staff recommends approval of Item A-3. Motion was made by Ms. Thomas to approve a single-source purchase order with ABA-CON, INC., for required monthly, quarterly, and annual Avgas and Jet-A fuel tank inspections, cleaning, and repairs, seconded by Mr. Potter. Motion passed unanimously.

Item A-4 Recommendation to Approve the Extension of a Consulting Agreement with Aeropandion.

Mr. Donovan explained that Item A-4 is for Mr. Bill Johnson's contract. He is an incredible asset to the airport. His background as an airport director within the state, and most recently as the director of the Florida Airports Council is invaluable. He works with the state agencies to obtain grants and understands the politics and lobbying. This is an annual "not-to-exceed" amount of \$42,995.

Staff recommends approval of Item A-4. Motion was made by Mr. Potter to approve the Extension of Consulting Agreement with Aeropandion, seconded by Mr. Mikuen. Motion passed unanimously.

Item A-5 Recommendation to Approve a General Terms Agreement with Tango 2.

Mr. Donovan explained that Item A-5 is an opportunity with a company for new air service. Airport staff has been engaged in negotiations with this entity known as "Tango 2" since 2015. This project named, Tango 2, is being used to protect the company's anonymity.

Mr. Donovan explained that this company would like to make the announcement, should the board approve this item. As of last Wednesday, the company's board has signed the agreement. It does fall under economic development state statutes and is under a business level non-disclosure agreement (NDA). This decision involves tens of millions of dollars on its part and is a big leap-of-faith in our direction. Promises were made to increase our infrastructure and airfield environment. Around 100 million dollars has been spent over the last four years keeping this promise and there is still significant work ahead. If the board approves this agreement, service would commence in the spring of 2022. This is a seven (7) year agreement including the provisions of the existing Air Service Incentive Plan (ASIP). These provisions are the same for all companies and existing carriers, which is the airport's standard policy.

He continued to explain that the details listed under the marketing assistance item is an already approved policy. It entails significant amounts of waivers, including the per-turn charge. It includes marketing assistance for start-up, revenue sharing with duty free, and allowances for ground transportation. The ground transportation allowance rolls off after the first two years.

Mr. Donovan continued, stating MLB is a gateway to central Florida and with this agreement, MLB will be a major facilitator for international activity. In previous years, the airport has made improvements to the Federal Inspection Station (FIS), the airfield environment including runways and the tower. There are obstacles that still lie ahead of us, one being the terminal building. Mr. Donovan stated, as a reminder to the board, that the terminal reconstruction process is included in the master plan and in the Joint Improvement Plan (JCIP). The airport is at a crossroads where it would have to make normal improvements to this building, but with the approval of this agreement, it makes the terminal building a more urgent project.

Mr. Donovan explained that the airline industry itself has dealt this airport its biggest issues. Deregulation, consolidation, and bankruptcy are some of the industry issues and have been outside the airport's control. Small hub airports around the county have not had huge success with air service in recent years. MLB now has an opportunity to facility transportation to central Florida, not just Melbourne or Brevard County.

He continued to explain the risk that is involved and detailed current projects. There will be a major financial commitment to this project, but will not be risking or jeopardizing existing projects.

Mr. Donovan continued and thanked the board for being the oversight of this airport. If this agreement is approved, checks and balances will be put in place. This is a beginning of a long process over the next two years and the seven years beyond that. He continued stating that the airport has been debt free, but that is not the case with most airports. The level of debt that the airport can

carry is substantial and several financial scenarios have been discussed. There are many sources that will be explored with Airport Improvement Plan (AIP) funds, state funds, and other sources. He continued to explain that the pro forma and the Profit & Loss is based on actual operations.

Mr. Donovan thanked the staff on the long hours and behind the scenes work that has gone into this agreement. He continued stating that MLB will gain industry world-wide attention and reiterated that these improvements are not specific to Tango 2 but is for MLB in general. If the terminal building is improved, it positions the airport to accommodate a wide-range of activities. This new operation will include nine international destinations on wide-body aircrafts.

He continued explaining the details of the airport's significant reduction of expenses and increases in revenue, which is building the airport's reserves. The operating revenue is about \$16.7 million, the amount of airline revenue is only about \$2.3 million, total amount of revenue relating to airline activity is only 13.7 percent. Then adding concessions, parking and car rentals that number goes up to \$3 million for a total of 17.9 percent of airport revenue. He continued stating about 69 percent of the operating revenue comes from a different source than airline/passenger related services. The annual revenue from non-airline sources is about \$11.6 million, which will go up in the near future. These funds will be able to carry the airport through with this operation. He reminded the board that funds which are generated at the airport must be spent at the airport.

Mr. Donovan added that all of the analysis has not included the community impact. Nearly 200,000 will be arriving in the airport, spending money on rental vehicles, and eating at local restaurants. He concluded with hoping the board understands the importance of this opportunity. The airport council, Mr. Adam Bird has made sure this agreement allows for performance and consequences for both parties if the target is not met. Mr. Donovan stated this is a professional organization that has a proven track record and he is deeply honored to present this agreement to the board for a critical decision.

Mr. Chairman opened the floor for questions.

Mr. Mikuen began with he recognized the work that has gone into this agreement. He stated it is a measured risk and he will support this agreement, but with some reservations. Business is about the airfield here at this airport, but the biggest concern is regarding the capital and supports borrowing if it is the right thing to do and it has a return on capital and can service the debt. When staff does the designs, try to make it as modular as possible, to finish in phases. He requested that the board be updated with weekly or monthly meetings.

Mr. Donovan added Mr. Mikuen's concern. The types of improvements that will be done are universally wanted by airlines. The universal approach on infrastructure reaches all airlines.

Mr. Potter stated that there are pro formas and the assumptions are conservative, but basically are valid. One concern he has is for the capital requirements and agrees with Mr. Mikuen to have weekly or monthly updates. It always has been the theory that real estate revenue would support air service and it is appropriate to use that revenue to develop air service. But after this transaction Mr. Potter would like to revisit the marketing incentives in terms of the cash flow requirements. He continued to state that it is a risk, but it is a tolerable risk.

Mr. Fischer stated that the real estate revenues are substantial and sustainable and agrees that it will support moving forward with this agreement. He is in favor to move forward with this agreement. Another concern is the \$20 million for capital improvement, but feels it is a good investment if that also attracts other airlines. He also has a concern over the \$7 million committed toward design and implementation of the terminal and if that will need to be stopped due to Tango 2.

Mr. Donovan explained that the airport will be able to capitalize on what has been done so far, and continue with some slight alterations without losing any progress or wasting any funds.

Ms. Thomas supports this agreement and is very excited about it. The idea from this board is to move forward and to make bigger and better decisions. As this moves forward, she is thinking on how to capture these tourist dollars.

Chairman Ryals added that expending capital funds for one project may hinder the ability to expand in other areas, but he believes this particular project will increase demand for further development. He compared this project to what Embraer has accomplished here at MLB. He continued to address that the airport and the board has been looking at this project for four and half years and it has been very intense for the last few month. He complimented Mr. Donovan, Mr. Bird, Mr. Busalacchi and Mr. Dull for keeping the process moving forward and having this all come to fruition.

Staff recommends approval of Item A-5. Motion made by Mr. Potter to approve a General Terms Agreement with Tango 2, and authorization for the Executive Director to execute such lease on behalf of the Authority, seconded by Mr. Fischer. Motion passed unanimously.

Discussion Item

Item D-1 Combined November/December Board Meeting is scheduled for December 4, 2019.

Informational Items

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

Revenue and Expense Highlights

Revenues are up approximately \$920,000 (6%).

Tropical Haven revenue up due to the capital improvement assessment.

Traffic Report had some decline basically due to lower seat count with both Delta and American, but year-over-year numbers are up.

Operating expense down over \$1 million.

True-up of \$387,000 pushed through.

Electric up due to rate increase as well as 4 percent increase in usage.

Consulting fee down 8 percent.

Item I-2 Operations Update by Mr. Graham

Annual Wildlife Meeting

Public monthly meeting to be held on November 12 at 9 a.m. at MLB.

Purpose is to review and address MLB's specific wildlife hazards.

Gary Exner, FAA Certified Wildlife Biologist will facilitate the meeting. Any and all are invited to attend; airport management, airline representatives, airfield tenants, landside tenants, surrounding business.

Item I-3 Construction Projects Update by Mr. Perley

Ground Run-up Enclosure

FAA continues to review the updated Airport Layout Plan (ALP). Final documents for the siting study are ready to submit. FAA is coming to the Airport on 10/30/19 for a review at which time the formal submittal of the GRE for approval will be made.

Replacement of Passenger Boarding Bridges 7 & 4

Contract is fully executed.
Notice to Proceed has been issued.
Bonds and insurance are in place.
Initial meeting held for project kick-off.
Field survey by the Contractor of existing conditions has been completed.
Design is underway.
Bridges to be delivered in April 2020.

Obstruction Removal and Lighting

Funding from the FAA has been received.
FDOT has the executed revised resolution for funding.
New Grant agreement received and is ready for signature.
FDOT NTP should be within two weeks.
Contractor is ready to begin upon receiving notice.

Perimeter Patrol Roads

Project is currently out to bid.
Board approval of the award will be in the Nov/Dec Board meeting.
Project should take about three months to complete.

St. Michaels Monument Sign

The electric meter has been set and the monument sign is now complete.
Project will close out next month.

Tropical Haven Road Repairs

The Contractor has completed all the southern section of road repairs within the complex, including asphalt. North area base is being installed.
Paving should be completed within two weeks.
Project will close out next month.

Northrop Grumman Metal Roof Replacement

Bid package complete and ready for review.
Bid expected by the end of November.
Recommendation to Award will be brought to the next Board meeting for approval.

Air Traffic Control Tower

On October 16, 2019 at 6:00 AM, the new air traffic control tower became operational. There is still some work to be completed in the tower and it is on-going. A phase 2 kick-off meeting is schedule for the end of the month. The contractor will continue with the Phase 2 parking and site work and will be completed in about 8 to 10 weeks. Tower demo will be completed during this time as well. Closeout expected by the end of February 2020.

Item I-5 Business Development and Marketing Update by Mr. Busalacchi

STS

New pavement next to MRO hangar.
A new Rubb Hangar project will begin shortly. This hangar, which is made of tension fabric, will be a permanent structure.
All financed by STS.
Lease agreement in the process, will be brought to the board for final approval.

Avidyne

Construction of a new hangar begins.
Will be completed within the next six months.

Public Speakers

None

In Closing

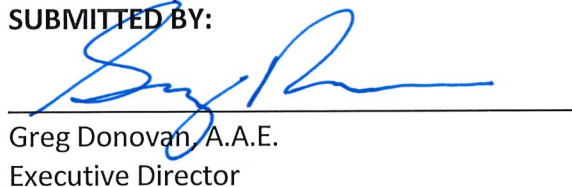
The meeting was adjourned by Chairman Ryals at 9:48 a.m.

PREPARED BY:



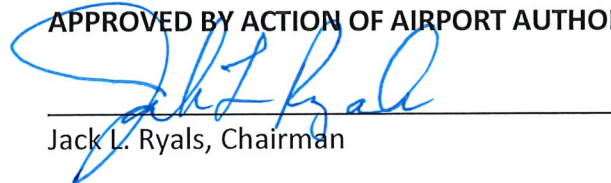
Tammy Till, Board Secretary

SUBMITTED BY:



Greg Donovan, A.A.E.
Executive Director

APPROVED BY ACTION OF AIRPORT AUTHORITY:



Jack L. Ryals, Chairman